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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 Report 2022

*For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Lyu Guo *(Chief Executive Officer)*

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Chen Huachen *(Chairman of audit committee)*
Mr. Peng Shou
Mr. Zhang Baiheng
Mr. Wang Yuzhong

REMUNERATION COMMITTEE

Mr. Wang Yuzhong *(Chairman of remuneration committee)*
Mr. Peng Shou
Mr. Zhang Baiheng

NOMINATION COMMITTEE

Mr. Zhang Baiheng *(Chairman of nomination committee)*
Mr. Peng Shou
Mr. Wang Yuzhong

STRATEGY COMMITTEE

Mr. Peng Shou *(Chairman of strategy committee)*
Mr. Zhao John Huan
Mr. Lyu Guo

SENIOR MANAGEMENT

Mr. Li Ping
Mr. Yang Hongfu
Mr. Xu Ning
Mr. He Wen
Mr. Han Liming
Ms. Kuok Yew Lee

COMPANY SECRETARY

Ms. Kuok Yew Lee

AUTHORISED REPRESENTATIVES

Mr. Lyu Guo
Ms. Kuok Yew Lee

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2608, 26/F, West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Room 201, Floor 2, Block 1
No. 66 Sibo Road
Songjiang District
Shanghai
the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Fulbright Hong Kong

As to the PRC Law
Commerce & Finance Law Offices

As to Bermuda Law
Appleby

PRINCIPAL BANKERS

China Construction Bank
Bank of Communications
Bank of Shanghai
Shanghai Pudong Development Bank
Standard Chartered Bank
Hua Xia Bank
Ping An Bank
China CITIC Bank
Xiamen International Bank
Luso International Bank

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Holdings Limited

STOCK CODE

The Stock Exchange of Hong Kong Limited: 3300

WEBSITE

www.chinaglassholdings.com

Financial Highlights

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2022 are extracted from the audited financial statements of this report and the Company's 2018, 2019, 2020 and 2021 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

		The Group Year ended 31 December				
	Note	**2022**	2021	2020	2019	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	*2*	**4,327,196**	5,065,048	3,158,567	2,369,230	2,617,725
Cost of sales		**(3,689,007)**	(3,331,345)	(2,419,843)	(2,084,588)	(2,207,630)
Gross profit		**638,189**	1,733,703	738,724	284,642	410,095
Other income		**170,638**	3,140	30,413	319,597	230,849
Distribution costs		**(101,166)**	(83,213)	(77,515)	(67,325)	(78,088)
Administrative expenses	*1*	**(330,717)**	(337,572)	(287,656)	(241,128)	(251,290)
Impairment losses (recognised)/ reversed on receivables and contract assets	*3*	**(23,853)**	(566)	(122,739)	(20,528)	2,260
Other operating expenses		**–**	(13,440)	(11,673)	–	–
Profit from operations	*1,2*	**353,091**	1,302,052	269,554	275,258	313,826
Finance costs	*1,3*	**(267,713)**	(232,802)	(263,674)	(185,728)	(160,805)
Share of profits less losses of joint ventures		**(60)**	(56)	(725)	(102)	–
Net gain on disposal of interest in an associate		**–**	–	–	–	175
Share of profits less losses of an associate		**–**	–	–	–	(62)
Profit before taxation		**85,318**	1,069,194	5,155	89,428	153,134
Income tax	*1,2,3*	**16,457**	(267,247)	(103,633)	(16,724)	(49,060)
Profit/(loss) for the year		**101,755**	801,947	(98,478)	72,704	104,074

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**13,285,303**	10,380,534	7,201,243	7,188,111	6,974,710
Total liabilities	**(9,994,404)**	(7,002,511)	(5,033,247)	(4,938,392)	(4,752,779)
Net assets	**3,290,899**	3,378,023	2,167,996	2,249,719	2,221,931

Notes

1 As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2 As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group changed its accounting policies in respect of revenue recognition. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

3 The Group adopted HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*, from 1 January 2018. As a result, the Group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

Chairman's Statement

To shareholders,

In 2022, the recovery of the global economy was sluggish under the influence of stagflation. The GDP of the PRC increased by 3% year-on-year, and the Chinese economy has shown strong resilience. The overall operation of the domestic glass industry was stable and the "energy saving and carbon reduction" in the industry achieved remarkable results, with a significant increase in the use of green and low-carbon building materials and the steady advancement of the application of green building materials.

Looking back on the previous year, the focus of the Company's work plan was placed on "expanding the new glass, new materials and new energy ("three new") fields, extending the industrial chain, and grasping the opportunity arising from the growth of overseas business", which promoted the achievement of new breakthroughs in Company's development. In terms of management, the Company deepened the full-chain information management model integrating production technology, strategic procurement, marketing, finance and investment management, and exerted efforts on the work of "cost reduction and efficiency enhancement". In terms of international development, the overseas companies were in sound operation. The company in Nigeria made a historic breakthrough in operating performance; the orders of the company in Italy continued to increase, resulting in the significant improvement of benefits; the production line of the company in Kazakhstan was favourably put into operation, successfully creating a new model of cooperation for the "Belt and Road".

In 2023, the downward pressure on the world economy will increase, and certain economies will face the risk of shift from "stagflation" to "recession". The Chinese government adheres to the general principle of prioritizing "stability" and seeking progress while maintaining stability, and it will continue to implement a proactive fiscal policy and a prudent monetary policy to jointly promote high-quality development. In 2023, the Company will fully seize the situation of the industry development and proceed with the transformation and upgrading of float glass featured by differentiation, specialization, and intelligence; based on market, cost, policy orientation and other factors, as well as the actual conditions, the Company will expand the "three new" industrial fields; adhering to the "going global" development strategy in order to strengthen international cooperation with high-quality production capacities and further enhance the contribution of overseas business to the Company's performance.

On behalf of the board of directors, I would like to express my sincere gratitude to our shareholders and investors for their support and concern and to our staff for their contributions to the development of the Company.

Peng Shou
Chairman

MARKET REVIEW

In 2022, due to the intensified geopolitical conflicts, a rise of global inflationary pressures and the continuation of the COVID-19 pandemic, the growth momentum of the world economy was insufficient. Facing the complex and ever-changing international situation, the Chinese government effectively coordinated both prevention and control of the pandemic and economic and social development to strive for the stable operation of the economy.

In 2022, as the performance of the real estate market in the PRC was sluggish, the recovery of completion of real estate repairs fell short of expectations and the demand for flat glass was under pressure, resulting in low prices. In addition, the costs of raw and fuel materials increase. Thus, the profit space was squeezed in both directions. With the deepening of national supply-side structural reform, the supply side of flat glass improved, striving to realize the goals of peak carbon dioxide emissions and carbon neutrality ("double carbon (雙碳)"). In 2022, the Group continued to pay attention to the development opportunities in overseas emerging markets, and achieved significant growth in the performance of overseas projects.

BUSINESS REVIEW

Overview

The Group currently has 14 float glass production lines, with a daily melting capacity of 7,400 tonnes. As at 31 December 2022, the Group had 11 float glass production lines in operation. The unoperated production lines were temporarily suspended due to cold repair technical renovation. In addition, the Group also had one photovoltaic rolled glass production line with a daily melting capacity of 1,000 tonnes, two offline low-emission coated ("Low-E") glass production lines, and a company specialized in engineering equipment and technical services for neutral pharmaceutical glass production lines.

The Group's overseas business income is mainly derived from the coated glass and design and installation service segments. Under multiple challenges such as persistent global inflation, the Russia-Ukraine conflict and the supply chain crisis, the performance of the Group's overseas companies grew against the trend. In 2022, the sales revenue of the company in Nigeria increased by more than 45% year-on-year, and the gross profit margin exceeded 50%; the COVID-19 pandemic drove the growth of demand in the global pharmaceutical packaging materials market and by virtue of the advantages of world-leading technologies of neutral borosilicate glass tubing, the company in Italy saw the steady increase in operating performance. In addition, the float glass production line in Kazakhstan was successfully put into operation in the fourth quarter of 2022, and the diversified layout of overseas production capacity contributed to the growth of the Group's performance.

In 2022, the Group accelerated the Company's industrial upgrading and product mix optimization by utilizing its own complete set of independent intellectual property rights in the field of coated glass, and the revenue of the coated glass segment increased against the trend.

Production, sales and selling price

In 2022, the Group produced an aggregate amount of 41.21 million weight cases of various types of glass products, representing an increase of 1% as compared to last year; whereas sales volume was 36.76 million weight cases, representing a decrease of 7% as compared to last year. The average selling price of the Group's various types of glass products was RMB108 per weight case in 2022, representing a decrease of 12% as compared to last year.

Prices of raw and fuel materials, and production costs

In terms of raw materials, in 2022, the domestic soda ash market was benefited from the increase in domestic and overseas demands. The inventory dropped sharply and the price was at a high level in the past five years and showed an "N"-shaped trend. In respect of mineral raw materials, affected by factors including national environmental protection and safety supervision, "double controls of energy consumption", the supply was limited, with high mining costs, the price of mineral raw materials including quartz sand maintained at a high level, resulting in shrinking demand in the second half of the year, the market price was in a downward trend.

In terms of fuel, in 2022, geopolitical conflicts led to a tight supply and demand of global natural gas, and domestic and overseas natural gas prices continued to be at high levels. Affected by factors such as the substantial increase in production capacity of the supporting battery industry for new energy vehicles, the short-term domestic demand for ethylene tar surged, droving up the price. Subsequently, due to factors including the decline in international oil prices, the price fell back. The market price of imported low-sulfur shot coke for the whole year demonstrated a trend of rising before decline, and mainly changed with the changes in the operation rates in the aluminum industry and the new energy supporting battery industry.

MAJOR WORKS IN 2022

In 2022, in the face of the complex and ever-changing external environment, with the aim of improving its operating performance, the Group insisted to focus on the float glass business and deepened the implementation of its mid- and long-term development strategy integrating "organic growth, M&A growth and going global" ("three major strategies"). While conscientiously proceeding with the work of "cost reduction and efficiency enhancement", the Group proactively promoted the construction progress of new glass, new materials and new energy ("three new") projects and deepened the unified system management covering"production, marketing, procurement, finance and investment" ("five-in-one"). The Group's efforts were mainly exerted in the following aspects:

1. **The "Going Global" strategy achieved remarkable results, which has contributed to the growth of performance**

   The Group proactively responded to the national "Belt and Road" initiative, and the "Going Global" strategy achieved breakthroughs in stages. A high-quality float glass production line with a daily melting capacity of 500 tonnes in Kazakhstan was successfully launched in October 2022, becoming the first float glass production line in Kazakhstan; the company in Nigeria maintained a strong performance growth rate, with a comprehensive gross profit exceeding 50% and a profitability significantly ahead of the domestic peers; with the world-leading technical equipment for neutral borosilicate pharmaceutical glass and hollow glass, the company in Italy achieved steady growth of profit, and the new solar energy and technology development business developed gradually, which is expected to become a new economic growth driver in the future.

2. **Adhering to technological innovation, expanding and extending the "three new" fields**

   In response to the national "double carbon" initiative and in accordance with the national green and low-carbon development concept, we relied on internal and external technology development platforms to promote the unified and collaborative management of the Group's production technologies. We vigorously promoted greenery and intelligent production on the basis of ensuring the safe and stable production of the Group's every production line.

   The new Energy Business Department and Deep Processing Business Department, newly established at the headquarters of the Group, kept an eye on the national sustainable development policy and market conditions, coordinated and managed the "three new" and deep processing projects to promote the upgrading of the Group's industrial structure.

The Group gave full play to the advantages of its leading position in the complete technical system with independent intellectual property rights which enhanced the stability of online coating production equipment and processes and promote the organic integration of float process and online coating process, which effectively reduced production costs; meanwhile, the technical differences of the characteristic coated glass and other characteristic products of the Company in the industry were gradually strengthened, and the Group successively expanded the extension of industrial chain to enhance the core competitiveness of the Company.

The Dongtai Base of the Group upgraded and modified an online transparent conductive oxide ("TCO") coated glass production line with a daily melting capacity of 600 tonnes by using a complete set of independent intellectual property rights, and an offline Low-E coated glass production line with an annual production capacity of 10 million square meters was completed and commenced production at the end of January 2023.

A photovoltaic glass production line with a daily melting capacity of 1,000 tonnes and its supporting deep processing lines in the Suqian Base of the Group were ignited and commenced production at the end of January 2023, and the layout of the new energy industry has been formed in Suqian.

3. Seizing market opportunities and adjusting procurement and marketing strategies in a timely manner

In terms of procurement management, we paid close attention to the economic environment and fluctuations in market conditions caused by geopolitical conflicts and the COVID-19 pandemic. Taking into account of the situation, we deeply explored strategic cooperation with high-quality suppliers through centralized purchasing, off-peak purchasing, opportunistic purchasing, advance purchasing, etc., to effectively reduce the purchasing costs of raw and fuel materials. Meanwhile, through overall planning, field survey, intelligent monitoring, dynamic management, etc., we optimized the procurement channels and refined procurement processes to ensure the stability of raw and fuel materials supply and production safety.

In respect of marketing management, we focused on strengthening management and control of the price and grasped the pace of market changes, to adjust marketing strategies quickly; we strengthened research and judgment to adjust product structure promptly and gave full play to the advantages of the Company's high value-added specialty products including traditional painted glass and coated glass to meet market demands flexibly. Meanwhile, we balanced and coordinated customer channel relationships and promoted the improvement of customer resource quality through improving the dynamic customer contract management system, strengthening sales channel development, customer satisfaction surveys, and other measures.

4. Tapping potential internally, "cost reduction and efficiency enhancement" achieved actual results

With the overall arrangements made by the headquarters of the Group, every base proactively promoted the work of "cost reduction and efficiency enhancement" according to local conditions. In terms of production technology, we practically strengthened the management and control of the whole production process and reasonably adjusted the structure of raw and fuel materials on the basis of ensuring product quality and safe production, to effectively reduce the heat consumption of furnaces and comprehensive energy consumption; in respect of finance, in coordination with the headquarters and bases, we conducted overall fund management to control costs effectively. At the same time, we proactively sought for low-cost and diversified financing channels and implemented policies which are beneficial to the enterprises in order to match high-quality capital resources for the rapid expansion of the Group's businesses.

5. **Being "people-oriented" with focus on construction of corporate culture**

   We fully implemented the "people-oriented" humanistic concept. Through further organizing skills training and exchanges on positions temporarily for employees at all levels, optimizing the configuration of the senior management team, and other measures, we continuously strengthened human resource management; through enhancement of the income standard of employees, improvement of the performance appraisal system, carrying out selection and commendation of "Top Ten", "Enterprise Craftsman", etc. and other activities, we gave full play to the positive and incentive role and mobilized the employees' enthusiasm and sense of corporate identity; by launching various cultural and sports competitions, organizing festival gatherings and other interactions to enhance team cohesion.

6. **Building the "China Glass" brand, strengthening capital market management**

   We built the "China Glass" brand in all aspects. Internally, we required the concept of brand building be infiltrated into personal work; externally, we strengthened capital market management and corporate image management, and proactively leveraged investor relations and media resources to convey the Company's major development strategies and dynamics of its investment projects promptly. We also actively participated in related activities organized by China Building Materials Federation, Architectural Glass and Industrial Glass Association and other associations to enhance the Company's exposure and popularity.

IMPACT OF THE COVID-19 PANDEMIC AND COUNTERMEASURES

In 2022, in light of scattered outbreaks of the pandemic in the PRC, the Group's bases faced liquidity problems such as manpower allocation, procurement of raw materials and fuels, and shipment of finished products. The Group struck to make good efforts in 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.

MARKET OUTLOOK

It is expected that the global economic growth will slow down in 2023. The Chinese government will insist on "stability" and strive for progress while exerting efforts to promote high-quality economic development.

In 2023, under the multiple pressures of "strict control of additional capacity, centralized cold repairs, and intensified environmental protection policies", the flat glass industry of the PRC is expected to still have room to shrink on the supply side. The marginal improvement of real estate policy on the demand side will accelerate the restoration of completion of real estate projects, and the price of architectural glass is expected to rebound. Under the guidance of the national "double carbon" policy, the future demand growth momentum for new energy glass and energy-saving architectural glass will become strong. In terms of pharmaceutical glass, driven by the domestic "consistency evaluation" policy, the replacement of domestic neutral borosilicate pharmaceutical glass in the PRC has accelerated, indicating a larger market potential.

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

In terms of raw materials, in 2023, the domestic soda ash market is expected to be booming in both supply and demand. However, due to the continuous increase in new production capacity of soda ash, the price is expected to show a fluctuating downward trend. It is expected the prices of silica sand and other mineral raw materials will remain at a high level due to the impact of the strict control by national environmental protection and safety policies.

In terms of fuels, in 2023, the impact of the international energy crisis will continue. It is expected that international natural gas prices will remain at a high level. Benefiting from the China-Russia and China-Myanmar natural gas pipelines being put into operation, the price of domestic natural gas is expected to drop in the medium and long term. The international crude oil price is expected to fluctuate widely, and the market prices of fuel oil and petroleum coke are expected to fluctuate at high levels.

WORK PLANS FOR 2023

Guided by the strategic layout of major shareholders, the Group will adhere to the "three major strategies" in the medium and long term, to build a leading manufacturer of high-quality float and special glass in the industry:

1. The Group will gain an understanding of the industry's development situation and proceed with transforming and upgrading float glass featured by differentiation, specialization and intelligence. Through the technological innovation of the research and development team of the Company and the extensive application of a complete set of independent intellectual property technology system, the market competitiveness of the characteristic coated products of the Company will be further improved, and efforts will be made to develop TCO glass products for various thin-film solar batteries.

2. After comprehensively considering factors such as market, cost and policy orientation and so on, the Group will proactively expand the "three new" fields. Meanwhile, it will take the initiative in seeking upstream and downstream high-quality investment projects in order to achieve synergistic effects in the industrial chain.

3. The Group will proactively strive for greater breakthroughs in the "going global" strategy, strengthen international production capacity cooperation to make full use of national policy advantages, and seek high-quality investment opportunities in areas along the "Belt and Road", to expand the scale of the overseas business segment.

4. The Group will continue to deepen the "five in one" management, to give full play to the advantages of collaborative management among systems, adopt flexible business strategies for production, procurement and sales, etc. and carry out "cost reduction and efficiency enhancement" and "benchmarking management" to cope with the complex and ever-changing market environment.

5. The Group will further improve the salary increment mechanism and performance appraisal system and promote the formulation and implementation of an 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.

6. The Group will expand and deepen the dimension and depth of communication and interaction with the capital market to promote the healthy development of the Company's market value.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 15% from RMB5.065 billion for the year ended 31 December 2021 to RMB4.327 billion for the year ended 31 December 2022. The decrease in revenue was mainly attributable to the combined effect of a decrease of 12% in the annual average sales price compared to last year due to a decrease in the market price of glass this year, and a decrease of sales volume of 7% compared to last year.

The Group's revenue by the segments of products and services is listed below:

	2022		2021		Change
	RMB'000	***Proportion %***	*RMB'000*	*Proportion %*	*%*
Clear glass	**2,002,711**	**46.3**	2,688,045	53.1	(25%)
Painted glass	**567,142**	**13.1**	639,520	12.6	(11%)
Coated glass	**1,130,858**	**26.1**	1,047,605	20.7	8%
Energy saving and new energy glass	**263,241**	**6.1**	472,011	9.3	(44%)
Designing and installation related services	**363,244**	**8.4**	217,867	4.3	67%
	4,327,196	**100**	5,065,048	100	(15%)

The decrease in revenue from the Group's clear glass, painted glass and energy saving and new energy glass segments as compared to the same period of last year was mainly due to the decline in the selling price and sales volume of each glass product to varying degrees as compared to the same period of last year. The increase in the revenue from the coated glass segment as compared to the same period of last year was mainly due to the combined effect of the decrease in selling price and the increase in sales volume. The revenue from the designing and installation related services segment increased significantly as compared to last year, mainly due to the increase in new projects undertaken and the considerable completion progress.

Cost of sales

The Group's cost of sales increased by approximately 11% from RMB3.331 billion for the year ended 31 December 2021 to RMB3.689 billion for the year ended 31 December 2022, which was mainly attributable to the effect of an increase in the market price of raw and fuel materials.

Gross profit

The Group's gross profit decreased from RMB1.734 billion for the year ended 31 December 2021 to RMB638 million for the year ended 31 December 2022. Gross profit margin decreased from 34% in 2021 to 15% in 2022, mainly attributable to the combined effect of a decrease 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 increased from RMB3 million for the year ended 31 December 2021 to RMB171 million for the year ended 31 December 2022, which was mainly due to an increase in government grants, compensation income and interest income.

Administrative expenses

For the year ended 31 December 2022, the administrative expenses of the Group decreased by 2% to RMB331 million as compared to RMB338 million for the year ended 31 December 2021, which was mainly due to the Group's vigorous implementation of "cost reduction and efficiency enhancement", continuous optimization of internal management and improvement of work efficiency.

Impairment losses on the receivables and contract assets

For the year ended 31 December 2022, the impairment losses on the receivables and contract assets of the Group increased significantly to approximately RMB23.9 million as compared to RMB0.6 million for the year ended 31 December 2021, which was mainly due to the increase in the scale of accounts receivable, and the increase in the ageing of certain other receivables, resulting in an increase in the provision for impairment.

Finance costs

For the year ended 31 December 2022, the finance costs of the Group increased by 15% to RMB268 million as compared to RMB233 million for the year ended 31 December 2021, mainly due to the increase in the scale of borrowings. The weighted average interest of borrowings decreased by 1.2 percentage points compared with the same period of last year, which was mainly due to the lower average interest rate of new borrowings obtained by the Group during the year.

Profit for the year

For the year ended 31 December 2022, the Group recorded a profit of approximately RMB102 million, representing a significant decrease as compared to the profit of approximately RMB802 million for 2021, mainly due to that the overall level of prosperity of the glass market in the year was inferior to that in the same period of last year.

Current assets

The Group's current assets increased by approximately 48% from RMB2.478 billion as at 31 December 2021 to RMB3.666 billion as at 31 December 2022, which was mainly due to an increase in inventories, trade receivables and cash on hand and at bank.

Current liabilities

The Group's current liabilities increased by approximately 13% from RMB5.766 billion as at 31 December 2021 to RMB6.489 billion as at 31 December 2022, which was mainly due to an increase in short-term bank loans and other borrowings and contract liabilities.

Non-current liabilities

The Group's non-current liabilities increased by approximately 183% from RMB1.237 billion as at 31 December 2021 to RMB3.505 billion as at 31 December 2022, mainly due to the combined effect of an increase in long-term bank loans and other borrowings and a decrease in deferred tax liabilities.

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

As at 31 December 2022, the Group's cash on hand and at bank were RMB1.350 billion (31 December 2021: RMB693 million), of which 46% (31 December 2021: 37%) were denominated in RMB, 13% (31 December 2021: 9%) were denominated in United States Dollars ("USD"), 15% (31 December 2021: 24%) were denominated in Euro ("EUR"), 24% (31 December 2021: 27%) were denominated in Nigerian Naira, and 2% (31 December 2021: 1%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank loans and other borrowings were RMB7.938 billion (31 December 2021: RMB4.843 billion), of which 67.2% (31 December 2021: 68.7%) were denominated in RMB, 30.8% (31 December 2021: 26.4%) were denominated in USD, 1.3% (31 December 2021: 4.5%) were denominated in HKD and 0.7% (31 December 2021: 0.4%) were denominated in EUR. As at 31 December 2022, 55% (31 December 2021: 80%) of the outstanding bank loans and other borrowings bear interest at fixed rates while approximately 45% (31 December 2021: 20%) bear interest at variable rates.

As at 31 December 2022, the gearing ratio (total interest-bearing debts divided by total assets) was 0.60 (31 December 2021: 0.48). As at 31 December 2022, the Group's current ratio (current assets divided by current liabilities) was 0.57 (31 December 2021: 0.43). The Group recorded net current liabilities amounting to RMB2.823 billion as at 31 December 2022 (31 December 2021: RMB3.288 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.75 as at 31 December 2022 (31 December 2021: 0.67).

CHARGED ASSETS

As at 31 December 2022, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB687 million (31 December 2021: RMB569 million), and certain trade and bills receivables of the Group with a carrying amount of approximately RMB213 million (31 December 2021: RMB40 million) were pledged against certain bank loans with a total amount of approximately RMB1.349 billion (2021: RMB397 million).

CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022, 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 31 January 2022, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with a vendor (the "Vendor"), pursuant to which the Company intended to acquire and the Vendor intended to sell 21.78% of the equity interest in a company (the "Target Company") duly established in the PRC which owns high-quality float glass production lines (the "Potential Acquisition"). The consideration for the Potential Acquisition would be determined based on further due diligence, financial audit and third party evaluation on the Target Company, and negotiations between the Company and the Vendor. Please refer to the Company's announcement dated 31 January 2022 for details of the Potential Acquisition.

Save as disclosed, the Group has no plan to make any material investments or acquisitions of capital assets as at the date of this report.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2022, the Group employed a total of approximately 4,162 employees within and outside the PRC (31 December 2021: about 3,822 employees). The increase in the number of employees of the Group as at 31 December 2022 as compared to 31 December 2021 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 6(b) to the financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (31 December 2021: HK$0.05 per share).

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. As at 31 December 2022, the Group has not used any financial instrument for hedging.

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 11% of the Group's total sales for the year; and 32% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 16% of the Group's total purchases for the year.

CNBM Triumph Mineral Resources Group Co. Ltd.* (中建材凱盛礦產資源集團有限公司) ("Triumph Mineral Resources"), formerly known as Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.* (安徽華光光電材料科技集團有限公司), the Group's largest supplier for the year ended 31 December 2022, is a direct wholly-owned subsidiary of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司), which is a substantial shareholder of the Company. Apart from Triumph Mineral Resources, for the year ended 31 December 2022, 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.

* *For identification purpose only*

Report of the Directors

The board of directors (the "Board" or the "Directors") of China Glass Holdings Limited (the "Company") presented its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

The principal place of business of the Company in the People's Republic of China (the "PRC") is at Room 201, Floor 2, Block 1, No. 66 Sibo Road, Songjiang District, Shanghai, the PRC.

PRINCIPAL ACTIVITIES

Details of the principal activities of the Group are set out in Note 15 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2022 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the consolidated financial statements on pages 102 to 105 and page 201.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (31 December 2021: HK$0.05 per share).

GROUP'S FIVE YEARS FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on pages 4 to 5 of this Annual Report.

RESERVES

Details of the distributable reserves of the Company as at 31 December 2022 are set out in Note 31(e) to the consolidated financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in Note 31(a) to the consolidated financial statements.

DONATIONS

The Group had made donations to charities amounted to RMB530,200 during the year ended 31 December 2022 (2021: RMB519,400).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in Note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2022 are set out in Note 31(c) to the consolidated financial statements.

As at 31 December 2022, the issued share capital of the Company was 1,836,218,258 ordinary shares of par value HK$0.05 each (the "Shares" and each a "Share"). During the year ended 31 December 2022, the Company had issued 5,930,000 Shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders under the bye-laws of the Company (the "Bye-Laws") , except if an ordinary resolution is passed by the shareholders of the Company (the "Shareholders" and each a "Shareholder") (before the issue of any new shares) to determine that such shares shall be offered to them in the first instance. As at the date hereof the Shareholders have not passed such a resolution.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Director

Mr. Lyu Guo *(Chief Executive Officer)*

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with bye-law 99 of the Bye-Laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng shall retire by rotation at the forthcoming annual general meeting (the "AGM") and being eligible, will offer themselves for re-election at the AGM. Their proposed re-election will be considered by separate resolutions.

The Company has received annual confirmation of independence from all Independent Non-executive Directors, and still considers them to be independent as at the date of this report in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing Rules").

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2022, none of the Directors or any entity connected with the Directors had any material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save and except for the share option schemes and the share award scheme disclosed on pages 175 to 177 of this report and Note 29 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2022.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 8 to the consolidated financial statements.

The Board shall consider the recommendations made by the remuneration committee of the Board (the "Remuneration Committee"), review and determine the Directors' emoluments with reference to their respective duties, responsibilities and involvement in the Company's affairs, and skills, knowledge and performance, as well as the Company's performance and/or profitability, and prevailing market situation for similar appointment. None of the Directors is involved in deciding his own remuneration.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors had an interest in any business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

PERMITTED INDEMNITY PROVISION

During the year under review and up to the date of this report, the Bye-Laws provides that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except as the same shall happen by or through their own wilful neglect or default, fraud and dishonesty respectively. The Company has arranged for appropriate directors and officers liability insurance in respect of legal action against the Directors.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares (1)	Approximate Percentage of Shareholding (2)
Mr. Lyu Guo	The Company	Beneficial owner	12,442,096(L)	0.68%

Notes:

(1) The letter "L" denotes the Director's long position in such securities.

(2) As at 31 December 2022, the total number of issued Shares is 1,836,218,258.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2022, the interests and/or short positions of the Shareholders, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Total Number of Ordinary Shares (1)	Approximate Percentage of Shareholding (11)
First Fortune Enterprises Limited	Beneficial owner	272,926,000(L)	14.86%
Hony International Limited	Interest of a controlled corporation (2)	272,926,000(L)	14.86%
Easylead Management Limited	Interest of a controlled corporation (3)	272,926,000(L)	14.86%
Right Lane Limited	Interest of a controlled corporation (3) (4)	307,926,000(L)	16.77%
Mr. Cao Zhijiang	Interest of a controlled corporation (5)	272,926,000(L)	14.86%
Mr. Liu Jinduo	Interest of a controlled corporation (5)	272,926,000(L)	14.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation (5)	272,926,000(L)	14.86%
Legend Holdings Corporation (6)	Interest of a controlled corporation (7)	307,926,000(L)	16.77%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621(L)	8.52%
凱盛科技集團有限公司 (Triumph Science & Technology Group Co., Ltd.*)	Beneficial owner/Interest of a controlled corporation (8)	416,424,621(L)	22.68%
中國建材集團有限公司 (China National Building Material Group Co., Ltd.*)	Interest of a controlled corporation (8)	416,424,621(L)	22.68%
Bank of Communications Trustee Limited	Trustee (9)	152,000,000(L)	8.28%
Ms. Sze Tan Hung	Beneficial owner	166,796,000(L)	9.08%
Mr. Tung Ching Sai	Interest of spouse (10)	166,796,000(L)	9.08%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) First Fortune Enterprises Limited is a wholly-owned subsidiary of Hony International Limited. Hony International Limited is taken to be interested in these shares by virtue of Part XV of the SFO.

(3) Hony International Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Easylead Management Limited and Right Lane Limited are taken to be interested in the shares held by Hony International Limited by virtue of Part XV of the SFO.

(4) Elite World Investments Limited holds 35,000,000 Shares. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited. Cheer Elite Holdings Limited is wholly-owned by Right Lane Limited. Right Lane Limited is taken to be interested in the shares held by Elite World Investments Limited by virtue of Part XV of the SFO.

(5) Easylead Management Limited is owned as to one-third by each of Messrs. Cao Zhijiang, Liu Jinduo and Zhang Zuxiang. Each of them is taken to be interested in the shares held by Easylead Management Limited by virtue of Part XV of the SFO.

(6) The English company name "Legend Holdings Corporation" is a direct transliteration of its Chinese company name "聯想控股股份有限公司".

(7) Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Corporation. Legend Holdings Corporation is taken to be interested in the shares held by Right Lane Limited by virtue of Part XV of the SFO.

(8) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Science & Technology Group Co., Ltd.*, which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd*. Triumph Science & Technology Group Co., Ltd.* is taken to be interested in the shares held by China Triumph International Investment Company Limited; and China National Building Material Group Co., Ltd* is taken to be interested in the shares held by China Triumph International Investment Company Limited and Triumph Science & Technology Group Co., Ltd.* by virtue of Part XV of the SFO.

(9) Bank of Communications Trustee Limited has been appointed as the Trustee (as defined herein below) of the Share Award Scheme (as defined herein below). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing Shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such Shares are vested with the relevant Selected Employee(s) (as defined herein below) in accordance with the scheme rules. The Trustee is taken to have a duty of disclosure in relation to such Shares by virtue of Part XV of the SFO.

(10) Mr. Tung Ching Sai is the spouse of Ms. Sze Tan Hung. Mr. Tung Ching Sai is taken to be interested in these shares by virtue of Part XV of the SFO.

(11) As at 31 December 2022, the total number of issued Shares is 1,836,218,258.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

* *For identification purpose only*

SHARE OPTION SCHEMES

A. The Old Share Option Scheme

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. The following is a summary of the principal terms of the rules of the Old Share Option Scheme:

(a) *Who may join*

The Board may at its discretion grant options to: (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 (the "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 (collectively, the "Qualified Participants" and each, a "Qualified Participant").

(b) *The purpose of the Old Share Option Scheme*

The share option scheme seeks 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 relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(c) *Subscription price*

The subscription price shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant (the "Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

(d) *Grant of option*

An offer of the grant of an option shall be made to a Qualified Participant by letter (the "Offer Letter") in such form as the Board may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option is deemed to have been accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the Offer Letter.

(e) *Maximum number of Shares and entitlement of each Qualified Participant*

The original maximum number of Shares in respect of which options may be granted under the Old Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the listing date, which was 36,000,000 Shares. As a result of the division of shares in 2011, the maximum number of Shares in respect of which options may be granted under the Old Share Option Scheme and other share option schemes of the Company was adjusted to 72,000,000 Shares. The Old Share Option Scheme was expired on 22 June 2015. No further options will be granted under the Old Share Option Scheme.

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Qualified Participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant upon the exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

(f) *Timing for exercise of options*

The period during which an option may be exercised in accordance with the terms of the Old Share Option Scheme shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten (10) years commencing on the Offer Date.

(g) *Life of the Old Share Option Scheme*

The Old Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the share option scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the share option scheme. The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme.

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 set out in Note 29(a) to the consolidated financial statements.

The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme. During the year ended 31 December 2022, save for a total of 2,668,800 share options that have lapsed (including 2,650,000 unexercised share options lapsed at the expiry of the validity period of the share options on 12 May 2022) and 5,930,000 share options have been exercised during this period, no shares options were exercised, cancelled or lapsed under the Old Share Option Scheme.

Particulars of outstanding options granted under the Old Share Option Scheme at the beginning and at the end of the financial year ended 31 December 2022 are as follows:

Participant	Date of grant[1]	Exercise price per Share[2] (HK$)	Exercise period from	Exercise period until	No. of Options Held as at 1/1/2022	Granted/ (Exercised)/ (Cancelled)/ (Lapsed) during the year		Held as at 31/12/2022	Approximate percentage interest in the Company's issued Shares
Cui Xiangdong	13/5/2015	1.25	13/5/2016	12/5/2022	1,920,000	(1,920,000)	(3)(4)	–	–
	13/5/2015	1.25	13/5/2017	12/5/2022	1,440,000	(1,440,000)	(3)(4)	–	–
	13/5/2015	1.25	13/5/2018	12/5/2022	1,440,000	(1,440,000)	(3)(4)	–	–
Employees	13/5/2015	1.25	13/5/2016	12/5/2022	1,519,520	(1,519,520)	(5)(7)	–	–
	13/5/2015	1.25	13/5/2017	12/5/2022	1,139,640	(1,139,640)	(6)(7)	–	–
	13/5/2015	1.25	13/5/2018	12/5/2022	1,139,640	(1,139,640)	(6)(7)	–	–
Total					8,598,800	(8,598,800)		–	

Notes:

(1) The fair value of the share options granted during the year ended 31 December 2015 was estimated to be approximately from HK$0.5100 to HK$0.7102 per Share as at 13 May 2015, being the date of grant, using the Binomial Model. The accounting policy adopted in relation to share options is in accordance with the same accounting policy adopted in the 2015 annual financial statements.

(2) The closing price of the Shares on 13 May 2015 was HK$1.25.

(3) Mr. Cui Xiangdong retired as an executive Director with effect from 1 April 2021 as he had reached the age of retirement. Hence, Mr. Cui is entitled within a period of 12 months from the date of retirement to exercise his entitlement of 4,800,000 share options. Mr. Cui exercised all options on 31 March 2022.

(4) The weighted average closing price of the 4,800,000 exercised options immediately before the date on which the options were exercised is HK$1.70.

(5) 452,000 options exercised and 1,067,520 options lapsed during the year ended 31 December 2022.

(6) 339,000 options exercised and 800,640 options lapsed during the year ended 31 December 2022.

(7) The weighted average closing price of the 1,130,000 exercised options immediately before the dates on which the options were exercised is HK$1.67.

B. The New Share Option Scheme

The Company adopted the new share option scheme (the "New Share Option Scheme") at its special general meeting held on 19 February 2016. Since the date of adoption of the New Share Option Scheme, no share options have been granted, exercised, cancelled or lapsed under the New Share Option Scheme. The following is a summary of the principal terms of the rules of the New Share Option Scheme:

(a) Who may join

The Board may at its discretion grant options to: (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 (the "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 (collectively, the "Qualified Participants" and each, a "Qualified Participant").

(b) The purpose of the New Share Option Scheme

The New Share Option Scheme seeks 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 relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(c) Subscription price

The subscription price shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant (the "Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

(d) Grant of option

An offer of the grant of an option shall be made to a Qualified Participant by letter (the "Offer Letter") in such form as the Board may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option is deemed to have been accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the Offer Letter.

(e) *Maximum number of Shares and entitlement of each Qualified Participant*

The maximum number of Shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at 19 February 2016, the date of the special general meeting approving the New Share Option Scheme, which is 181,014,705 Shares (representing 9.86% of the issued share capital as at the date of this report).

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Qualified Participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant upon the exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

(f) *Timing for exercise of options*

The period during which an option may be exercised in accordance with the terms of the New Share Option Scheme shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten (10) years commencing on the Offer Date.

(g) *Life of the New Share Option Scheme*

The New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of 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 (the "Adoption Date"). The Share Award Scheme would operate in parallel with the Old Share Option Scheme and the New Share Option Scheme. The following is a summary of the principal terms of the rules of the Share Award Scheme:

(a) *Who may join*

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the Share Award Scheme (the "Selected Employee(s)"). Selected Employees can be any employee of the Group or Directors of the Company. If any grant of awarded shares is proposed to be made to Director (including an independent non-executive Director) of the Company, such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee. In addition, where any grant of awarded shares is proposed to be made to any Director or any other person who is a connected person within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

(b) *The purpose of the Share Award Scheme*

The purposes of the Share Award Scheme are to recognise the contributions made by Selected 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.

(c) *Operation of the Share Award Scheme*

Bank of Communications Trustee Limited has been appointed as the trustee of the Share Award Scheme (the "Trustee"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing Shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such Shares are vested with the relevant Selected Employees in accordance with the scheme rules.

(d) *Life of the Share Award Scheme*

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board.

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 Listing Rules.

As at 1 January 2022 and 31 December 2022, there were no outstanding unvested awards granted to any Selected Employees under the Share Award Scheme. During the year ended 31 December 2022, 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 set out in Note 29(b) to the consolidated financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Director

Mr. Lyu Guo (呂國), aged 59, is the Executive Director, Chief Executive Officer and a Member of the Strategy Committee of the Company. Mr. Lyu is also the chairman, legal representative, director and general manager of certain subsidiaries of the Company. Mr. Lyu is a senior engineer at postgraduate level. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Materials Industry* (武漢建築材料工業學院)(now known as Wuhan University of Technology (武漢理工大學)), majoring in glass. Mr. Lyu joined the Group in August 1984. Mr. Lyu has worked as a vice president of the Company, head of branch factory of the Group's Jiangsu Glass Factory, deputy general manager of Jiangsu Glass Group Company Limited* (江蘇玻璃集團有限公司), general manager of Jiangsu SHD New Materials Company Limited* (江蘇蘇華達新材料有限公司) and Dongtai China Glass Special Glass Company Limited* (東台中玻特種玻璃有限公司), etc. Mr. Lyu is a bearer of National May 1 Labor Medal (全國「五一」勞動獎章獲得者), a Representative Figure of Reform and Opening up of Building Materials Industry in Jiangsu Province (江蘇省建材行業改革開放代表人物) and was awarded the title of 2018 Excellent Entrepreneur in National Building Materials Industry (2018年度全國建材行業優秀企業家). He has over 30 years of extensive experience in corporate management in the glass industry. Mr. Lyu currently serves as a vice president of the China Building Materials Federation.

Non-executive Directors

Mr. Peng Shou (彭壽), aged 62, is the Chairman, a Non-executive Director, the Chairman of the Strategy Committee, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Peng joined the Group since 13 February 2015. Mr. Peng obtained the Bachelor's Degree in Engineering from Wuhan Institute of Building Materials Industry (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree in Management from Wuhan University of Technology in 2001.

Mr. Peng is a member of Chinese Academy of Engineering, senior engineer at professor level, doctoral supervisor, a national engineering survey and design master, expert enjoying special allowance from the State Council, one of the first batch of national candidates for "New Century Hundred-Thousand and Ten-Thousand Talents Project", Deputy Supervisor of International Centre for Materials Technology Promotion of United Nations Industrial Development Organization, strategy scientist and adjunct professor of Wuhan University of Technology, member of the Academic Committee of State Key Laboratory of Silicate Materials for Architectures. He won Science and Technology Innovation Award awarded by the Ho Leung Ho Lee Foundation, Guanghua Engineering Science and Technology Prize, the Medal for Leadership in the Advancement of Ceramic Technology and the Innovation Leader Award of Silicate Technology awarded by The American Ceramic Society, Grishmanov Ivan Alexandrovich award of the Russian Academies of Engineering, the third "Central Enterprise Model", 2017 Excellent Entrepreneur in National Building Material Industry, National Model Worker, National Excellent Science and Technology Worker, and bearer of National May 1 Labor Medal. Mr. Peng led science and technology research team to the second prize of National Science & Technology Progress Award for three times. Mr. Peng has accumulated over 35 years of business and management experiences in the building material industry. He is an expert in inorganic material research and development as well as engineering design and consultancy.

* *For identification purpose only*

Mr. Peng is the Chairman of the Board and Legal Representative of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司)("Triumph Technology", a substantial shareholder of the Company), the Chief Engineer of China National Building Materials Group Co. Ltd.* (中國建材集團有限公司)(an associate of Triumph Technology), the Chief Engineer and Chief Scientist of China National Building Material Company Limited* (中國建材股份有限公司)("CNBM", an associate of Triumph Technology, also a listed company on the Hong Kong Stock Exchange), the Chairman of the Board and Legal Representative of China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司)(an associate of Triumph Technology), and the Chairman of the Board, Legal Representative, Secretary of Party Committee and General Manager of CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.* (an associate of Triumph Technology). Mr. Peng was a Non-executive Director of CNBM, and served as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016. At present, Mr. Peng is the Chairman of the Advisory Committee of International Commission on Glass, the Director of State Key Laboratory of New Float Glass Technology, the Vice Chairman of the Board and Standing Director of the Chinese Ceramic Society, the Vice President of China Architectural and Industrial Glass Association and the Vice President of China Building Materials Federation, etc.

Mr. Zhao John Huan (趙令歡), aged 60, is a Non-executive Director and a member of the Strategy Committee of the Company. Mr. Zhao joined the Group in January 2005. Mr. Zhao obtained a Bachelor's Degree in Physics from Nanjing University, dual Master's Degrees in Electrical Engineering and Physics from Northern Illinois University in United States, and a Master's Degree in Business Administration from the Kellogg School of Management of Northwestern University in United States.

Mr. Zhao is currently the Chairman of Hony Capital. Mr. Zhao also serves as a Non-executive Director of Legend Holdings Corporation (a company listed on the Stock Exchange), a Non-executive Director of Lenovo Group Limited (a company listed on the Stock Exchange), a Non-executive Director of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司)(a company listed on the Stock Exchange and the Shenzhen Stock Exchange), the Chairman of the board and an Executive Director of Best Food Holding Company Limited (a company listed on the Stock Exchange), and the Chairman of the board and an Executive Director of Goldstream Investment Limited (a company listed on the Stock Exchange).

Mr. Zhao acted as the Chairman of the board and a Non-executive Director of Hospital Corporation of China Limited, and a Non-executive Director of Shanghai Jin Jiang International Hotels Co., Ltd., ENN Natural Gas Co., Ltd., Eros Media World PLC *(formerly known as Eros STX Global Corporation)* and Simcere Pharmaceutical Group Limited. All the companies mentioned above are listed companies.

Mr. Zhao is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Zhao is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. Zhang Jinshu (張勁舒), aged 41, is a Non-executive Director of the Company. Mr. Zhang joined the Group on 28 August 2018. Mr. Zhang holds a master's degree in electromagnetic field and microwave technology as well as a bachelor's degree in electronic engineering from Shanghai Jiao Tong University. He also holds a master of science degree in applied science and technology from University of California, Berkeley. Mr. Zhang has worked as the vice director of the development and investment department of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司)("Triumph Technology", a substantial shareholder of the Company), and has been redesignated as the director of the securities department of Triumph Technology on 26 May 2021. Mr. Zhang also a director of Olivotto Glass Technologies S.p.A. and the supervisor of Triumph Junheng Co., Ltd., etc. Mr. Zhang worked for Ultralife Corporation (Ultralife China) as an assistant general manager, director of sales and liaison officer from May 2012 to June 2016.

* *For identification purpose only*

Independent Non-executive Directors

Mr. Zhang Baiheng (張佰恒), aged 61, is an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in January 2005. Mr. Zhang is a university graduate and a senior engineer. He was a pilot and district chief in the Sixth Flight of the People's Liberation Army Air Force Command College of China from 1979 to 1981. From 1981 to 1985, he was a member and district chief at the Staff Officer Faculty of the People's Liberation Army Air Force Command College of China. From 1985 to 1996, he was a staff officer at the Training Department of the People's Liberation Army Air Force Command College of China. Mr. Zhang has extensive experience in the building material industry. He was the deputy director of China Building Materials Federation and the Independent Director of Hainan Development Holdings Nanhai Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Mr. Zhang currently serves as the Independent Director of Jiangsu Xiuqiang Glasswork Co., Ltd.* (江蘇秀強玻璃工藝股份有限公司) (a company listed on the Shenzhen Stock Exchange), the President of China Architectural and Industrial Glass Association, and Member of the Party Committee and Special Deputy President of China Building Materials Federation.

Mr. Wang Yuzhong (王玉忠), aged 61, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee of the Company. He joined the Group on 22 June 2021. Mr. Wang obtained a PhD degree in Material Science from Sichuan University in China in 1994. He is currently a professor of the College of Chemistry at Sichuan University and has over 25 years of teaching experience. He specializes in the functionalization and high performance study of macromolecular materials as well as the development of environmentally friendly polymer materials. His major research interests include flame retardants; bio-based and biodegradable polymer materials and the recycling of polymer materials. Mr. Wang is an academician of the Chinese Academy of Engineering, the director of the National Engineering Laboratory for Eco-Friendly Polymeric Materials (Sichuan) and the director of the National Engineering Research Center for Advanced Fire-Safety Materials Development and Applications (Sichuan) etc.

Mr. Chen Huachen (陳華晨), aged 44, is an Independent Non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Chen joined the Group on 27 December 2012. Mr. Chen is a Chartered Financial Analyst. Mr. Chen graduated from the Capital University of Economics and Business in 2001 with a bachelor's degree in Accounting, and graduated from the Faculty of Business of the Hong Kong Polytechnic University in 2006 with a master's degree in Accounting. Mr. Chen also holds an MBA degree awarded by Columbia Business School in 2009. Mr. Chen was a senior staff member at the Department of Public Offering Supervision of the China Securities Regulatory Commission from 2003 to 2007. After graduating from Columbia University, Mr. Chen returned to China and worked for UBS Securities Co. Limited as a director in the Greater China Investment Banking Division from 2009 to 2011. Mr. Chen worked for Qiming Ventures Partners as a partner from 2011 to 2012. Mr. Chen has ample experience in the capital market and financial related matters.

Senior Management

Mr. Li Ping (李平), aged 61, is the Senior Vice President of the Company. Mr. Li is also a director of certain subsidiaries of the Company. He is a senior engineer at postgraduate level and graduated in 1982 from Zhejiang University with a bachelor degree in Engineering majoring in metasilicate, and obtained a master's degree in Business Administration from China University of Mining and Technology in 2002. Mr. Li joined the Group in February 1982. He has formerly worked as deputy head of the Group's Jiangsu Glass Factory, general manager of Jiangsu Glass Group Company Limited and Executive Director of the Company. He has 40 years of extensive experience in the building material industry and corporate management.

* *For identification purpose only*

Mr. Yang Hongfu (楊洪富), aged 61, is a Vice President of the Company. Mr. Yang is also a director of certain subsidiaries of the Company. Mr. Yang is a senior economist and a university graduate. He is the chairman of the Glass Branch of Jiangsu Building Material Industry Association. Mr. Yang joined the Group in October 2005. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, chairman of Jiangsu SHD New Materials Company Limited, chairman of Suqian CNG Electronic Glass Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision of Jiangsu Nantong Yaorong Glass Co., Ltd., etc.

Mr. Xu Ning (徐寧), aged 58, is the Vice President of the Company. Mr. Xu is also a director of certain subsidiaries of the Company. Mr. Xu joined the Group in 2006 and left the Group in 2012. He rejoined the Group on 13 May 2016. Mr. Xu, a senior economist with a university degree, has previously served as chief economist and head of Shaanxi Glass Factory, general manager and chairman of Shaanxi Blue Star Glass Company Limited* (陝西藍星玻璃有限公司), general manager of Linyi CNG Glass Co., Ltd., director, executive vice president, chairman and President of China Yaohua Glass Group Limited* (中國耀華玻璃集團有限公司), etc. Mr. Xu has over 30 years of extensive experience in the glass sector and was awarded honorary titles such as Model Worker in National Building Material Industry* (全國建材行業勞動模範).

Mr. He Wen (何文), aged 56, is the Vice President of the Company. Mr. He joined the Group on 1 November 2021. Mr. He is a Professorate Senior Engineer. He graduated from the department of Industrial Economics of the School of Economics at Shanghai University of Finance and Economies (SUFE)* (上海財經大學) and gained a Master of Business Administration for Senior Management at SUFE. He is also the Australian Institute of Project Management (AIPM) Registered Project Manager, a Senior Engineering Project Manager certified by China Engineering and Consulting Association* (中國勘察設計協會), and a special invited expert of Shanghai Foreign Contract engineering and an expert of the Expert Committee of China Association of International Engineering. He is currently the Vice President of China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司), and in charge of the company's international business department, and also serves as chairman of Jetion Solar (China) Co., Ltd* (中建材浚鑫科技有限公司), etc. Mr. He has extensive technical experience in the field of glass engineering.

Mr. Han Liming (韓黎明), aged 47, is the Chief Finance Officer of the Company. Mr. Han joined the Group on 28 March 2017. Mr. Han is a senior accountant with a master's degree in Business Administration. Mr. Han worked in finance department of China National Building Material Group Co., Ltd.* (中國建築材料集團有限公司), and was the general manager of finance department of China Building Material Glass Limited* (中建材玻璃公司) and the general manager of finance department of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司). He is currently the assistant general manager of finance department of China National Building Materials Group Co. Ltd.* (中國建材集團有限公司) (a substantial shareholder of the Company). Mr. Han has over 10 years of experience in financial management in the glass industry.

Ms. Kuok Yew Lee (郭尤莉), aged 46, is the Company Secretary of the Company. Ms. Kuok has been appointed as the Company Secretary of the Company on 13 December 2017. Ms. Kuok is an Associate of both The Chartered Governance Institute (United Kingdom) and The Hong Kong Chartered Governance Institute ("HKCGI"), holding Chartered Secretary and Chartered Governance Professional dual designations. She is a holder of the Practitioner's Endorsement issued by HKCGI. She also holds a Master of Business Administration (MBA) with Merit in International Management from the University of London, United Kingdom, and a Master of Laws (LLM) with Distinction in International and Commercial Law from the University of Greenwich, United Kingdom. Ms. Kuok is a doctoral student for a Doctor of Business Administration (DBA) with the University of Wales Trinity Saint David, United Kingdom. Ms. Kuok has over 15 years of working experience in company secretarial field with multinational and privately held organisations, investment bank, various conglomerate groups listed in several jurisdictions, public accounting firm and international corporate secretarial & consultancy firm. Her main focus is on company secretarial affairs, regulatory compliance and corporate governance, including policy issues concerning corporate boards.

* *For identification purpose only*

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the financial year ended 31 December 2022, the Group entered into the following transactions which constituted non-exempt connected transactions and continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules:

A. CONNECTED TRANSACTIONS

(1) Entering into of engineering contract

On 5 January 2022, Dongtai CNG Special Glass Company Limited* (東台中玻特種玻璃有限公司) ("Dongtai CNG", an indirect wholly-owned subsidiary of the Company) entered into the engineering contract (the "Dongtai Engineering Contract") with China Building Materials International Engineering Group Co., Ltd.* (中國建材國際工程集團有限公司) ("CBMIE Group"), pursuant to which Dongtai CNG engaged CBMIE Group to carry out design, procurement and installation work in relation to the cold-repair and modification of the float glass production line for Dongtai CNG. The works engaged by CBMIE Group include (i) the design and planning of the cold-repair and modification project; and (ii) the procurement and installation of systems, equipment and materials for the cold-repair and modification project.

The Dongtai Engineering Contract forms part of the continuing connected transaction under the engineering framework agreement (for the supply of certain engineering services, including but not limited to feasibility studies, project design, civil engineering planning, construction and installation services, and materials, equipment and facilities procurements by Triumph Group Company (as defined herein below), together with its subsidiaries and associated companies, to the Group) entered into between Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司) ("Triumph Group Company", a substantial shareholder of the Company) and the Company on 12 October 2021, which was approved by the then independent Shareholders at the special general meeting of the Company held on 23 November 2021.

The contract price for the cold-repair and modification project under the Dongtai Engineering Contract is RMB150 million, which comprises of (i) RMB130 million for the procurement of equipment and materials; and (ii) RMB20 million for the installation work of the equipment and materials. Dongtai CNG will make instalment payments to CBMIE Group based on the progress of the works completed by CBMIE Group in accordance with the terms of the Dongtai Engineering Contract at the following stages: (i) 30% within ten working days after signing of the Dongtai Engineering Contract, (ii) 20% within ten working days after the delivery of the first batch of equipment and materials, (iii) 25% within ten working days after the delivery of the main equipment and materials, (iv) 20% within five working days at the earlier of the date (a) after the conditions to the ignition step are met; or (b) before the ignition, and (v) 5% within one month after the end of the defects liability period.

Triumph Group Company is a connected person of the Company under the Listing Rules. CBMIE Group is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Dongtai Engineering Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(2) Entering into of supply contracts

On 24 June 2022, Olivotto Glass Technologies S.p.A. (奧利維托玻璃技術公司*) ("Olivotto", a direct wholly-owned subsidiary of the Company) entered into the following supply contracts (collectively, the "Olivotto Supply Contracts", comprising of the First Supply Contract, the Second Supply Contract, the Third Supply Contract, the Fourth Supply Contract, the Fifth Supply Contract and the Sixth Supply Contract (as defined herein below)) with a number of members of Triumph Group Company and its associates (collectively, "Triumph Group") in relation to the supply of machineries and equipment, and the provision of related technical services by Olivotto for various danner tubing production lines:

(i) the contract (the "First Supply Contract") entered into between CNBM Research Institute for Advanced Glass Materials Group Co., Ltd.* (中建材玻璃新材料研究院集團有限公司) ("CNBM Research Institute", as customer) and Olivotto (as supplier) on 24 June 2022 in relation to the partial supply of four danner tubing production lines and provision of related technical services by Olivotto to CNBM Research Institute for Kaisheng Junheng (Bengbu) Co., Ltd. (凱盛君恒(蚌埠)有限公司) ("Triumph Junheng (Bengbu)") for a consideration of Euros 2,600,000 and the payment terms are: (i) 30% advance payment payable by bank transfer no later than 30 days after the signing date of the First Supply Contract; and (ii) CNBM Research Institute shall arrange an irrevocable letter of credit covering 70% of the consideration to be issued no later than 30 days after the receipt of the advance payment and payable by installments upon Olivotto's presentation of bill of lading/air waybill, commercial invoice, acceptance certificate and other required documents as set out in the First Supply Contract.

(ii) the contract (the "Second Supply Contract") entered into between CNBM Research Institute (as customer) and Olivotto (as supplier) on 24 June 2022 in relation to the partial supply of four danner tubing production lines and provision of related technical services by Olivotto to CNBM Research Institute for Kaisheng Junheng Pharmaceutical Glass (ChongQing) Co., Ltd. (凱盛君恒藥玻(重慶)有限公司) ("Triumph Junheng (ChongQing)") for a consideration of Euros 2,600,000 and the payment terms are: (i) 30% advance payment payable by bank transfer no later than 30 days after the signing date of the Second Supply Contract; and (ii) CNBM Research Institute shall arrange an irrevocable letter of credit covering 70% of the consideration to be issued no later than 30 days after the receipt of the advance payment and payable by installments upon Olivotto's presentation of bill of lading/air waybill, commercial invoice, acceptance certificate and other required documents as set out in the Second Supply Contract.

* *For identification purpose only*

(iii) the contract (the "Third Supply Contract") entered into between CNBM Research Institute (as customer) and Olivotto (as supplier) on 24 June 2022 in relation to the partial supply of four danner tubing production lines and provision of related technical services by Olivotto to CNBM Research Institute for Kaisheng Junheng Pharmaceutical Glass (QingDao) Co., Ltd. (凱盛君恒藥玻(青島)有限公司)("Triumph Junheng (QingDao)") for a consideration of Euros 2,600,000 and the payment terms are: (i) 30% advance payment payable by bank transfer no later than 30 days after the signing date of the Third Supply Contract; and (ii) CNBM Research Institute shall arrange an irrevocable letter of credit covering 70% of the consideration to be issued no later than 30 days after the receipt of the advance payment and payable by installments upon Olivotto's presentation of bill of lading/air waybill, commercial invoice, acceptance certificate and other required documents as set out in the Third Supply Contract.

(iv) the contract (the "Fourth Supply Contract") entered into among Triumph Junheng (Bengbu) (as customer), Olivotto (as supplier) and CNBM Research Institute (as import agent) on 24 June 2022 in relation to the supply of a danner-type forming machine, a tube drawing machine and a tube loading conveyor for installation on each of the four tubing production lines of Triumph Junheng (Bengbu), and provision of related technical services by Olivotto to Triumph Junheng (Bengbu) for a consideration of Euros 1,920,000 and the payment terms are: (i) 30% advance payment payable by bank transfer no later than 30 days after the signing date of the Fourth Supply Contract; and (ii) Triumph Junheng (Bengbu) shall arrange an irrevocable letter of credit covering 70% of the consideration to be issued no later than 30 days after the receipt of the advance payment and payable by installments upon Olivotto's presentation of certain shipping documents, acceptance of the scope of supply and other required documents as set out in the Fourth Supply Contract.

(v) the contract (the "Fifth Supply Contract") entered into among Triumph Junheng (ChongQing) (as customer), Olivotto (as supplier) and CNBM Research Institute (as import agent) on 24 June 2022 in relation to the supply of a danner-type forming machine, a tube drawing machine and a tube loading conveyor for installation on each of the four tubing production lines of Triumph Junheng (ChongQing), and provision of related technical services by Olivotto to Triumph Junheng (ChongQing) for a consideration of Euros 1,920,000 and the payment terms are: (i) 30% advance payment payable by bank transfer no later than 30 days after the signing date of the Fifth Supply Contract; and (ii) Triumph Junheng (ChongQing) shall arrange an irrevocable letter of credit covering 70% of the consideration to be issued no later than 30 days after the receipt of the advance payment and payable by installments upon Olivotto's presentation of certain shipping documents, acceptance of the scope of supply and other required documents as set out in the Fifth Supply Contract.

(vi) the contract (the "Sixth Supply Contract") entered into among Triumph Junheng (QingDao) (as customer), Olivotto (as supplier) and CNBM Research Institute (as import agent) on 24 June 2022 in relation to the supply of a danner-type forming machine, a tube drawing machine and a tube loading conveyor for installation on each of the four tubing production lines of Triumph Junheng (QingDao), and provision of related technical services by Olivotto to Triumph Junheng (QingDao) for a consideration of Euros 1,920,000 and the payment terms are: (i) 30% advance payment payable by bank transfer no later than 30 days after the signing date of the Sixth Supply Contract; and (ii) Triumph Junheng (QingDao) shall arrange an irrevocable letter of credit covering 70% of the consideration to be issued no later than 30 days after the receipt of the advance payment and payable by installments upon Olivotto's presentation of certain shipping documents, acceptance of the scope of supply and other required documents as set out in the Sixth Supply Contract.

Pursuant to the First Supply Contract, the Second Supply Contract and the Third Supply Contract, if the delivery is delayed by more than four weeks than as stipulated in the relevant supply contract, CNBM Research Institute shall agree to postpone the delivery date on the condition that Olivotto agrees to pay liquidated damages of 0.5% for every seven calendar days (any days less than seven calendar days shall be counted as seven calendar days) of delay in delivery after the expiry of a grace period of four weeks. The liquidated damages shall not exceed 5% of the amount of the delayed delivered items. If Olivotto fails to deliver after the maximum liquidated damage amount is reached, CNBM Research Institute is entitled to withdraw the relevant supply contract, and Olivotto shall pay the amount of liquidated damages to CNBM Research Institute and return any payments previously paid by CNBM Research Institute under the relevant supply contract. Save as mentioned, the Olivotto Supply Contracts do not contain any other penalties or predetermined adjustment terms to the contract prices if Olivotto fails to supply or provide the machineries, equipment or services based on the agreed contractual terms.

Olivotto is specialised in the design and construction of production lines of pharmaceutical glass. The supply of machineries, equipment and relevant technical services for the danner tubing production lines to Triumph Group is in the ordinary course of business of Olivotto, and will capture the synergy between Triumph Group and the Group, enhance the achievement of upstream and downstream synergies, and develop a synergistic industry chain from front-end manufacturing equipment to end-user pharmaceutical neutral glass tube products.

Triumph Group Company is a connected person of the Company under the Listing Rules. Each of CNBM Research Institute, Triumph Junheng (Bengbu), Triumph Junheng (ChongQing) and Triumph Junheng (QingDao) is an associate of Triumph Group Company under the Listing Rules and a connected person of the Company. Accordingly, the Olivotto Supply Contracts constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

(3) Entering into of equity transfer agreement

On 30 November 2022, China Glass Investment Limited* (中玻投資有限公司) (the "Purchaser", an indirect wholly-owned subsidiary of the Company) and Fame Talent Holdings Limited (輝碩控股有限公司) (the "Seller") entered into the equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell, 40% equity interest in Qinhuangdao Scinan Specialty Glass Co., Ltd.* (秦皇島弘華特種玻璃有限公司) (the "Target Company") for the consideration of RMB39,547,880 (the "Consideration") (the "Acquisition").

The completion of the Acquisition shall take place when all the conditions precedent as set out in the Equity Transfer Agreement have been fulfilled or waived (as applicable) (the "Completion").

The Consideration shall be paid by the Purchaser to the Seller within 15 business days upon Completion, after deducting any amount of relevant tax required to be withheld and paid by the Purchaser. Completion took place on 23 March 2023.

* *For identification purpose only*

The Group focuses on the main business of float glass and adheres to the long-term development strategy of "growth through merger and acquisition", where the Group actively explores domestic and foreign high-quality investment projects to expand the Group's glass production business. The Target Company possesses the core technology of borosilicate float glass production process and is the first borosilicate float glass manufacturer in the PRC with completely independent intellectual property rights. The Target Company has two borosilicate float glass production lines with a daily melting capacity of 30 tons and 45 tons respectively. The main product of the Target Company is borosilicate glass 3.3, which is widely-used due to its good thermal stability, chemical stability and photoelectric properties in the fields of chemical industry, aerospace, military, family and medical treatment etc., and its prospect of development is broad. The Acquisition is an important step for the Group to actively participate in diversified business operations and continuously expand the fields of new glass, new energy and new materials, and is expected to bring new income growth points to the Group.

Mr. Zhao John Huan is a Non-Executive Director of the Company. The Seller is a 30%-controlled company and an associate of Mr. Zhao John Huan and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

B. CONTINUING CONNECTED TRANSACTIONS

(1) Entering into of procurement framework agreement

As announced by the Company on 25 October 2019 (the "2019 Announcement"), China Glass Investment Limited* (中玻投資有限公司)("China Glass Investment", as the purchaser and an indirect wholly-owned subsidiary of the Company) entered into the China Glass Procurement Framework Agreement (as defined herein below) with CNBM Triumph Mineral Resources Group Co. Ltd.* (中建材凱盛礦產資源集團有限公司)("Triumph Mineral Resources", as the supplier), formerly known as Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.* (安徽華光光電材料科技集團有限公司), pursuant to which China Glass Investment engaged Triumph Mineral Resources to procure various types of raw and fuel materials which are commonly used and essential for the production of glass products, including silica sand and soda ash (the "Raw and Fuel Materials") for the manufacturing of glass products carried out by the Group (the "Procurement Transactions").

Pursuant to the procurement framework agreement entered into between China Glass Investment and Triumph Mineral Resources (the "China Glass Procurement Framework Agreement"), Triumph Mineral Resources agreed to carry out procurement through tender of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group. The service is for a term of three years, starting from 1 January 2020 to 31 December 2022. The China Glass Procurement Framework Agreement provides the pricing principles, procurement and payment mechanism and terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Triumph Mineral Resources. Individual purchase orders will be entered into between China Glass Investment and Triumph Mineral Resources for each individual purchase. Triumph Mineral Resources will procure Raw and Fuel Materials through tender and sell the Raw and Fuel Materials to China Glass Investment at cost price.

Triumph Mineral Resources will provide China Glass Investment the tender results including but not limited to the tender price and quality of products for consideration. Accordingly, China Glass Investment can decide whether or not to procure the relevant products at the relevant prices after assessing and comparing the overall procurement costs of procuring from Triumph Mineral Resources with the cost of procuring from independent third parties.

* *For identification purpose only*

The aggregate prices (including related fees and taxes) of the transactions contemplated under the China Glass Procurement Framework Agreement are subject to the annual caps of RMB890 million, RMB900 million and RMB980 million for the years ended 31 December 2020, 31 December 2021 and 31 December 2022, respectively. During the year ended 31 December 2022, the Group purchased Raw and Fuel Materials amounting to approximately RMB510.32 million (including taxes) from Triumph Mineral Resources for the Procurement Transactions (the "2022 Procurement Transactions").

Raw and Fuel Materials, including silica sand and soda ash are essential for the Group's production of glass products, and Triumph Mineral Resources also procures Raw and Fuel Materials in large scale. Whilst the Group has been able to lower its purchase prices due to large-scale procurement, by combining the procurement demand for Raw and Fuel Materials of the Group and Triumph Mineral Resources, the suppliers may potentially offer even more competitive raw material prices than those offered to the Group when the Group is purchasing alone. The Group has been continuously reviewing and exploring for methods to optimize its procurement strategy to manage its procurement costs and establishing a business relationship with Triumph Mineral Resources is one of the methods considered by the Group which became available after business discussions between Triumph Mineral Resources and the Group.

Triumph Group Company (a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Triumph Mineral Resources is an associate of Triumph Group Company under the Listing Rules. Accordingly, the China Glass Procurement Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As announced by the Company on 21 October 2022, in view of the China Glass Procurement Framework Agreement would expire on 31 December 2022, China Glass Investment (as the purchaser) had, on 21 October 2022, entered into the procurement framework agreement with Triumph Mineral Resources (as the supplier), pursuant to which China Glass Investment engaged Triumph Mineral Resources to procure Raw and Fuel Materials for the manufacturing of glass products carried out by the Group for a term of three years ending 31 December 2023, 2024 and 2025 (the "New Procurement Framework Agreement"). The New Procurement Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

(2) Entering into of supply framework agreement and engineering framework agreement

As announced by the Company on 12 October 2021 (the "2021 Announcement"), the Company entered into (i) the supply framework agreement with Triumph Group Company for the supply of certain glass products, including but not limited to float glass, rolled glass and deep-processed glass products by the Group to Triumph Group Company together with its subsidiaries and associate companies (collectively, the "Triumph Group") (the "Supply Framework Agreement dated 12 October 2021"); and (ii) the engineering framework agreement with Triumph Group Company for the supply of certain engineering services, including but not limited to feasibility studies, project design, civil engineering planning, construction and installation services, and materials, equipment and facilities procurements by Triumph Group to the Group (the "Engineering Framework Agreement dated 12 October 2021").

Pursuant to the Supply Framework Agreement dated 12 October 2021, members of the Group and Triumph Group will further enter into separate purchase orders or other confirmation documents for each order in accordance with the terms of the Supply Framework Agreement dated 12 October 2021, which should be valid until 30 September 2024. The annual caps for the Supply Framework Agreement dated 12 October 2021 are RMB50 million, RMB440 million, RMB240 million and RMB180 million for the period from 12 October 2021 to 31 December 2021, for the year ended 31 December 2022, for the year ending 31 December 2023, and for the period from 1 January 2024 to 30 September 2024 respectively. For the year ended 31 December 2022, the aggregate amount paid by members of Triumph Group to the Group in respect of glass supplies (the "2022 Glass Supplies") was approximately RMB20.40 million (including taxes).

Pursuant to the Engineering Framework Agreement dated 12 October 2021, members of the Group and Triumph Group will further enter into sub-agreements or other confirmation documents for each engineering project in accordance with the terms of the Engineering Framework Agreement dated 12 October 2021, which should be valid until 30 September 2024. The annual caps for the Supply Framework Agreement dated 12 October 2021 are RMB581 million, RMB1,950 million, RMB1,850 million and RMB500 million for the period from 12 October 2021 to 31 December 2021, for the year ended 31 December 2022, for the year ending 31 December 2023, and for the period from 1 January 2024 to 30 September 2024 respectively. For the year ended 31 December 2022, the aggregate amount paid by members of the Group to Triumph Group in respect of engineering supplies (the "2022 Engineering Supplies") was approximately RMB857.8 million (including taxes).

The Group has been exploring the opportunity to expand its sales channel and capture the synergy between Triumph Group and the Group. The surge in demand and unit price of photovoltaic glass products (such as ultra-white float glass and ultra-white rolled glass products) had triggered a series of the market reactions in the PRC, starting with the release of production capacity for such products in the PRC since late 2020, especially for certain market leaders trying to maintain market share. The increase in supply resulted in the decrease in the price and profit margin of photovoltaic products and the decrease in demand for ultra-white float glass, which is commonly used as a substitute for ultra-white rolled glass in 2021. The initial surge in price also led to downstream photovoltaic modules producers reducing procurement to counter the price surge. In light of the combined effect of the above changes and uncertainties in the supply and demand landscape in the PRC photovoltaic glass market, the Company had adjusted its product mix and sales strategy, reallocating certain production capacity from ultra-white float glass products, which had a decrease in profit margin and demand to normal float glass products, which had a relatively higher profit margin. The formulation of a long term strategic supply relationship between the two groups of the contracting parties which covering a wide spectrum of glass products (including photovoltaic glass products such as ultra-white float glass, ultra-white rolled glass and deep processed glass products, as well as normal float glass products) is expected to be mutually beneficial to both parties and contribute to the operational and business development of the Group.

The Group has historically entered into various engineering agreements with members of Triumph Group covering areas such as feasibility studies, production line planning and construction, production line upgrade, machinery procurement and installation, environmental system upgrades and production line cold repair as the members of Triumph Group are leading players in the respective areas. Considering the Group's development plan and the corporate social responsibility mission to become more environmentally-friendly, the Engineering Framework Agreement dated 12 October 2021 will allow the Group to have better planning and control over the timetables of various engineering projects based on the development plan and the need of the Group.

Triumph Group Company, a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Supply Framework Agreement dated 12 October 2021 and Engineering Framework Agreement dated 12 October 2021 constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The 2022 Procurement Transactions, 2022 Glass Supplies and 2022 Engineering Supplies (collectively, the "2022 Continuing Connected Transactions") have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors of the Company have confirmed that the 2022 Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's 2022 Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its unqualified letter containing their findings and conclusions in respect of the 2022 Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter had been submitted by the Company to the Stock Exchange.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company confirmed that nothing has come to their attention that causes them to believe that the 2022 Continuing Connected Transactions:

(1) had not been approved by the Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group for such transactions;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) had exceeded the relevant annual caps for 2022 as disclosed in the respective 2019 Announcement and 2021 Announcement.

Save as mentioned above, there was no other disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year ended 31 December 2022.

The material related party transactions are set out in Note 32 to the consolidated financial statements. Save as disclosed above, all the related party transactions did not fall within the scope of non-exempted connected transactions under Chapter 14A of the Listing Rules which are required to comply with the annual reporting, annual review, announcement or independent shareholders' approval requirements.

To the extent the above transactions constituted connected transactions or continuing connected transactions (as defined in the Listing Rules), the Company has complied with the relevant requirements under Chapter 14A of the Listing Rules.

The Company confirms that it will comply or continue to comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions of the Group.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules during the year and up to the latest practicable date prior to the issue of this Annual Report.

EQUITY-LINKED AGREEMENTS

Save for the Old Share Option Scheme, the New Share Option Scheme and the Share Award Scheme as set out above, no equity-linked agreements were entered into by the Company, or existed during the year ended 31 December 2022.

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.

BUSINESS REVIEW

In accordance with Schedule 5 of the Companies Ordinance of Hong Kong, a fair review of the Group's business during the year, a description of the principal risks and uncertainties that the Group may be facing, and a discussion on the prospect of the Group's future business development are provided in the Chairman's Statement on page 6 and the Management Discussion and Analysis on pages 7 to 15 of this Annual Report.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 12 to 14 and the Group's Five Years Financial Summary on pages 4 to 5 of this Annual Report.

Relationship with Employees

The Group understands that employees are valuable assets to the Group and their valuable contribution to the success of the Group. The Group persisted in the combination of a people-oriented management philosophy and an innovation mechanism. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Company and its staff, and created a positive, healthy and motivated corporate culture and work environment for its employees. Meanwhile, the Group complied with the principle of "adapting to the market environment, actualizing values of talents and bringing out the full effects of incentives" to provide employees with a competitive remuneration mechanism. Moreover, the Group also incessantly optimized its human resources structure, and improved its management methods in order to fully bring out employees' enthusiasm and initiatives.

Relationship with Customers

As a glass manufacturer, the Group puts emphasis on developing and maintaining long-term and stable commercial relationships with its customers, including end-customers and franchised dealer, etc. The Group has been focusing on the concerns of its customers, and fully utilizes all effective routes to execute the collection and analysis of information regarding customer satisfaction. Rectification measures are promptly formulated and executed by the relevant specific departments according to customer's effective opinions and advice. Through various ways including initial training and on-site guidance, the Group strives to perform excellent pre-sales service by allowing the customers to understand product performance, processing parameters, and other matters worthy of attention. The Group has set up nation-wide complaint hotlines and formed stringent customer complaint feed-back mechanism and the relevant solving procedures.

Relationship with Suppliers

The Group selects and reserves quality suppliers to establish a long-term and stable strategic partnership, including the procurement of raw and fuel material, production equipment and spare parts, etc. Insisting on equal consultation and win-win principle, the Group has set up a unified supplier management system and established a fair and just supplier evaluation system by tender and negotiated tender procurement, creating a favourable competitive environment for the suppliers. The Group also offers free technology guidance to suppliers, continuously improving their quality management at various aspects including raw material and fuel procurement, product manufacturing, packaging, storage and transportation, protection and product delivery, ensuring the quality control of each process and maximizing the product quality standard.

Environmental Policies and Performance

As a socially responsible corporation, the Group's construction of environmental protection facilities has been in a leading position in the industry; it adamantly implements government laws and regulations regarding environmental protection. Each of the manufacturing bases has been equipped with environmental protection facilities up to standard, with all environmental indicators up to or above the national standards.

Details of the Group's environmental policies are contained in the section headed "Environmental, Social and Governance Report" on pages 41 to 58 of this Annual Report.

Compliance with Laws and Regulations

During the year ended on 31 December 2022 and up to the date of this report, as far as the Company is aware, there is no material non-compliance with the relevant laws and regulations applicable to the Group that has a significant impact on the business and operations of the Group.

The applicable laws and regulations which have a significant impact on the business and operations of the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 41 to 58 of this Annual Report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

The Group had not made any significant investments, material acquisitions or disposals during the year ended 31 December 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business operates in an industry that is subject to changes in market conditions, changing industry standards, environmental regulations, industry competition and changing customers' needs. It is important for the Group to timely respond to these changes which may adversely affect the Group's business and financial results.

In 2023, the glass industry will be further differentiated and adjusted as the process to cut excessive industrial capacity will continue further. The Group has taken a number of measures to address the uncertainties faced by the industry, for further details, please refer to the subsection headed "Work Plans for 2023" on page 11 of this Annual Report.

The Group is also subject to other financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk, in the normal course of the Group's business. Particulars of financial risk management of the Group are set out in Note 34 to the consolidated financial statements.

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.

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2022 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
Peng Shou
Chairman

Hong Kong, 30 March 2023

ABOUT THE REPORT

Introduction

The Group is a leading flat glass manufacturer and a major coated glass manufacturer in China, with its focus on research and development, production, and sales of a range of coated glass for the construction industry, and glass for energy conservation and new energy fields. Pursuant to the relevant requirements of Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited regarding "Environmental, Social and Governance Reporting Guide" (the "ESG Guide"), the Group will continue to disclose its Environmental, Social and Governance Report annually. In this Environmental, Social and Governance report (the "ESG Report"), the Group has complied with the disclosure requirements of the "comply or explain" provisions contained in the ESG Guide, and the most important contents that are closely related to the business of the Group are set out below:

Reporting Period and Scope

The information published in this ESG Report covers the period from 1 January 2022 to 31 December 2022. The ESG Report covers the relevant policies and performance of the businesses of the Group.

Reporting Standards

The ESG Report is prepared in accordance with the reporting principles of the ESG Guide that include:

- Materiality: The ESG Report identifies key stakeholders and incorporated the result into stakeholder engagement and materiality assessment, which further constitutes the basis for determining the importance of environmental, social and governance ("ESG") issues.

- Quantitative: The ESG Report presents quantitative information on environmental and social key performance indicators.

- Consistency: There is no significant adjustment on the methods or KPIs used as compared to the Environmental, Social and Governance Report in the Group's 2021 Annual Report. The Group will continue to use consistent methodologies to allow for meaningful comparisons of ESG data over time.

- Balance: The ESG Report provides an unbiased picture of the Group's performance on ESG management following the principle of balance.

Governance Structure

The Group understands the importance of ESG governance to sustainable development of its business and the community as a whole. The Group has been actively incorporating an ESG management framework to ensure the effective implementation of the ESG governance in its business operations.

The Board assumes primary responsibility for the supervision of the Group's ESG governance. For instance, determining the Group's ESG approach, managing ESG-related risks, as well as supervising the management and relevant departments in formulating and implementing policies with appropriate measures. In addition, the Group's senior management is also responsible for executing ESG risk management and internal control systems, reporting ESG risks and opportunities to the Board, and ensuring the effective operation of ESG governance.

Stakeholder Engagement and Materiality

The Group is committed to creating sustainable growth and long-term value for its stakeholders. The Group maintains an open dialogue with its stakeholders to gather views on what ESG issues may impact them and matter most. The Group engages its key stakeholders including shareholders, employees, suppliers, customers and community on a regular basis across various channels to gauge their opinion and feedback on the Group's ESG performance and how the Group can address ESG matters on an on-going basis.

Key stakeholders	Expectations and concerns	Communication channels
Shareholders	• Transparency on corporate and financial information • Corporate governance • Business compliance • Investment return	• Shareholders' meetings • Websites of the Company and the Stock Exchange For further details of communication channels with the Shareholders, please refer to the Corporate Governance Report.
Employees	• Employee remuneration and benefits • Career development • Training management	• Meetings and briefings • Company policies • Employee trainings • Company activities
Suppliers	• Supplier Selection • Sustainable supply chain	• Business communication meetings • Company visits • Supplier vetting procedures
Customers	• Quality of product and services	• Customer feedbacks • Business communication and meetings • Company visits
Community	• Environmental protection • Job opportunity	• Community activities • Feedback channels • Job fairs
Government and regulatory authorities	• Compliance with laws and regulations • Support for high-technology enterprises	• Meetings

I. WORK ENVIRONMENT

The Group always adheres to the employment philosophy of "putting people first and tapping into their full potential" and upholds the principle of fairness and justice. Through mechanisms such as multi-channel selection, multi-level appraisal, job competition, and job rotation, "selection of the best talents and arrangement of personnel on suitable positions" has been achieved in order to build a broad development platform for employees; by means of the implementation of performance-based incentives and continuous optimization of performance appraisal standards fully mobilize the enthusiasm and initiative of employees; through the vigorous recruitment of market-oriented, international and young talents and continuous optimization of the age and education structure of employees meet the needs for the Company's medium and long-term strategic development; the Group advocates the concept of "working as a team with mentoring the freshmen by the seniors" to promote the establishment of mutual trust and inheritance of ingenuity among new and veteran employees, creating a positive, healthy and cohesive cultural atmosphere and work environment for employees.

(I) Employment

The Group strictly adheres to the Labour Law of the PRC, the Labour Contract Law of the PRC and other relevant applicable laws and regulations. Besides, the Group complies with the principle of adapting to the market environment, actualising values of talents and bringing out the full effects of incentives to provide a competitive remuneration mechanism, pays for employees' social insurance and provides benefits such as transportation and communication subsidies, high temperature subsidies and meal allowance. The Group provides national statutory holidays and paid leave, such as annual leave, maternity leave, marriage leave, and funeral leave, etc.; and its production departments implement a shift system.

As at 31 December 2022, the Group had a total of 4,162 employees, of which 4,151 were full-time employees and 11 were part-time or temporary employees. The age group of employees is mainly ranging from 30-49 years old, comprising those from production, sales, technology research and development and management teams. The increase in the number of employees of the Group in 2022 was mainly due to the ignition and trial operation of the Group's new overseas production lines. In order to meet its production and operation requirements, a number of domestic and local workers were newly recruited. The annual turnover rate of the Group was approximately 9.58%, and the overall employee structure is stable.

The number of the Group's employees classified by age group, geographical region and gender is set out as follows:

		Age group				Geographical region						Gender	
Year	Total number of employees	Below 30	30-49	50-60	Above 60	Jiangsu	Shandong	Shaanxi	Inner Mongolia	Fujian	Others	Male	Female
2022	4,162	615	2,139	1,387	21	1,219	1,077	408	288	322	848	3,492	670
2021	3,822	411	2,032	1,368	11	1,123	1,059	531	303	273	533	3,180	642

(II) Health and Safety

The Group strictly adheres to the people-orientated approach in terms of employees' occupational health and production safety, fully complies with relevant laws and regulations such as the Production Safety Law of the PRC, Regulations on Production Safety, and thoroughly implements the policy of "putting safety first, carrying out prevention before treatment, and implementing treatment by comprehensive management measures". Furthermore, the Group has internally set up the Production Safety Standard Management System (GB/T33000-2016), and Occupational Health and Safety Management System (ISO45001-2018), setting out a series of safety measures required to be taken. In particular, the main person in charge of each production base of the Group is fully responsible for the production safety of the base, and department heads are fully responsible for the production safety of their respective departments. Production must meet safety requirements to achieve safe production and civilized production. The implementation process is monitored by a committee designated by the senior management through regular inspections and spot checks to ensure the health and safety of employees in the production process.

Through organizing and carrying out a number of major safety inspections, the Group identified safety hazards of various types promptly. As of the end of this year, rectification had been fully completed. In 2022, the Group's incidence rate of work-related accidents was lower than the industry standard, and the total number of lost days due to work-related injuries was 343 days, which was significantly lower than that in 2021. The work-related fatalities of the Group was 1 person in 2022.

The Group attaches great importance to occupational health and safety, and earnestly implements relevant procedures, rules and regulations, including but not limited to:

- Setting up a occupational health and safety management organization
- Putting in place occupational health and safety management personnel
- Setting targets and KPIs for occupational health and safety
- Ensuring investment of resources related to occupational health and production safety
- Strengthening training on the standardised technical operation and maintenance procedures for production equipment
- Reinforcing the management of production site and management and control of production process
- Establishing and improving the file management system for occupational health and employee health monitoring
- Setting up an emergency response agency and team
- Conducting emergency training and drills regularly

The Group puts great emphasis on the prevention and control of occupational diseases. In accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other relevant laws and regulations, the Group develops internal measures and methods for occupational health management, upholds the policy of "prevention first, treatment and cure combined", combines categorization policy with comprehensive governance, strengthens and implements the responsibilities of each production and operation unit, conducts regular occupational health training, and receives regulations by government and supervision from the society.

With great importance to the prevention and control of the pandemic, the Group strictly abides by the relevant policies and guidance issued by the state and local governments, and actively cooperates with the various pandemic prevention measures of the local government, and earnestly sorts out the pandemic prevention and control plans. The physical and mental health of employees is guaranteed through measures such as regular daily disinfection of office spaces in each base, dynamic tracking of employees' health status and so on. After the control for the pandemic was released, each base continued to proceed with pandemic prevention and control, medicament supply guarantee, shift adjustment, etc. to avoid large-scale concentrated infection and personnel panic situations. Through the efforts of all staff, the Group did not have a single death caused by COVID-19 in 2022.

(III) Development and Training

The Group attaches great importance to the improvement of comprehensive quality and expertise of the staff, and works out training schemes in a scientific manner for the employees of each position based on their business needs. Relevant training is organized in a planned way and professionals are invited to hold training seminars. Employees are provided with:

- Orientation training for new employees;
- Skills training for in-service and transferred employees;
- Skills enhancement and technical backbone training for professional positions;
- Internal trainer training;
- Specialized training for overseas staff;
- Comprehensive skills training for senior management and middle-level managers; and
- Academic seminars and expatriate training for outstanding employees, etc.

In 2022, the Group continued to adhere to the training program of "master mentoring apprentices", further improved the Group's internal training materials, and provided systematic training for new employees in each base in a target-oriented way, to effectively strengthen the safety awareness and basic theoretical level on the positions of new employees. The production technology department and the administrative personnel department jointly organized production system personnel such as quality control, laboratory testing, raw materials, melting, and molding, and carried out online video training of "Glass Petrofacies Analysis and Defect Diagnosis", which improved the relevant business knowledge and actual operating level of personnel in the production system. The finance department proactively implemented the guiding idea of "cost reduction and efficiency enhancement" and organized teams to learn from the specific experience of "cost reduction and efficiency enhancement" in advanced bases, which better improved the business knowledge and business capabilities of key personnel.

In 2022, the Group's training completed by each employee during the year by employee category and gender is set out as follows:

	Employee category			Gender	
	Senior management	Middle management	General staff	male	female
Number of employees	123	409	3,630	3,492	670
Average number of trainees	117	397	3,585	3,439	660
Percentage of employees trained	95.1%	97.1%	98.8%	98.5%	98.5%
Average hours of training	4.2	17.0	73.9	67.1	62.9

(IV) Employee Care

In 2022, the Group further strengthened the management of performance tracking and assessment, to give full play to the role of performance incentives. Through the implementation of the performance incentive scheme and the Group's 2022 Employee Salary Adjustment Plan, the income of employees has been increased effectively. Meanwhile, in order to further promote the construction of spiritual civilization of the Group, the Group encouraged all bases to proactively carry out healthy, positive and content-rich cultural and sports competitions and activities during holidays, so as to enhance the physical and mental health of employees and stimulate the vitality of the workforce. In 2022, each base proactively carried out a variety of cultural and sports activities, such as the "China Glass Cup Brisk Walking" activity at the Weihai Base and the hula hoop competition activity at the Shaanxi Base, and so on which effectively enhanced sense of identity with the enterprise and team cohesion.

In 2022, the Group continued to organize and carry out annual appraisal for selection of outstanding employees and commendation activities, to appraise and select the Outstanding Contribution Awards, Special Contribution Awards, Top Ten Advanced Workers, Top Ten Advanced Managers, as well as Management Benchmarks, Advanced Units for Safety, Environmental Protection and Energy Conservation and other awards, and grandly carried out commendations to offer rewards, forming a good atmosphere of "everyone strives to be advanced and makes contribution to the development of the companies". At the same time, each base also proactively organized employees to participate in social activities of election of outstanding workers. For example, Suqian Base recommended outstanding employees to participate in the selection of "May 1 Labor Medal" of Suyu District, Jiangsu Province, the "Top Ten Most Beautiful Characters" of Suyu District, and the "New Long March Vanguards" of Suyu District's Propaganda Department and other individual awards, which improved the sense of honor and happiness of employees of the companies.

(V) Labour Standards

The Group strictly complies with the Labour Law of the People's Republic of China and the Labour Contract Law of the PRC for its 81% China-based staff and its overseas staff also strictly complies with the relevant applicable laws and regulations. The Group also strictly complies with the relevant requirements of national laws and regulations in staff recruitment and clarifies the relationship of work allocation between the enterprise and employees from the perspective of systems and mechanisms to safeguard employees' legal rights and interests. The Group conducts comprehensive self-examination on staff recruitment from time to time to prevent and timely remedy potential violations, and adheres to the following guidelines:

(1) Recruiting workers by the principles of fairness, openness, and willingness, signing the Labour Contract in accordance with regulations, and imposing no forced work to our staff.

(2) Providing workers with wages and compensation for overtime no lower than the local minimum wage requirements, as well as related benefits.

(3) Providing workers with rest days and statutory paid holidays according to the provisions in China and relevant nations.

(4) Recruiting adults aged 18 and above, and rigorously forbidding child and forced labour.

(5) Applying the principle of diversity to provide open and fair training and promotion opportunities for all employees without discrimination on gender, age, religion, region and race, etc.

(6) Making reference to requirements of the Labour Law of the PRC and laws and regulations of the country where overseas production bases are located to compute the working hours on a consolidated basis.

In 2022, the Group had no cases in violation of the relevant laws, regulations and standards above.

II. ENVIRONMENTAL PROTECTION

In order to implement the green development concept of Made in China 2025, the Group carried out green manufacturing projects, established green manufacturing systems, played a leading role model in green manufacturing, and observed energy conservation and comprehensive use of energy to build a green manufacturing company.

(I) Environmental Management System

The Group resolutely implements the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Guidelines for Verification of Corporate Greenhouse Gas Emissions Reports (Trial Implementation), the Technical Guidelines for Formulating Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather (2020 Revision) and other relevant laws, standards and policies as well as the Environmental Protection Management System and Energy Conservation Management Measures of the Group. The Group carries out the policy of "prevention comes first, combining with treatment, and implementation by comprehensive management measures". In accordance with local environmental laws, regulations, policies and actual conditions, each base has formulated environmental management system guidelines, environmental protection management systems and hazardous waste management measures and other documents in line with its own condition and continuously optimized and improved environmental protection facilities and processes so as to ensure the unity of economic, social and environmental benefits.

Each base has established an environmental management system. The production technology department of the Group has a dedicated environmental protection and energy-saving management team. In each base, there is responsible staff who specialized in environmental protection and energy saving to take responsibility for the operation and management of environmental protection and energy conservation facilities along with other tasks in each base. Smoke and waste gas online monitoring systems installed in each base is connected to the Environmental Protection Department's network, establishing an online system for real-time environmental monitoring to ensure that the emissions are below the national and local emission standards.

The Group proactively carries out the ISO14001 environmental management system certification to improve the environmental management level. Each base of the Group has passed the ISO14001 environmental management system certification. The environmental management system of each base is audited by the company internally and third-party organizations every year, and optimization and improvement are conducted based on the audit results.

(II) Environmental Protection Objectives

The Group strictly abides by relevant laws, regulations and industry standards, carries out work centering on the requirements of environmental impact assessment and clean production, and resolutely achieves "simultaneous planning and design, simultaneous implementation, and simultaneous putting into use" for environmental protection, production and construction to ensure the normal operation of environmental protection facilities; with the stress on capital investment in environmental protection, the Group develops circular economy by increasing waste heat power generation, roof photovoltaic power generation and wastewater recycling; boosts the rate of waste usage by improving waste gas treatment facilities and processes; engages qualified and formal companies to proceed with the emission of hazardous waste; and implements the ISO14001 environmental management system to ensure that the discharge of waste gas, wastewater and waste residue is up to standard. The Group proactively plays the role of an advanced and typical example of green manufacturing and builds a green manufacturing enterprise, to make corporate contributions to the country's realization of "double carbon" objective.

In 2022, Weihai Base won the honorary title of "2022 Shandong Green Factory".

(III) Emission Management on Exhaust and Wastewater

The Group strictly abides by the standards and requirements for a variety types of emissions from the production of flat glass, implements the sustainable development concepts of "clean production" and "resources recycling and reusing", and attaches great importance to exhaust emission reduction and wastewater utilization. The production lines of each base are equipped with environmental protection facilities such as flue gas desulfurization, denitrification, and dust removal for glass melting furnaces. During the year, Dongtai Base and Weihai Base took advantage of cold repairs to transform the desulfurization, denitrification, and dust removal processes, and also increased standby systems to ensure that flue gas emission is up to standard. In 2022, the total operating costs and upgrading and renovation costs of environmental protection facilities were RMB131 million.

1. *Exhaust Emission*

   During the glass production process, the air pollutants mostly discharged include nitrogen oxides, sulfur dioxide and particulate matter, etc. Each base of the Group has built a flue gas treatment system, and the flue gas is discharged up to standard after desulfurization, denitrification and dust removal.

In 2022, the Second Line of Suqian Base as well as Dongtai Base, Wuhai Base and Longyan Base implemented the Emission Standard of Air Pollutants for Flat Glass Industry (GB26453-2011) and Suqian Base implemented the Emission Standard of Air Pollutants for Electronic Glass Industry (GB29495-2013); Weihai Base and Linyi Base implemented the Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province (DB37/2373-2018); Shaanxi Base implemented the Emission Standard of Air Pollutants for Key Industries in Central Shaanxi Region (DB61/941-2018).

Emissions	Particulate matter	Sulphur dioxide	Nitrogen oxide
Emission Standard of Air Pollutants for Flat Glass Industry GB26453-2011	≤ 50 mg/m^3	≤ 400 mg/m^3	≤ 700 mg/m^3
Emission Standard of Air Pollutants for Electronic Glass Industry GB29495-2013	≤ 50 mg/m^3	≤ 400 mg/m^3	≤ 700 mg/m^3
Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province DB37/2373-2018	≤ 10/20* mg/m^3	≤ 50/100* mg/m^3	≤ 100/200* mg/m^3
Emission Standard of Air Pollutants for Key Industries in Central Shaanxi Region DB 61/941—2018	≤ 20 mg/m^3	≤ 100 mg/m^3	≤ 500 mg/m^3

* The standards of Shandong Province are divided into key control area and general control area, in which the former is the key control area and the latter is the general control area.

The Group adopted advanced processes and technologies, and strengthened the control over the melting process, achieving remarkable results in flue gas treatment. In 2022, on the basis of a year-on-year decrease of 7% in production scale, the total emission of sulfur dioxide of the Group decreased by 47.70% year-on-year, the total emission of nitrogen oxides decreased by 21.14% year-on-year, and the total emission of particulate matter decreased by 42.39% year-on-year.

The details of total emission of air pollutants by each base in 2022 is shown in the table below:

(Unit: Tonne)

No.	Name of emissions	2022 Suqian Base	Dongtai Base	Weihai Base	Linyi Base	Shaanxi Base	Wuhai Base	Longyan Base	2022 Total	2021 Total
1	Sulphur dioxide	28.4	33.1	47.1	0.9	16.3	109.2	58.2	293	561
2	Nitrogen oxide	29.7	53.6	165.2	68.7	420.6	323.3	30.8	1092	1384
3	Particulate matter	3.0	5.5	7.2	4.2	3.8	18.4	1.2	43	75

2. *Wastewater Discharge*

Wastewater generated from each base of the Group was recycled for site spraying, roads and green seedlings watering, etc.; domestic sewage was transmitted to local sewage treatment plants for treatment after reaching the take-over standard of such plant. Each base installed online sewage testing equipment and established an online real-time monitoring system for environmental protection to ensure compliance with emissions standards.

3. *Hazardous Wastes*

The Group generated an aggregate of approximately 103 tonnes of denitration waste catalysts. The waste catalysts in each base were recycled after recovery in the catalyst recovery unit according to national management requirements for hazardous wastes. The legal disposal rate of hazardous wastes is 100%.

4. *Non-Hazardous Waste*

The non-hazardous waste generated by the Group mainly includes: (i) approximately 18,000 tonnes of desulfurization waste residue each year; (ii) approximately 600 tonnes of domestic waste; and (iii) approximately 2,000 tonnes of waste material packaging bags. Each base has recycled and disposed non-hazardous waste by themselves or by entrusting qualified agencies in accordance with local environmental protection requirements and the Company's environmental management regulations.

(IV) Greenhouse Gas Emission Management

Greenhouse gas emissions from the glass production process include fossil fuel combustion, toner oxidation in raw materials, carbonate decomposition of raw materials, net electricity purchase and other production processes, etc. In accordance with the requirements of the Annex 12 – the Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrade in the Flat Glass Industry to the Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrade in Key Fields of High Energy Consumption Industries (2022 Edition) and other relevant laws and regulations, the Group strictly controls the up-to-standard emission of greenhouse gases, which prompts the Group to optimize the energy structure and reduce energy consumption. In accordance with the the Requirements of the Greenhouse Gas Emission Accounting and Reporting –Part 7: Flat Glass Enterprise (GB/T321517.7-2015) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC, the statistics of greenhouse gas emissions arising from the glass production process in each base in 2022 are as follows:

Unit: tCO_2	Emission from fossil fuel combustion	Emission from toner oxidation in raw materials	Emission from carbonate decomposition of raw materials	Emission from net electricity purchase	Total annual carbon dioxide emissions of enterprises
Suqian Base	156,126	259	58,759	26,177	241,321
Dongtai Base	73,605	109	19,904	3,807	97,426
Weihai Base	242,168	–	59,961	48,333	350,462
Linyi Base	90,752	–	37,724	6,822	135,298
Shaanxi Base	165,927	77	55,352	2,858	224,213
Wuhai Base	128,391	40	44,679	17,656	190,767
Longyan Base	103,835	141	43,233	16,611	163,820

The statistics of total greenhouse gas emissions in each base from 2020 to 2022 are as follows:

	2022	2021	2020
Suqian Base	241,321	88,689	43,345
Dongtai Base	97,426	332,464	276,894
Weihai Base	350,462	521,825	487,666
Linyi Base	135,298	117,973	135,146
Shaanxi Base	224,213	174,284	177,012
Wuhai Base	190,767	205,816	174,524
Longyan Base	163,820	82,607	–*
Total	1,403,308	1,523,658	1,294,588
Density (tCO2/t)	0.70	0.77	0.80

* Longyan Base joined the Group in July 2021, there is no historical data available for comparison.

(V) Low Carbon Operation and Sustainable Development

The Group is committed to finding solutions for low-carbon economy, so that the company's development is based on energy conservation and environmental protection at all times. It adheres to the principle of sustainability, accelerates the elimination and transformation of backward processes and equipment by leveraging technology advances, at the same time enhances product mix and process and equipment structure through modern processes and equipment evolution. It promotes a rational and enhanced energy structure; stresses energy conservation and consumption reduction in the production process, improves labour productivity, environmental protection and resource recycling and comprehensive use, and focuses on efficient energy use while performing energy conservation management, so as to rationally and effectively make use of energy resources.

The Group has developed its Energy Conservation Management Measures in accordance with the Energy Conservation Law of the People's Republic of China, the Measures for the Administration of Energy Conservation of Major Energy-Consuming Entities (2018 Revision), the Energy Consumption Limit Per Unit Product of Glass and Cast Stone (GB21340-2019), the Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrading in Key Fields of High Energy Consumption Industries (2022 Revision) and other relevant laws and regulations.

1. *Energy Use*

To further reduce energy consumption and save manufacturing cost, the Group constructed residual heat electricity generation systems in all bases. During the production of glass, the heat taken away by waste gas produced from melting accounts for about 30% of the furnace energy consumption, thus using the residual heat is an effective way to reduce the energy consumption in glass production. The 480°C fuel gas produced by the glass furnace kiln is connected to the inlet of the heat recovery power generation boiler to produce 2.16Mpa superheated steam at the temperature of 430°C, which is then used to generate electricity. The excess pressure steam after power generation may also be used for fuel heating in production or heat supply for use in daily life. Such electricity is used by the Group, which significantly lessens the glass production cost, turns waste into wealth, saves energy and enables to achieve a sound cycle of energy use for the enterprise.

The Group vigorously carries out rational suggestion activities for cost reduction and efficiency enhancement. Employees are encouraged to put forward rational suggestions on corporate energy conservation and emission reduction. The Group has further strengthened the assessment of resource consumption indicators and increased the use of natural gas as clean energy to gradually improve the energy structure. In 2022, the total rate of finished products was 92.52% and the unit comprehensive energy consumption was 12.12 kg standard coal/weight case, representing a decrease of 2.88% as compared to that in 2021.

		Total energy consumption of the Group from 2020 to 2022		
Name of energy	**Unit**	**2022 total**	**2021 total**	**2020 total**
Coke oven gas	10,000m^3	13,117	12,602	28,006
Petroleum coke powder	Tonne	61,081	91,618	96,176
Fuel oil	Tonne	66,347	115,711	45,013
Natural gas	10,000m^3	17,331	9,478	6,174
Electricity	10,000kWh	24,361	23,023	22,610
Nitrogen	10,000m^3	5,459	8,721	8,413
Coal	Tonne	57,289	55,311	53,050

2. *Environment and Natural Resources*

(1) In terms of wood resources, in order to save resources and reduce the cost, all bases of the Group actively explore ways to improve and update packaging for glass products. Products for domestic market and parts of the export products have adopted the straw and soft packaging or iron stand packaging techniques. The wooden package of some products sold abroad has been changed in structure with less materials used and reinforced composite boards adopted, which has significantly saved wood resources.

(2) In terms of water resources, as many glass manufacturing appliances work under high temperature conditions, water cooling technique is normally adopted to keep them in good conditions and ensure normal operation. In order to save water resources and reduce the consumption of fresh water, all bases have strengthened the management of water usage, established the water usage management system, and used the water as planned. All production lines have employed the closed-loop circulation system for recycling water, with the circulation rate of the indirect cooling water system reaching above 98%.

Statistics of water consumption in each base in 2022

Unit	Suqian Base	Dongtai Base	Weihai Base	Linyi Base	Shaanxi Base	Wuhai Base	Longyan Base	Total
10,000 tonnes	25.65	35.79	58.96	34.35	57.94	20.47	46.49	279.65

3. *Climate Change*

In accordance with the 2020 Report on Addressing Climate Change: Promoting Climate Action released by the Ministry of Ecology and Environment of the PRC, and a series of policies and regulations has or will soon be issued by the State during the period of the "14th Five-Year Plan" and the "15th Five-Year Plan", such as the Limits of Carbon Emission Per Unit Product of Flat Glass and the Energy Conservation Law, the Group has set up functional departments for rigorous assessment of compliance with limits of carbon emission and indexes of reduction rate per unit product, and comprehensively adjusted product and energy structure by adopting corresponding energy-saving measures and low-carbon technology.

To achieve the national goal of carbon neutrality by 2060, the Group actively promotes low-carbon economy solutions, vigorously advocates the use of clean energy and renewable resources, formulates energy-saving and emission-reduction plans, and adjusts product mix and energy structure by increasing investment in research and development of energy-saving products such as online Low-E coated glass, online Sun-E㊣ energy-saving coated glass and photovoltaic glass, so as to reduce the Group's impact on global climate change to a minimum.

III. CORPORATE GOVERNANCE

(I) Product Responsibility

1. *Product Quality and Assurance*

The Group's survival depends on product quality, its development roots from technology. Quality improvement and product upgrading are the top priorities of the Group, so it carries out full-process quality control from product design and manufacturing to after-sale services. The headquarters of the Group carries out unified quality supervision and control through an information platform, and all our production bases implement the Standards of High-quality Product Manufacturers and the Product Quality Inspection and Control Regulations which are more stringent than the national standards and operate in accordance with the Quality Management System (ISO9001-2015). In addition, the headquarters of the Group conducts surprise quality inspection on online products and inventory products of each production base from time to time, understands in-depth customers' genuine feedback on the quality of our products, and arranges the production department of bases to promptly carry out analysis and rectification based on the feedback, so as to continuously improve quality control.

In 2022, all the Group's bases passed the annual audit by the national product certification agency, and no sold products were recalled due to safety and health reasons.

2. *Product Development and Innovation*

In recent years, the Group has been comprehensively adjusting its product mix, integrating and improving its green industry chain, and expanding into the fields of energy-saving glass and renewable energy. It is devoted to the research and development of high-end energy-saving products, and possesses dozens of self-developed national and international patents on glass products.

The Group has established a technology research and development department at the headquarters to enhance the Group's ability to conduct research, development and innovation of core technologies along with further enhancement on the Group's independent research and development and fully independent intellectual property rights. Also, it has formulated a strict core technology management system to centrally manage relevant technical personnel and technical documents and keep technologies confidentially, and uses patent applications and other legal weapons to protect core technologies as necessary.

Our bases in Dongtai, Weihai and Shaanxi vigorously develop and produce high-tech energy saving glass – online Low-E coated glass and online Sun-Eⓣ energy saving coated glass, while our Suqian Base manufactures high value-added products such as automotive glass, automotive mirrors, photovoltaic backplanes and glass for home appliances.

		Production quantity of energy saving glass and high value-added glass in 2022				
Product	**Unit**	**Dongtai Base**	**Weihai Base**	**Shaanxi Base**	**Suqian Base**	**Total**
Online Low-E Coating	10,000 tonnes		0.05			0.05
Online SUN-Eⓣ Energy Saving Coating	10,000 tonnes	1.37	6.12	2.17		9.66
Automobile/Car Mirror/Home Appliances/Photovoltaic Glass	10,000 tonnes				24.92	24.92

(II) Supply Chain Management

The Group selects and retains quality suppliers as its partners to establish a long-term strategic partnership. The Group obtains competitive advantage by improving upstream and downstream supply chain relationship, integrating and improving the information flow, logistics and fund flow in the supply chain. Adhering to the principles of equal consultation and mutual benefit, the Group has set up an integrated supplier management system and established a fair and just supplier assessment system with tender, negotiated tender procurement, exclusive supply, etc. creating a favourable competitive environment for the suppliers.

As at 31 December 2022, the Company procured raw materials, fuel and production line equipment from over 650 appraised and qualified suppliers, of which over 230 suppliers supplied raw materials, nearly 50 suppliers supplied fuel, and over 270 suppliers supplied production line equipment; all of which were independent third parties, of which over 550 were located in China, 53 were located in Nigeria and 46 were located in Kazakhstan. Considering transportation costs and ease of procurement control, domestic suppliers were mostly concentrated in North China, Northwest China and Southeast China. The Group procures raw materials, fuel and spare parts for its equipment from various alternative suppliers, and does not rely on any specific suppliers.

In order to ensure the production stability and product quality, the purchase of raw materials, fuels and spare parts required by the Group shall be carried out in accordance with the requirements of the procurement system documents. The selection of suppliers is carried out in accordance with internal documents such as the Qualified Supplier Selection and Evaluation System and other internal documents, and dynamic management of suppliers is implemented. Suppliers are evaluated by means of on-site inspections, questionnaires, external sustainable development agents, stakeholder data, external databases, news reports/coverage, supply channels, etc. Based on four categories of quality, supply capacity, delivery period and service, as well as multi-departmental evaluation, the Group regularly updates the supplier list, monitors the quality and consumption of raw materials, accessories and other materials. Through the above-mentioned strict measures, the Group ensures that all aspects of the supply chain are up to standard and safe.

In order to enhance its product competitiveness, the Group improves and integrates the supply chain when appropriate while providing quality service to effectively intertwine suppliers, manufacturers, warehouses and users. Furthermore, the Group also aims at achieving continuity and stability of the supply chain by reinforcing the self-restraint mechanism in environmental protection and developing a green supply chain management concept. The Group establishes standard supplier review process and selects eligible suppliers conforming to the national environmental protection and production safety requirements through strict process control.

In terms of supplier selection standards, the Group puts forward the following requirements on suppliers in the aspect of environmental protection and safety:

(1) The products provided by the supplier must meet the national environmental protection and safety production requirements, so as to ensure that the production of the Group will not harm the environment and achieve production safety. When looking for high-quality products and services, the Group not only considers reasonable prices, but also considers human health and environmental factors.

(2) The manufacturers of suppliers must strictly comply with national environmental protection policies and safe production requirements, have the environmental protection qualification required by the state, and undertake the due environmental protection responsibility, in order to guarantee the stability and safety of the supply of goods.

(3) The suppliers should use fuels which can be classified as clean energy that conforms to environmental protection requirements, and the main environmental protection indicators should be implemented in accordance with the highest requirements.

(4) When selecting supplier's products, in addition to avoiding the use of disposable products, focus is placed on products that meet the following conditions: (i) more suitable for recycling and reusing, made with more recycled materials, less packaging and more durable; (ii) compliance with higher energy efficiency requirements; (iii) use environment friendly technologies and/or low-polluting fuels; (iv) much less water consumption; (v) less emissions irritating or toxic substances during installation or use, or produce or contain less toxic substances when during disposal.

(III) Pre-sales and After-sales Services

1. *Customer services*

The Group, through various ways including early-stage training, on-site guidance and telephone follow-up, allows customers to understand product performance, processing parameters, and other matters worthy of attention. The Group handles customer request in a timely manner, strengthens the build-up of customer service information and systems, enhances customer service quality and strives to excel in sales service.

The Group continues to strengthen the construction of the marketing information system, optimize and upgrade the customer procurement information service system, and strengthen the integrated marketing system services, and is committed to providing customers with a more efficient, faster and better integrated service system covering the whole process of procurement of customers. Meanwhile, it strengthens industry market research to understand the development trend of customer demand in the target market, and adjusts the Group's product positioning, optimizes the product structure and give full play to the Group's product portfolio advantages based on the location advantages and production line layout of the Group's bases, thus to provide customers with reasonable product solutions, with satisfaction of customer needs as the priority goal.

The Confidentiality Management System of the Group sets out perfect regulations on the protection of customer information and privacy. The information and data of the customers are subject to standardized management by specially-assigned personnel, and management personnel have signed confidentiality agreements which are related to their job positions. Professional knowledge training must be required for the related personnel who are in charge of relevant information files. The compliance supervision department of the Group has a routine supervision and review process for the management of customer information to protect the safe storage of relevant data and prevent loss and leakage.

2. *Improvement of customer purchasing experience*

The Group has always been guided by customer needs and focused on customer concerns, and proactively carries out various customer service work. In 2022, the Group redesigned the questionnaire which is divided into four main categories: product, delivery, service and others, to conduct a multi-level and multi-dimensional survey of customers' perceptions of the Company's overall cognition and business cooperation in 2022, and solve the problems reported by customers one by one.

3. *After-sales services*

In order to improve product quality, enhance service quality and consumer experience, and ensure the smooth operation of marketing business, the Group has formulated the Regulations on After-sales Service Management, set up nation-wide marketing service and complaint hotlines, and established stringent feed-back mechanism for customer complaint and the relevant resolving procedures.

In 2022, the Group received a total of 397 quality complaints. The quality assurance department and other departments of each base responded quickly and promptly to quality complaints raised by customers. After joint investigation and responsibility analysis by multiple departments, all quality complaints from customers were properly handled. The Group's compliance supervision department supervises and examines the handling process and results of customers' quality complaints to ensure the fairness and justice in handling customer complaints.

(IV) Anti-corruption

By strictly complying with relevant laws and regulations including the Anti-Money-Laundering Law of the PRC and the Articles of Association, the Group has set up an internal Compliance Supervision Department, so as to reinforce the internal control system, protect company interests, and prevent and severely punish corruption practices.

In 2022, in accordance with the Group's Whistle-blowing Management System, it was announced that all cadres, employees and business partners will participate in the supervision of violations of laws and regulations in the form of meeting. Meanwhile, the "large-scale and multi-form" whistle-blowing channels are announced to keep the whistleblower's information confidentially. To implement the Integrity Undertaking for Lawful Operation by Officers and the Accountability System, the Group has strengthened compliance supervision and inspection and internal audit functions, organized newly promoted cadres to conduct anti-fraud studies through video or on-site meetings, and organized all management cadres to watch the anti-corruption propaganda film for twice in order to learn from the cases. The cadres of the Company are encouraged to be diligent and honest, perform their duties and adhere to the code of conduct.

IV. SOCIAL RESPONSIBILITY AND COMMUNITY INVESTMENT

In 2022, while proceeding with the pandemic prevention and control, the Group actively undertook social responsibilities. The Group devoted itself to public cause undertakings, encouraged all managers and employees to contribute to community causes, poverty alleviation and environmental protection, and upheld the pursuit of "creating maximum value for shareholders, employees and society". In 2022, the Group made donations in cash and materials amounting to approximately RMB530,200.

Domestically, Weihai Base insisted on organizing the "Charity One Day Donation" campaign and donated a negative pressure ambulance to the local community; Shaanxi Base donated a large number of quilts and single beds to the local health center to help the local community departments in the fight against the COVID-19 pandemic; Linyi Base insisted on donating to the poor villagers in neighboring villages of the factory; Wuhai Base donated a batch of anti-pandemic materials to the service center of Qianlishan Industrial Park in Wuhai City. The Group's overseas base in Nigeria made donations and offered grant for constructions in local areas such as medical supplies, transportation construction and engineering project in drinking water, etc., which were widely praised by the Nigerian government and communities.

The board of directors (the "Board" or the "Directors") and the management of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are committed to the maintenance of good corporate governance practices and procedures. The Board believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth, strengthening the confidence of shareholders and investors, and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2022, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviation set out in the CG Code C.2.7.

CG Code provision C.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 2022, 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 as the entire Board demonstrates a diversity of skills, expertise, experience and qualifications for the requirements of the Company's business which necessary to enhance the effectiveness of the Board and the quality of its performance, and to maintain high standards of corporate governance. 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 and corporate governance of the Company with the Chairman; and the company secretary of the Company (the "Company Secretary") plays an important role in supporting the independent non-executive Directors by ensuring good information flow between the independent non-executive Directors and 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. Upon specific enquiries, 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 2022.

Written guidelines no less exacting than the Model Code relating to the Company's securities transactions for employees are set out in the Company's Guidance on the Code of Conduct for Dealing in the Securities of the Company.

THE BOARD OF DIRECTORS

The Board assumes responsibility for effective leadership and control of the Company and is collectively responsible for promoting the success of the Company. The principal roles of the Board are:

- to set the Company's values and aims at enhancing shareholders' value;
- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget in particular the capital expenditure budget; and
- to set appropriate risk management policies to manage risks in pursuit of the Group's strategic objectives.

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 December 2022, a total of 4 Board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. Board minutes/resolutions are kept by the Company Secretary and are available for inspection by the Directors.

The Company has arranged for appropriate directors and officers liability insurance in respect of legal action against Directors.

Corporate Governance Functions

The Board, in performing the following corporate governance duties will take full account of the requirements set out in the Listing Rules:

- to establish the Company's purpose, values and strategy and satisfy itself that these and the Company's culture are aligned, and must act with integrity, lead by example, and promote the desired corporate culture;
- to develop and review the Company's policies and practices on corporate governance including, inter alia, the board diversity policy, the nomination policy of the Board, the remuneration policy, the shareholders communication policy, the policy for board succession planning, the dividend policy, the employees diversity policy, the whistleblowing system, the information disclosure and reporting system, the guidance on the code of conduct for dealing in the securities of the company, and policy and system that promote and support anti-corruption laws and regulations (including the formulation of an undertaking letter on honesty, law-abiding and integrity for cadres and accountability system);
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives;
- to ensure the Company establishes and maintains appropriate and effective risk management and internal control systems;
- to oversee the Company's risk management and internal control systems on an ongoing basis;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Chairman and Chief Executive Officer

The Chairman and the chief executive officer of the Company (the "CEO") are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. During the year 2022, the Chairman, Mr. Peng Shou, provided leadership to the Board so that the Board worked effectively and discharged its responsibilities, and that all major issues were discussed by the Board in a timely manner. On the other hand, the CEO, Mr. Lyu Guo, who is an executive Director, has executive responsibilities over the business directions and operational decisions of the management.

Board Composition

Up to the date of the Annual Report, the Board comprises a total of seven Directors, being one executive Director, three non-executive Directors and three independent non-executive Directors of which one of them has appropriate professional qualification and financial management expertise as required by Rule 3.10(2) of the Listing Rules. Details of the composition of the Board are set out on page 2 of this Annual Report.

The Board members have no financial, business, family or other material relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 27 to 29 of this Annual Report, which demonstrates a diversity of knowledges, skills, expertise, experience and qualifications for the requirements of the Company's business and alignment with the Company's strategic objectives. The Board possess glass industry knowledge/experience, materials science, strategic planning and risk management, business management, financial reporting/management, and legal/regulatory diverse skills set, as well as extensive experience in diversified business, which contribute to the critical functions of the Board and the Company's succession planning; and ensures that the Directors devote sufficient time and make contributions to the Company that are commensurate with their roles and Board's responsibilities.

The Board comprises independent non-executive Directors who bring strong independent judgement, rich knowledge and expertise to the Board. As noted below, the majority of the audit committee members are independent non-executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

The Company has received annual confirmation of independence from each independent non-executive Director in accordance with Rule 3.13 of the Listing Rules. The nomination committee of the Board (the "Nomination Committee") has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in the Listing Rules.

Appointments, Re-election and Removal of Directors

Pursuant to the bye-law 102(A) of the bye-law(s) of the Company (the "Bye-Laws"), the Company may from time to time in general meeting by ordinary resolution elect any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting. Pursuant to the bye-law 102(B) of the Bye-Laws, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at the meeting.

Pursuant to the bye-law 99 of the Bye-Laws, at each annual general meeting, not less than one-third of the Directors shall retire from office by rotation. The retiring Directors shall be eligible for re-election.

Pursuant to the bye-law 104 of the Bye-Laws, the Company's shareholders may by ordinary resolution remove any Director before the expiration of his term of office notwithstanding anything in the Bye-Laws or in any agreement between the Company and such Director and may elect another person in his stead.

All non-executive Directors and independent non-executive Directors have been appointed by the Company for a term of not more than three years, which is subject to the provision of retirement by rotation at the annual general meeting of the Company in accordance with the Bye-Laws and the CG Code.

For ensuring that changes to the Board and the CEO can be planned and managed without undue disruption, the Board endorsed a policy for Board's succession planning which aims to set out the plans for orderly succession for appointment of Directors and CEO.

Responsibilities, Accountabilities and Contributions of Directors

The Board is responsible for effective leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board shall ensure that it takes decisions objectively in the best interests of the Company and the Company's shareholders, and carries out duties in good faith and in compliance with applicable laws and regulations.

The Board shall ensure that every newly appointed Director shall have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements, and the business and governance policies of the Group. The Directors are continually updated with legal and regulatory developments, business and market changes, and the strategic development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive Directors and other non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. The independent non-executive Directors will take lead where potential conflicts of interests arise. They are also members of Board committees and scrutinise the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Delegation by the Board

The Board directly, and indirectly through its committees (the "Board Committees"), leads and provides direction to management by laying down policies and strategies and overseeing their performance as well as monitoring the Group's operational and financial performance. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board's approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. The delegated functions and tasks are periodically reviewed by the Board.

Under the leadership of the CEO, the day-to-day management and operations of the Group's business are delegated to the management, with division heads responsible for different aspects of the business.

Supply of and Access to Information

Board/Board Committees papers are circulated not less than three days before the regular Board/Board Committees meetings to enable the Directors/Board Committees members to make informed decisions on matters to be raised at the Board/Board Committees meetings.

The Company Secretary, the CEO and the chief finance officer of the Company (the "CFO") attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial, and business operations matters, as appropriate.

The management has the obligation to supply the Board and the Board Committees with adequate information in a timely manner, to enable them to make informed decisions. Where any Director requires more information than is volunteered by the management, each Director has separate and independent access to the Company's senior management to make further enquiries if necessary.

Monthly updates had been provided to all Directors for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Continuous Professional Development of Directors

Each newly appointed Director is provided with necessary induction and information to ensure that he has adequate understanding of the Group's operations and businesses as well as his duties and responsibilities under relevant statues, laws, rules and regulations. The Company Secretary also provides Directors with updates on the latest developments of the Listing Rules and other applicable regulatory requirements from time to time.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and ensure that they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Group. The Company has arranged inhouse trainings for Directors in the form of seminar, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company Secretary would provide relevant reading materials to the Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills. Set out below is a summary of training received by Directors for the year ended 31 December 2022 according to the records provided by the Directors.

The Company has devised a training record to arrange the Directors to record and monitor the training they have undertaken on an annual basis.

During 2022, the Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

Directors	**Type of trainings**
Executive Director	
Mr. Lyu Guo	A, B, C
Non-executive Directors	
Mr. Peng Shou	A, B, C
Mr. Zhao John Huan	A, B, C
Mr. Zhang Jinshu	A, B, C
Independent Non-executive Directors	
Mr. Zhang Baiheng	A, B, C
Mr. Wang Yuzhong	A, B, C
Mr. Chen Huachen	A, B, C

A: attending seminars and/or conferences and/or forums on subjects relating to, inter alia, digital transformation practice sharing; the Stock Exchange's latest regulatory requirements on share award scheme; and the impact of carbon neutrality on the capital market - innovation and development in meeting the opportunities of green concepts.

B: reading newspapers, journals, magazines and other reading materials relating to, inter alia, the economy, general business, glass industry development, director's duties and responsibilities, legal and regulatory updates and corporate governance and matters of relevance to the Directors in the discharge of their duties.

C: reading memoranda issued or materials provided from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance.

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee of the Board (the "AC" or the "Audit Committee"), Nomination Committee, remuneration committee of the Board (the "Remuneration Committee" or the "RC") and strategy committee of the Board (the "Strategy Committee"). All the Board Committees are empowered by the Board under their own terms of reference which have been posted on the websites of the Stock Exchange and the Company.

Audit Committee

Members:

Independent Non-executive Directors	Mr. Chen Huachen *(Chairman)*
	Mr. Zhang Baiheng
	Mr. Wang Yuzhong
Non-executive Director	Mr. Peng Shou

The Audit Committee was established with written terms of reference in compliance with the CG Code. Mr. Chen Huachen, the Chairman of AC, has appropriate professional qualification and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The members of the Audit Committee possess deep management experience in the accounting profession and commercial sectors.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, reappointment and removal of the external auditors; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, risk management and internal control systems of the Group.

Full minutes of Audit Committee meetings are kept by the Company Secretary. For the year ended 31 December 2022, the Audit Committee met twice with the external auditors to discuss and review areas of concerns and risk management and internal control systems of the Group for the financial year ended 31 December 2021 and held interim review for the six months ended 30 June 2022. Details of the committee members' attendance at the Audit Committee meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. The Audit Committee reviewed the independence of the external auditors and their re-appointment, as well as the announcement of annual results and annual report of the Group for the financial year ended 31 December 2021, and the announcement of interim results and interim report of the Group for the six months ended 30 June 2022 before submission to the Board for adoption and publication. The committee not only focused on the impact of the changes in accounting policies and practices but also on the compliance with accounting and financial reporting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports, and the AC's terms of reference and rules of procedures (the "AC's Terms of Reference").

The Audit Committee has reviewed with the Company's management and the external auditors 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) and external auditors' audit plan and strategy for the financial year ended 31 December 2022, as well as the Company's operational, risk management and internal control, and financial reporting matters and systems of the Group. The committee has also reviewed with the Company's management on the major internal audit issues for 2021 and for the six months ended 30 June 2022, the internal audit plan for 2022, the effectiveness of the Group's internal audit function, and the report on Group's ethics and compliance supervision. The discussion also includes, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Moreover, the committee reviewed the AC's Terms of Reference with amendments which are in line with the amended CG Code before submission to the Board for adoption and publication; and took note of the employees diversity policy, the whistleblowing system, and the undertaking letter for anti-corruption law(s) and regulation(s). In summary, the Audit Committee has reviewed the Group's risk management (including but not limited to material risks related to environment, social and governance) and internal control systems (covering all material control areas, including but not limited to financial control, operational control and compliance control), and is of the view that both the risk management and internal control systems of the Group are effective and sufficient and the internal audit function is still effective.

Nomination Committee

Members:

Independent Non-executive Directors	Mr. Zhang Baiheng *(Chairman)*
	Mr. Wang Yuzhong
Non-executive Director	Mr. Peng Shou

The Nomination Committee was established with written terms of reference in compliance with the CG Code.

The primary duties of Nomination Committee include examining the structure, size and composition of the Board, identifying suitable individual qualified to become Board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by Nomination Committee and agree any appointment of its members and recommend appropriate person for election by shareholders of the Company (the "Shareholders" and each a "Shareholder") at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the year ended 31 December 2022, the Nomination Committee met once to assess the independence of independent non-executive Directors; review the structure, size and composition of the Board; and make recommendations to the Board on the amendments to the board diversity policy (the "Board Diversity Policy") which aimed to set out the approach in meeting the targets and achieving diversity on the Board (including the gender diversity in the Board); the adoption of policy for board succession planning (the "Policy for Board Succession Planning"); and the re-election of retiring Directors at the forthcoming annual general meeting of the Company (the "2022 AGM"). Details of the committee members' attendance at the Nomination Committee meeting are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

Pursuant to bye-law 99 of the Bye-Laws, Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen (who has been serving as independent non-executive Director for more than 9 years) should retire by rotation at the 2022 AGM and being eligible, have offered themselves for re-election at the 2022 AGM.

The Nomination Committee, having reviewed the Board's structure, size and composition, noted that pursuant to the Bye-Laws and the nomination policy of the Board (the "Nomination Policy") and took into account the various diversity aspects as set out in the Board Diversity Policy, Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen are eligible for nomination, and recommended Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen to the Board for the Board to recommend to the Shareholders for re-election at the 2022 AGM. Mr. Peng Shou abstained from voting on his nomination. The nominations were made in accordance with the Bye-Laws and the Nomination Policy and took into account the various diversity aspects as set out in the Board Diversity Policy, Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen's vast and diverse business background and experience, and their contributions to the Board. The Nomination Committee was satisfied with Mr. Chen Huachen's independence with reference to the criteria as set out in Rule 3.13 of the Listing Rules. Additionally, such nomination also fulfills the requirement set out in Rule 3.10(2) of the Listing Rules as Mr. Chen Huachen possesses Chartered Financial Analyst professional qualification, bachelor and master's degree in accounting, and has extensive experience in the capital market and financial related background. The Nomination Committee considered that Mr. Chen Huachen will continue to bring valuable contribution, business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board accepted the Nomination Committee's recommendations and recommended Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen to stand for re-election by Shareholders under separate resolutions at the 2022 AGM. The Board is of the view that Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen would bring to the Board their own perspectives, skills and experiences; and resolved to recommend Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen to be re-elected as Directors at the 2022 AGM. The Board considered the re-election of Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen as Directors is in the best interest of the Company and Shareholders as a whole. Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen abstained from voting on each of their respective nominations.

The Company recognises the importance of diversity to corporate governance and the board effectiveness. The Board has adopted the Board Diversity Policy which set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and the quality of its performance, and to maintain high standards of corporate governance.

Board nominations and appointments will continue to be made on merit basis based on the Company's business needs from time to time while taking into account a range of diversity perspectives. The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in the selection of Board candidates. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to age, cultural and educational background, gender, ethnicity, professional expertise and qualification, and industry experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the candidates will bring to the Board.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the Board Diversity Policy and monitoring the progress on achieving these objectives. The Nomination Committee shall review the Board Diversity Policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board. The Nomination Committee, having reviewed the Board's structure, size, composition, diversity overview and skills set (which include different knowledges, skills, expertise, experience and qualifications for the requirements of the Company's business and alignment with the Company's strategic objectives, i.e., the Board posses glass industry knowledge/experience, materials science, strategic planning and risk management, business management, financial reporting/management, and legal/regulatory diverse skills set), considered that with the existing Board members coming from a variety of business and professional background, the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business growth for the year ended 31 December 2022. The committee noted the CG Code provision of appointing at least one female director to the Board by no later than 31 December 2024 so as to comply with the requirements of the Listing Rules and implement the Company's corporate strategy, which contributes to the critical functions of the Board and the Company's succession planning at the same time. With the recommendation of Nomination Committee, the Board has adopted the revised Board Diversity Policy in March 2022 (the "Revised Board Diversity Policy"). The Board conducted a review of the implementation and effectiveness of the Revised Board Diversity Policy in March 2023. The Board reviewed the Board's skills matrix, structure, size, composition and diversity perspectives, as well as mechanisms used to ensure independent views and input are available to the Board (the "Independent Mechanisms", measures as set out in the policy), except for appointing at least one female director to the Board by no later than 31 December 2024, the Board is satisfied that the policy and the Independent Mechanisms have been properly implemented during 2022 and is effective.

Revised Board Diversity Policy

1 *Purpose*

This Board Diversity Policy (the "Policy") aims to set out the approach to achieve diversity on the board of directors of the Company (the "Board").

2 *Policy Statement*

The Company recognizes and embraces the benefits of having a diverse Board to provide a range of perspectives and insights that enables the Board to discharge its duties and responsibilities effectively, enhance good decision making and support succession planning and development of the Board, and to maintain high standards of corporate governance. The nomination committee of the Board (the "Nomination Committee") will review the structure, size and composition of the Board annually and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional expertise and qualification, industry experience, skills, knowledge and length of service. In designing the Board's composition, the Company will also take into account factors based on its own business model and specific needs from time to time. For achieving increasing diversity in the Board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

3 *Measureable Objectives*

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional expertise and qualification, industry experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition will be disclosed annually in the Corporate Governance Report as set out in the Company's Annual Report (the "Corporate Governance Report").

The Company is committed to achieving the following targets and adopting the following measures in order to ensure diversity in the Board:

- **Gender:** the Company is committed to achieving gender diversity in the Board. The Company targets to appoint at least one female director by no later than 31 December 2024, and to gradually achieve appropriate balance of gender diversity with reference to the requirements of the Company's business and operation, stakeholders' expectation, and international and local recommended best practices. The Nomination Committee will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for directors' appointment.

- **Independence:** the Board will maintain a balanced composition of executive, non-executive and independent non-executive directors to ensure a strong element of independence in the Board. The independent non-executive directors shall be of sufficient calibre and stature for their views to carry weight. The Board will assess the independence of each of the directors on an ongoing basis with regard to all relevant factors.

  To ensure independent views and input are available to the Board, the functions of non-executive directors include, inter alia:

  (a) participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

  (b) taking the lead where potential conflicts of interests arise;

  (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and

  (d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

- **Knowledge, skills and experience:** the Board will continue to possess a balance of knowledge, skills and experiences appropriate for the requirements of the business and operation of the Company. Relevant trainings will be provided to directors from time to time to equip themselves with the attributes and competencies required for the Board in light of the strategic needs of the Group and the surrounding operation environment.

- **Age:** a board comprised of directors with a range of ages and tenure can enhance diversity and minimise succession risks. In support of that objective, age is one of the factors which the Nomination Committee will take into account when selecting and making recommendation on suitable director candidates. The Nomination Committee may also from time to time select and recommend younger director candidates with the intention to develop a pipeline of successors, while balancing the knowledge, skills and experiences required for the business and operation of the Company.

4 *Monitoring and Reporting*

The Nomination Committee will monitor the implementation of the Policy.

The following disclosure will be made annually in the Corporate Governance Report:

- a summary of the Policy together with the measurable objectives set for implementing the Policy, and the progress made towards achieving those objectives;
- how and when gender diversity will be achieved in the Board;
- the numerical targets and timelines set for achieving gender diversity in the Board; and
- measures adopted to develop a pipeline of potential successors to the Board to achieve gender diversity.

5 *Review of the Policy*

The Nomination Committee will review the Policy annually to ensure the effectiveness of the Policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Nomination Policy

1 *Purpose*

(1.1) The Nomination Committee (the "NC") shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings, or appoint as Directors to fill casual vacancies, or as addition to the Board.

(1.2) The NC may, as it considers appropriate, nominate such number of candidates to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled, or such number of candidates as addition to the Board.

2 *Selection Criteria*

(2.1) The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate:

(a) reputation for integrity;

(b) experience in the business strategy, management, legal and financial aspects;

(c) whether the proposed candidate is able to assist the Board in effective performance of the responsibilities;

(d) the diversity of perspectives, merit and contribution that the proposed candidate is expected to bring to the Board;

(e) commitment in respect of available time and relevant interest;

(f) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualification, industry experience, skills, knowledge and length of service; and

(g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

(2.2) Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

(2.3) The NC may request candidates to provide additional information and documents, if considered necessary.

3 *Nomination Procedures*

(3.1) The secretary of the NC shall call a meeting of the NC, and invite nominations of candidates from Board members, if any, for consideration by the NC prior to its meeting. Alternatively, such nomination may be approved by the NC by way of written resolutions.

(3.2) For filling a casual vacancy or appointing an additional Director, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.

(3.3) Until the issue of the circular to Shareholders, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

(3.4) Regarding the procedures for Shareholders to propose a person for election as a Director, pursuant to the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company at least seven days before the date of the general meeting.

The period for lodgment of the notices required under the Bye-Laws will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

(3.5) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4 *Confidentiality*

Unless required by law or any regulatory authority, under no circumstances shall a member of the NC or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to Shareholders, as the case may be, is issued. Following the issue of the circular, the NC or the Company Secretary or other staff member of the Company approved by the NC may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

Remuneration Committee

Members:

Independent Non-executive Directors	Mr. Wang Yuzhong *(Chairman)*
	Mr. Zhang Baiheng
Non-executive Director	Mr. Peng Shou

The Remuneration Committee was established with written terms of reference in compliance with the CG Code.

The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure for all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration package of the executive Director and make recommendations to the Board of the remuneration of non-executive Directors, by reference to the Board's corporate goals and objectives. During the year ended 31 December 2022, the Remuneration Committee met once to assess the performance of executive Director; to review the annual performance appraisal and remuneration packages of the Group's senior management (including executive Director, who also acts as the CEO), particularly the performance-related pay; to recommend to the Board for the adoption of the remuneration policy (the "Remuneration Policy", which aims to determine the remuneration packages of the individual Directors and the Company's employees (including senior management)); and to review the RC's terms of reference and rules of procedures (the "RC's Terms of Reference") with amendments which are in line with the amended CG Code before submission to the Board for adoption and publication. The emoluments of executive Director have been determined with reference to the duties, responsibilities and involvement in the Group's affairs, his performance, the Group's performance and prevailing market conditions during that particular year(s). The Remuneration Committee also reviewed and recommended to the Board for the adjustment of independent non-executive Directors' fees, which were determined by reference to their duties, responsibilities and involvement in the Company's affairs, and skills, knowledge and performance, taking into account the Company's performance and profitability, and prevailing market situation for similar appointment. Mr. Wang Yuzhong and Mr. Zhang Baiheng abstained from voting on each of their respective fees adjustment.

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2022 are set out in Notes 8 and 32(e) to the consolidated financial statements. A formal and transparent policy is in place to determine the remuneration packages of the Company's individual Directors and employees (including senior management).

Remuneration Policy

1 The Remuneration Committee is mandated to formulate the Company's remuneration policy and structure for the approval of the Board, and to make recommendations to the Board on the Group's annual salary adjustment, the annual performance bonus, the share options and share awards.

2 The objective of remunerating Non-executive Directors is to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high calibre to oversee the Group's business and development. Their remuneration (including Directors' fee and a discretionary bonus) is reviewed annually with reference to companies of comparable business or scale in the market and also based on the average annual remuneration of non-executive directors of Hang Seng Index constituent companies, and any changes are subject to Board's approval. The annual review of Non-executive Directors' fee aims at ensuring they are remunerated fairly and appropriately, and takes into consideration the responsibilities taken on by the Non-executive Directors, time commitment required to fulfill their role and the variable workload associated with their memberships at the Board committees.

3 Non-executive Directors are entitled to participate in the share option schemes and the share award scheme operated by the Company, or to receive other fringe benefits provided by the Company. Non-executive Directors do not have service contracts.

4 Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Company's remuneration policy is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Company's remuneration policy is, therefore, aiming at being competitive but not excessive.

5 Employees' remuneration package (including that of the Company's Executive Director and Chief Executive Officer, and senior management) comprises basic salary and performance-related pay components (including base salary, performance bonus and long-term incentives) benchmarked against a mix of local and regional companies of comparable business or scale in the market, and Hang Seng Index constituent companies. The mix of basic salary and performance-related pay components in the employees' remuneration package is subject to annual review based on the Group's performance.

6 The Remuneration Committee is responsible for reviewing the remuneration of Directors and senior management annually, and making recommendations to the Board for its consideration. In conducting the Company's Executive Director and Chief Executive Officer, and senior management's pay review annually, the Remuneration Committee and the Board take into account a number of factors, such as individual responsibilities and performance, economic and employment conditions, and competitiveness in the job market.

7 Remuneration packages of Directors and employees are reviewed regularly according to the Company's remuneration policy to ensure that they are competitive and in line with the market in attracting and retaining individuals with the relevant skills, knowledge and experience.

8 No Director or any of their associates is involved in deciding that Director's own remuneration. Neither the Chief Executive nor the senior management participates in the Remuneration Committee's discussion on his/her pay review and performance award. The Remuneration Committee consults the Chairman of the Board on the Chief Executive's performance, and both the Chairman of the Board and Chief Executive on the individual performance of the senior management.

9 Remuneration of individual Directors and the senior management is disclosed in the Company's annual report.

The remuneration paid to the members of senior management [1] by bands during the year 2022 is set out below:

Remuneration Bands	Number of Individuals
RMB0 to RMB500,000	2
RMB500,001 to RMB1,000,000	4

Note 1: Senior management is referred to persons set out on page 2 of this Annual Report.

Strategy Committee

Members:

Non-executive Directors	Mr. Peng Shou *(Chairman)*
	Mr. Zhao John Huan
Executive Director	Mr. Lyu Guo

The Strategy Committee is mainly responsible for reviewing the mid-term and long-term strategies of the Company pursuant to its defined terms of reference. The Strategy Committee meets regularly as when necessary.

ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS, AND GENERAL MEETINGS

Name of Directors	Meetings Attended/Held During the Year Ended 31 December 2022					
	Board Meeting[1]	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Special General Meetings[4]
Executive Director						
Mr. Lyu Guo *(CEO)*	4/4	–	–	–	1/1	2/2
Non-executive Directors						
Mr. Peng Shou *(Chairman)*	4/4[2]	2/2	0/1	0/1	1/1	0/2[5]
Mr. Zhao John Huan	2/4[3]	–	–	–	1/1	1/2[5]
Mr. Zhang Jinshu	4/4	–	–	–	1/1	2/2
Independent Non-executive Directors						
Mr. Zhang Baiheng	4/4	2/2	1/1	1/1	1/1	2/2
Mr. Wang Yuzhong	3/4	2/2	1/1	1/1	1/1	2/2
Mr. Chen Huachen	3/4	2/2	–	–	1/1	2/2

Notes:

(1) Pursuant to section 91A of the Companies Act 1981 of Bermuda (as amended), the Director may appoint another Director to represent him and to vote on his behalf at any meeting of the Directors.

(2) Mr. Peng has attended 3 meetings personally and his duly appointed representative has attended 1 meeting on his behalf.

(3) Mr. Zhao has attended 1 meeting personally and his duly appointed representative has attended 1 meeting on his behalf.

(4) The Chairman was not in a position to attend all the special general meetings due to other work commitments at that relevant times; and the CEO chaired all the special general meetings on his behalf. The Company has encouraged the Directors to attend the general meetings to gain and develop a balanced understanding of the views of the Shareholders, albeit presence other work commitments or unforeseen circumstances might prevent Directors from doing so.

(5) Absence of the Directors in the special general meetings were due to other work commitments at that relevant times or unforeseen circumstances which prevent him from doing so.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Accountability and Financial Reporting

The Board is accountable to the Shareholders while the management is accountable to the Board. The management provides sufficient explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before it for approval.

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the financial year ended 31 December 2022, confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review, and consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards. The Directors aim to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in all shareholder communications. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore, the Board continues to adopt the going concern approach in preparing the financial statements.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's announcements of annual and interim results and the annual and interim reports, price-sensitive announcement and other financial disclosures required under the Listing Rules and the relevant legal and regulatory requirements.

Auditors' Remuneration

The financial statements for the year ended 31 December 2022 were audited by KPMG of which the term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that KPMG be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

There have been no changes of auditors of the Company in the past three years.

It is the auditors' responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion solely to the Shareholders and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the independent auditor's report.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 94 to 101 of this Annual Report.

During the year under review, the total fee payable to KPMG for annual audit services and interim review is RMB7.5 million; and there is no fee payable to KPMG for non-audit service.

Risk Management and Internal Control

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategies objectives, and establishing and maintaining a sound and effective risk management and internal control systems of the Group.

The Group has developed and adopted various risk management and internal control procedures and guidelines with a well-defined management structure with limits of authority for implementation by key business processes and office functions, which is designed for the achievement of business objectives, to safeguard assets against unauthorized use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Company has established a whistleblowing system governing the reporting procedures and arrangements for employees and those who deal with the Group to report and raise concerns, in confidence and anonymity, with the Audit Committee, Compliance and Supervision Committee, and the Company's Compliance and Supervision Department about possible improprieties in financial reporting, internal control, operational or other matters related to the Group, as well as policy and system that promote and support anti-corruption laws and regulations. The Group has also established an accountability system and procedures. Such system is applicable to all departments, wholly-owned subsidiaries, holding companies, invested companies and managerial staff at all levels of the Company. The Compliance and Supervision Department is the centralized management department of the Company's accountability system. The principles followed by accountability are adherence to the principle that there are laws to abide by and rules to follow; the principle of seeking truth from facts and correcting mistakes if any; and the principles of responsibilities commensurate with duties and combining education with punishment.

All divisions conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with division heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Company has developed its information disclosure and reporting system which provides a general guide, procedure(s) and system(s) to the Company's Directors, Company Secretary, senior management, officers and relevant employees in handling confidential and inside information, and communication with (and disclosure of information to) shareholders, investors, securities and financial analysts, and media, monitoring information disclosure and responding to enquiries. The procedures and internal control measures for handling and releasing inside information are:

For the scope of periodic reports (including results announcements), after completion of preparing the periodic reports, they will be submitted to the Audit Committee for review and audit first. The Board will consider and approve the periodic reports at regular meetings. After consideration and approval by the Board, the periodic reports will be subject to final confirmation by all personnel who are directly involved in the preparation of the reports and announcements through the coordination of the Company Secretary (as authorized by the Board). Then, the Company Secretary will finalize the announcement and report, and arrange for publication of the same on the "HKExnews" website of the Stock Exchange and the "Investor Relations" webpage of the website of the Company.

For non-periodic information disclosure, the Board, every professional committee under the Board, senior personnel of the Company, the persons in charge or information liaison officers of the headquarters and each department, each base, subsidiaries, branches and research and development centers of the Company, the Company's controlling shareholders and other shareholders who hold 5% or more of the Company's shares should notify the Company Secretary and the person in charge of the Company's Investment Management Department as soon as possible after they aware of or note that the information disclosure and reporting system requires disclosure of major events in a non-periodic disclosure way. The CFO, Company Secretary, and person in charge of the Investment Management Department shall conduct review of and consult relevant lawyer consultants, accountants and auditors for opinions on the compliance of non-periodic information disclosure. For the corresponding internal approval procedures of the Company that must be performed, the Company Secretary is responsible for convening Board meetings or preparing Board written resolutions, and holding general meetings (if necessary) in accordance with provisions of the Listing Rules, laws, regulations, the Company's memorandum of association and new Bye-Laws. The disclosure of audited non-periodic information must be submitted by the Company Secretary to the Board for deliberation and approval, and then it will be subject to final confirmation by all personnel who are directly involved in the preparation of non-periodic information disclosure through the coordination of the Company Secretary (as authorized by the Board). After that, the Company Secretary will finalize the announcement and arrange for publication of the same on the website of the Stock Exchange and the website of the Company. If necessary, the Company Secretary shall submit relevant announcement/disclosure to the Stock Exchange and/or other regulatory authorities, and arrange for publication of the announcement on the website of the Stock Exchange and the website of the Company after approval by the Stock Exchange and/or other regulatory authorities. The Company can make disclosures to the public in the form of announcements and press releases simultaneously (but it is not allowed to make disclosures in the form of press release only). However, the contents of both forms must be consistent, and the press releases shall not contain inside information that is not mentioned in the announcements.

When the relevant information disclosure obligor of the Company have doubts about whether certain information involves matters in disclosure, they shall consult the Company Secretary in a timely manner. For further confirmation, the Company Secretary shall consult the Company's legal adviser and/or the Stock Exchange.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management, internal control systems and internal audit function. The Board has delegated to the Audit Committee the responsibilities of reviewing the effectiveness of the Group's risk management and internal control systems and the Audit Committee has conducted a review on the effectiveness of the Group's risk management, internal control systems and internal audit function for the year ended 31 December 2022. The review has covered all material controls, including financial, operational and compliance controls with an aim of minimising the overall business and operational risks of the Group.

During the year under review, the Board's reviews included, inter alia, the major areas of concerns and risk management and internal control systems of the Group for the financial year ended 31 December 2021 and interim review for the six months ended 30 June 2022; the work scope and quality of management's ongoing control of risks (including environmental, social and governance risks) and of the internal control systems; major internal audit issues and works of internal audit function for 2021 and for the six months ended 30 June 2022; and was aware that, after the last review, the Company had not encountered significant risks (including environmental, social and governance risks) and the Company's ability to respond to changes in business and environment had been further enhanced, and the Company's processes for financial reporting and Listing Rules compliance are still effective. Such reviews would enable the Board to oversee, evaluate and determine the effectiveness of the Company's processes for financial reporting and regulatory compliance.

The Board is also aware that in 2022, the management strengthened the Company's risk management and the construction of internal control systems, including that in terms of production safety and environmental protection, the Company's management system was strictly implemented and no major environmental pollution accidents or major punishments incident occurred; in terms of product quality management, corrective and preventive measures were formulated according to existing problems, to track product quality and service quality, which effectively improved the timeliness of after-sales services of products, and no compensation on major product quality accidents occurred; in terms of employee health and safety, the employee health check-up management system was strictly implemented, and no major employee health and safety accidents occurred; in terms of taxpaying management and control, the accounting standards promulgated in the PRC and the Listing Rules were strictly implemented, and taxes were declared and settled on time in accordance with the requirements of tax laws and regulations. Through the inspection by the Chinese taxation authorities and audit conclusion issued by the engaged external audit firm, no violations of tax laws and regulations occurred. The Compliance Department of the Company carried out the internal audit in the Group in a planned way (including but not limited to auditing special audit work, bidding work, inspection system work, contract review management, and legal work) to identify the existing problems in the operation process promptly and supervised the progress of rectification to improve the overall management level of the Group. The Company also (1) strengthened corporate governance functions and conducted audit for procurement and sales activities, production, research and development activities and capital operations, and so on respectively, by setting up a price management committee, an investment management committee, a production technology committee and a funds management committee. The Supervision Department and other relevant functional departments implemented supervision. With the standardized governance procedures and effective audit for the management and control of procurement system, sales system, investment projects, operating funds, production management and technology research and development projects, the risks were controllable; (2) strengthened the construction of corporate culture with the Administration and Human Resource Department in charge of the construction of corporate culture and daily management; (3) proceeded well with the publicity and implementation of the whistle-blowing policy, including announcing in the form of meetings that all cadres, employees, and business partners of the Company jointly participated in the supervision of violations of laws and regulations and publishing all kinds of whistle-blowing channels. In order to improve the effects of the whistle-blowing policy for the Company's anti-fraud work, the Company announced that any units and individuals, including business partners, may report, expose or accuse the Company's cadres and employees with the public security authorities for illegal acts. To facilitate the Company's feedback on cadres' violations of disciplines and laws and crimes, and other behaviours, whistle-blowing boxes were set up in workplace, staff canteens and other places, and information on violations of cadres and employees were obtained through the whistle-blowing boxes; and (4) formulated an undertaking letter on honesty, law-abiding and integrity for cadres and accountability system for the implementation of anti-corruption laws, regulations and policies, conducted anti-fraud study and publicity for newly promoted cadres through video or on-site meetings, and organized video meetings for all management cadres for study of the anti-corruption propaganda film for twice which played a very good warning role in advocating the Company's cadres to be diligent, honest, perform their duties and adhere to the code of conduct. Meanwhile, all cadres of each subsidiary were required to sign an undertaking letter. A whistle-blowing acceptance agency was set up to arrange specially-assigned personnel who could conduct special audits and investigations in a timely manner for the matters received in whistle-blowing, and deal with the person(s) in charge according to the investigation results. In case of serious circumstances, the relevant person(s) in charge would be handed over to the judiciary authorities for handling.

In 2022, under the leadership of the Board, the management attached great importance to the work in respect of compliance supervision, and the supervision, inspection and audit functions were continuously strengthened and deepened. All kinds of economic activities of the Company were carried out in an orderly manner, and the production and operation were run normally. With the enhancement of decision-making power of the management, the market competitiveness and social value of the Company's products have been continuously improved.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (INCLUDING INTERNAL AUDIT MANAGEMENT AND CONTROL) OF THE COMPANY IN 2022

Scope of Social Responsibility Management Control System

Regarding the management and control of the Company's social responsibilities in terms of environmental governance, production safety, product quality and service, and employee health, etc., the Company fully complies with requirements of the relevant systems of the PRC. According to the actual situation of the Company, a detailed management system has been formulated, and the social responsibility is divided into three levels of management. The relevant departments of the Company take the lead in organizing the subsidiary of each base to promote the implementation of the management model of responsibility assessment of individuals, and promptly assesses the management and control vulnerabilities that occur in stages and formulates preventive and corrective measures therefor, which can effectively achieve the purpose of social responsibility and internal audit management and control.

Management and control of production and operation safety: The Company organizes production activities in strict accordance with production safety law of the PRC and the management requirements of the local government. Every month, each base and subsidiaries will organize a major inspection in respect of safety according to the system requirements to identify hidden hazards and conduct rectification; during the year, the Production Technology Department of the Company organized a dozen times of comprehensive major inspections, and required each subsidiary to conduct rectification for the hidden safety hazards identified. The production safety system of the Company was operated effectively.

Management and control of environmental protection indexes and emissions: The Company strictly implements the national environmental protection law of the PRC and organized environmental protection work in accordance with the management requirements of the local government. At present, each subsidiary is fully equipped with the environmental protection facilities, the flue gas desulfurization, denitrification and dust removal system are operated normally, and the chimney is equipped with an online monitoring system, for real-time monitoring 24 hours a day, so that flue gas emissions and other indexes are all up to standards, and the Production Technology Department is responsible for supervision and inspection. During the year, the Company had no major environmental pollution accidents, the environmental protection facilities were in normal operation, and the management and control mechanism was robust and effective.

Management and control of product quality: the Company strictly implements the requirements of the ISO9000 quality management system to provide customers with satisfactory services. Meanwhile, through the implementation of the Company's effective measures of "three refined managements" and carrying out internal audit measures for system, it has resulted in a significant improvement in respect of the product quality and product services of the Company. Each subsidiary has passed the annual audit by the product certification agencies of the PRC. The product quality management and control mechanism is effective.

Management and control of employee health: The Company strictly implements the employee health check-up management system to avoid and reduce occupational hazards through prevention, control and check-up and other measures. In the face of fluctuations in the domestic pandemic in the PRC, the Company uniformly distributed masks and other protective equipments to prevent employees being infected. The labour union of the Company supervises and protects the legitimate rights and interests of employees, and arranges representatives to conduct condolences activities to employees in difficulty every year, so that the entire employees and labour can feel the warmth of the corporate extended family. The system continues to be effective.

Taxpaying management and control: The Company strictly implements the related requirements of the relevant standards and accounting systems announced by the PRC and the Listing Rules, and in accordance with the requirements of tax laws and regulations, the subsidiaries of each base has declared and settled taxes on time and the Financial Management Department has implemented supervision. During the year, through the inspection by the Chinese taxation authorities and audit conclusion issued by the engaged external audit firm, no violations of the Company in respect of tax laws were identified.

Internal Audit Function and Effectiveness

The Company has set up a price management committee, an investment management committee, a production technology committee, and a funds management committee to conduct audit for procurement and sales activities, investment activities, production, research and development activities, and capital operations, and so on respectively. Each department and subsidiaries of each base are in charge of implementation and the Supervision Department and other relevant departments are in charge of supervision. The Company has a robust internal audit organization structure, internal audit and internal control systems are operated effectively.

With a perfect information management system, the collection of procurement and sales information is completed through multiple channels. All in all, the price information from no less than three channels is reported to the price committee for decision-making to ensure the rationality and accuracy of product sales pricing.

Management and control of procurement system: The Company has formulated relevant systems for procurement system management, etc. According to the bulk materials procurement plan reported by the Procurement Department, the price management committee meeting will be held every month. The Information Department provides recent market information as a reference, and the procurement price and quantity will be approved and determined at the meeting. The Production Department conducts acceptance and warehousing according to the quality requirements, avoiding various kinds of risks occured in aspects procurement price, quality and so on, and the control mechanism operates effectively.

Management and control of sales system: The Company has formulated relevant systems for marketing management, etc. According to the sales price reported by the Sales Department and the recent market information provided by the Information Department as a reference, the sales price is determined and approved after discussion at the meeting of the price management committee, avoiding various kinds of risks in terms of sales and collection of payments. The system operates effectively.

Investment management and control: The Company has formulated the management system in respect of investment to conduct detailed analysis on the background of project construction, the necessity of construction, and the rate of return on assets and other indicators. The Investment Management Department will conduct a summarized audit. According to the provisions on the management of investment projects, meeting of the investment management committee will be convened in a timely manner for discussion, in which collective decision-making and approval will be conducted. The Supervision Department will dispatch personnel to supervise the whole process of bidding for construction projects, and the Financial Management Department is responsible for engagement of an external audit agency to audit the final accounts to strictly prevent non-compliance occured during the bidding process. The investment process and supervision mechanism operates effectively.

Management and control of working capital: The Company strictly controls the approval authority for payment of working capital through an effective financial management system. According to the funds income and expenditure plan reported by each subsidiary, the fund management committee will conduct audit to ensure the safety and effectiveness of working capital. The Financial Management Department conducts unified management and control over the capital activities of subsidiaries. While standardizing the approval process and payment control, financial inspection is intensified to ensure the safe operation of funds.

Production management and control: the Company is guided by market demands. In strict accordance with the production technology management system and other relevant documents, the Production Technology Department is responsible for supervision and assessment of the quality control for raw materials and fuels and the specification of operation process indicators, and the products fully meet the quality and quantity requirements of the market.

Inventories management and control: The Company makes full use of the Enterprise Resource Planning system to standardize the inventory entry and exit procedures and inspection process control. According to the provisions of the inventory system, the Financial Management Department organizes regular inspections and counts of the inventories of each base company every year to find out the reasons for inventory shortage and surplus. Through the annual audit of the companies by KPMG, who is an external audit firm, there are no major vulnerabilities in respect of inventories. The inventory management system operates effectively.

Management and control of contract audit: through the contract management system formulated by the Company, the Supervision Department, with the assistance of the legal adviser engaged by the Company, took the lead in standardizing the contract signing contents, changes and default clauses in the contract of each subsidiary as submitted by each base company. The management and control of contract risks is effective.

Internal Supervision and Audit Institution and Effectiveness

The Company has an internal audit position responsible for daily supervision and special audit work; for engineering category, an external audit firm is engaged to conduct audit; for financial statements, etc., KPMG is engaged to be responsible for the annual audit. The Company has completed rectification for all the problems identified during the audit process.

Audit of financial reports: The Company has established a unified accounting system in accordance with the scope and requirements of the Accounting Standards for Business Enterprises and the Application Guidelines for the Accounting Standards for Business Enterprises, regularly issues accounting statements and financial analysis reports, and submits the same to the Board for decision-making. At the end of the year, an audit report issued by the engaged external accounting firm will be submitted to the Board for review and approval.

Management and control of internal supervision, audit and inspection: The Supervision Department of the Company strictly implements the Internal Audit System, and inspects the relevant systems of the procurement process, the Company's product compensation system, production safety and environmental protection systems. Rectification measures will be discussed for the problems identified in connection with audit or inspection process in a timely manner and relevant departments will conduct supervision and rectification. The system is implemented effectively.

Anti-fraud Mechanism and Effectiveness

The Company has revised the Whistleblowing System, calls on employees to participate in the supervision of violations of laws and regulations, and has set up whistle-blowing boxes and whistle-blowing telephone numbers in each base company. The Compliance and Supervision Department accepts and handles various kinds of whistle-blowing cases in a timely manner. Such mechanism is smooth and effective.

Human Resource Management Assurance and Effectiveness

The Company has formulated detailed human resource management process and internal control system, and established detailed internal human resource control process and system in terms of talents recruitment, employees training, employees resignation, behavioural incentives, remuneration and assessment, labour insurance, etc. The human resource assurance system operates effectively.

Construction of Corporate Culture

The Company attaches great importance to the construction of corporate culture. The Board is the highest organization for corporate culture management, and the Administration and Human Resources Department is responsible for construction of corporate culture and daily management. Through training and education, organizing collective entertainment competitions, red education visits, internal video learning and other activities, we continuously enhance the sense of responsibility and sense of mission of employees in the enterprises and increase cohesion for the development of the Company.

At the end of each year, the Administration and Human Resources Department organizes an appraisal activity for selection of outstanding employees. The subsidiaries of each base will nominate advanced individuals, excellent teams and excellent managers to participate in the appraisal, and the behavioural incentive effects are obvious. The publicity of corporate culture is conducted through meetings, videos and the Company's online platform, to strengthen employees' understanding and recognition of corporate culture spiritually and materially.

During the year, for the overseas production lines newly put into production, the Administration and Human Resources Department publicizes and implements corporate culture such as corporate vision, core values and so on through videos and on-site meetings etc., thus effectively completing the Company's cultural unification and allowing the sustainable and healthy development of the company's corporate culture.

Scope of Internal Management and Control

In summary, the Company has established scientific and complete control systems for internal management and control, etc. which are beneficial to the development of enterprise, and the supervision and audit functions are implemented effectively. During the year, for the problems identified during the audit, effective preventive measures were taken for rectification and improvement one by one.

The management has provided a confirmation to the Board on the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2022. The Board acknowledges its responsibility for the risk management and internal control systems, and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board and the Audit Committee considered the risk management and internal control systems to be effective and adequate. They also considered the adequacy of resources, staff qualifications and experience, training and budget of the Company in terms of accounting, internal audit and financial reporting functions, as well as those relating to the Company's environment, social and government ("ESG") performance and reporting. No significant areas of concern that might affect our stakeholders, including the Shareholders, were identified during the year under review.

COMPANY SECRETARY

During 2022, Ms. Kuok Yew Lee ("Ms. Kuok"), a full-time employee of the Company, is the Company Secretary who reports to the CEO and the CFO of the Company, and is responsible for advising the Board on corporate governance matters, ensuring the Board procedures are duly followed and Board activities are efficiently and effectively conducted, and facilitating induction and continuous professional development of Directors. All Directors have access to the advices and services of Ms. Kuok on corporate governance and Board practices matters. Ms. Kuok confirmed that she has taken 58 hours of enhanced continuous professional development training for the financial year ended 31 December 2022. The biography of Ms. Kuok is set out on page 30 of this Annual Report.

SHAREHOLDERS' RIGHTS

Procedures for Convening of Special General Meeting ("SGM") and Putting Forward Proposals at General Meetings

(A) *Right to convene SGM*

Bye-Laws

(i) Bye-law 62 sets out the position under the Bye-Laws where a requisition is made by Shareholders. Bye-law 62 provides that the Board may, whenever it thinks fit, convene a SGM. Subject to the provisions of the Companies Act 1981 of Bermuda, as may from time to time be amended (the "Companies Act"), SGM shall also be convened on requisition of shareholders of the Company (the "Shareholders" and each a "Shareholder") holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered address of the Company at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda (the "Bermuda Registered Office"), and may consist of several documents in like form each signed by one or more requisitionists. If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionists by the Company.

Companies Act

(ii) Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the directors of the Company (the "Directors" and each a "Director") to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

(iii) The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the Bermuda Registered Office and may consist of several documents in like form each signed by one or more requisitionists.

(iv) If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

(v) The SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

(B) Right to put forward proposals at General Meetings

Companies Act

(i) Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to give notice to the Shareholders in respect of any resolution which is intended to be moved at an annual general meeting of the Company ("AGM") or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:–

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

(ii) The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

(a) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(b) not less than one hundred Shareholders.

(iii) Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

(iv) Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph (B)(i) above unless:–

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the Bermuda Registered Office of the Company:–

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph (B)(i) above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Bermuda Registered Office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

Pursuant to bye-law 103 of the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company, at Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, at least seven days before the date of the general meeting.

The period for lodgment of the notices required under the Bye-Law will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures to send Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong by post or by email to chinaglass@wsfg.hk for the attention of the Company Secretary.

Dividend Policy

1 Purpose

(1.1) The Board endeavours to maintain a balance between meeting the expectations of the Shareholders and prudent capital management with a sustainable dividend policy (the "Dividend Policy").

(1.2) The Dividend Policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the level of dividend to be paid to the Shareholders.

(1.3) The Dividend Policy aims to allow the Shareholders to participate in the Company's profit and for the Company to retain adequate cash reserves for its working capital requirement and future growth.

(1.4) Under the Dividend Policy, provided the Group is profitable and without affecting the current and future operations of the Group, the Company may declare and pay dividends to the Shareholders.

(1.5) The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

2 *Factors for Consideration*

(2.1) In determining/recommending the frequency, amount and form of any dividends in any financial year/period, the Board shall consider the following factors:

(a) the Group's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debts to equity ratio, return on equity, liquidity position and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's business strategies, including the expected working capital requirements, and future expansion plans, investment needs and prospects so as to sustain the long-term growth aspect of the business;

(f) general economic and financial conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board deems appropriate.

3 *Procedures for Declaration and Payment of Dividends*

(3.1) The Dividend Policy and the declaration and/or payment of future dividends under the Dividend Policy are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Shareholders and the Group by considering the factors as set out above, and are in compliance with the Bye-Laws, the Companies Act 1981 of Bermuda as amended, supplemented or otherwise modified from time to time (the "Companies Act") and all applicable laws and regulations.

(3.2) The declaration and/or payment of dividends by way of cash or scrip or by other means shall remain to be determined at the sole discretion of the Board, subject to the Bye-Laws, the Companies Act, all applicable laws and regulations, and the factors as set out above. There is no assurance that dividends will be paid in any particular amount for any given period.

(3.3) Any final dividend recommended by the Board must be approved by an ordinary resolution at an annual general meeting and must not exceed the amount recommended by the Board.

(3.4) The Board may from time to time pay to the Shareholders such interim dividends or special dividends as it considers appropriate and justify by the profits of the Group.

4 *Reporting*

(4.1) The Dividend Policy will be disclosed annually in the Corporate Governance Report as set out in the Company's Annual Report.

5 *Review of the Dividend Policy*

(5.1) The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Shareholders Engagement

The Company recognises the importance, and takes high priority, on communication with its Shareholders. The general meetings provide a channel for communication and good opportunity for exchange view between the Board and the Shareholders. The Board has adopted a shareholders' communication policy. The policy is subject to review on a regular basis to ensure its effectiveness. The Board conducted a review of the implementation and effectiveness of the shareholders' communication policy. Having considered the multiple channels of communication and engagement in place (see the arrangements set out in this report and policy), the Board is satisfied that the policy has been properly implemented during 2022 and is effective.

Shareholders' Communication Policy

1. *Purpose*

1.1 The shareholders' communication policy (the "Policy") aims to set out the provisions with the objective of ensuring that the Company's shareholders, both individual and institutional (collectively, "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and business plans, material business developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

1.2 For the purpose of the Policy, references to the investment community are intended to include the Company's potential investors as well as analysts reporting and analyzing the Company's performance.

2. *General Policy*

2.1 The board of directors of the Company (the "Board") shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review the Policy to ensure its effectiveness.

2.2 Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and its corporate communications and other corporate publications on the Company's website.

2.3 Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding the Policy shall be directed to the company secretary of the Company (the "Company Secretary").

3. *Communication with the Shareholders*

Corporate Communications

3.1 Corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, the directors' report and annual accounts together with a copy of the auditor's report, the interim report, a notice of meeting, a circular and a proxy form.

3.2 Corporate communications will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders are encouraged to access the Company's corporate communications electronically via the Company's website (www.chinaglassholdings.com) to help protect the environment. Shareholders may change their choice of language (either English and/or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

3.3 Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Corporate Website

3.4 A dedicated Investor Relations section is available on the Company's website www.chinaglassholdings.com. Information on the Company's website is updated on a regular basis.

3.5 Information released by the Company to the Hong Kong Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents and other regulatory disclosures.

3.6 All press releases and newsletters issued by the Company or its subsidiaries will be made available on the Company's website.

3.7 Speeches and presentations delivered by the Chairman of the Board, the Company's Chief Executive Officer and senior executives will be made available on the Company's website.

Shareholders' Meetings

3.8 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

3.9 Appropriate arrangements for general meetings shall be in place to encourage Shareholders' participation.

3.10 The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

3.11 Board members, in particular, the chairmen of board committees or their delegates, appropriate management executives and external auditors will, where appropriate, attend annual general meetings to answer Shareholders' questions.

Investment Market Communications

3.12 Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums will be available when and if appropriate, in order to facilitate communication between the Company, Shareholders and the investment community.

3.13 The Company's directors and employees who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the disclosure obligations and requirements under the Company's policy as set out in Information Disclosure and Reporting System.

4. Communication with the Company

4.1 In addition to Shareholders' meetings and investment market communications as described above where the Company maintains ongoing and regular dialogue with the Shareholders and stakeholders, there are multiple avenues for the Shareholders to communicate their views on matters affecting the Company and where the Company will solicit and get feedback from Shareholders.

The Company Secretary of the Company

4.2 Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the Company Secretary by mail to Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong or by email to chinaglass@wsfg.hk. Institutional investors and analysts can contact the Company Secretary by mail to Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong or by email to chinaglass@wsfg.hk.

The Share Registrar of the Company

4.3 Shareholders should direct any questions about their registered shareholdings by mail to 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 or visit https://www.computershare.com/hk/en/online_feedback, who has been appointed by the Company to assist the Shareholders with share registration and related matters.

5. Shareholder Privacy

5.1 The Company recognizes the importance of Shareholders' privacy. The Company is committed to safeguarding and protecting Shareholders' personal data in compliance with applicable personal data protection laws and will not disclose Shareholders' information without their consent, unless required by the relevant laws and regulations.

6. Publication of the Policy

6.1 This Policy is available on the website of the Company. The Policy is reviewed and updated at least annually by the Board to ensure its effectiveness in upholding high standards of communication with the Shareholders and to reflect current best practice.

In every general meeting, in respect of each substantially separate issue (including the election of individual Directors), a separate resolution would be proposed by the chairman of that meeting.

The Board and senior management maintain a continuing dialogue with the Company's Shareholders and investors through various channels including the Company's general meetings. In 2022, the Directors (including the chairman and/or members of the respective Board Committees) and the Company's external auditors attended the 2022 AGM and were available to answer questions. For special general meetings held on 19 December 2022, the Directors (including the chairman and/or members of the respective Board Committees) attended the meetings and were available to answer questions. For special general meeting held on 19 December 2022 approving the continuing connected transactions, an independent committee of the Board (the "IBC", comprising all the independent non-executive Directors, being the chairman of the respective Board Committees, established for the purpose of advising the independent Shareholders), other members of the Board and the independent financial adviser (the "IFA", who had been appointed by the Company to advise the IBC and the independent Shareholders) attended the meeting and were available to answer questions. Details of the Directors' attendance at the general meetings held in 2022 are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. The 2023 annual general meeting ("2023 AGM") will be held on 13 June 2023. The notice of 2023 AGM will be sent to Shareholders at least 21 clear days before the 2023 AGM.

The 2022 AGM and 2022 special general meetings (the "2022 SGMs") were held in a hybrid format with physical location at Floor 2, Block 1, No. 66 Sibo Road, Sijing Town, Songjiang District, Shanghai 201601, the People's Republic of China and an online virtual meeting. Both registered and non-registered Shareholders participated in the online 2022 AGM and 2022 SGMs had been counted towards the quorum and be able to cast their votes and submit questions relevant to the proposed resolutions through the online platform. For supporting the Shareholders who opted to attend the 2022 AGM and 2022 SGMs via online platform to speak at the meetings, the Company had arranged a telephone facility facilitating them to call in during question and answer session. The chairman of the 2022 AGM and 2022 SGMs attended the physical meetings, other Directors attended online meetings at an off-site venue, and the Company Secretary (together with IFA, and external legal advisers as to Hong Kong Law and Bermuda Law, where applicable) attended the 2022 AGM and 2022 SGMs using the online platform.

The Board believes effective investor relations can contribute towards lowering cost of capital, improving market liquidity for the Company's stock and building a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and timely disclosure of corporate information to Shareholders, investors and analysts, which will enable them to make the best investment decisions. Keeping the Shareholders aware of the Group's corporate strategies and business performance is one of the key missions of the Board. During the year under review, the Company holds investors and analysts conference(s) following the release of results announcement(s) at which the executive Director and senior management of the Company are available to answer questions regarding the performance of the Group.

The Company's website (www.chinaglassholdings.com), which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the updates on the latest developments of the Group, provides comprehensive and accessible news, and timely and updated information of the Group to the Shareholders, other stakeholders and investors.

An updated and consolidated version of the Memorandum of Association and New Bye-Laws of the Company is available on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The New Bye-Laws was adopted during the year 2022.

CORPORATE CULTURE

In 2022, the Company continued to focus on work related to corporate culture construction, mainly including:

(i) Under the premise of ensuring the requirements and safety of pandemic prevention and control, the companies continued to encourage bases (subsidiaries) to proactively carry out healthy, positive and content-rich cultural and sports competitions and activities during holidays to enhance the physical and mental health of employees and enliven the atmosphere. For example, Weihai Base successfully held a brisk walking activity, and Shaanxi Base successfully held a hula hoop competition event. Over the past year, the spiritual outlook of the employees of the companies has been enormously improved, and the team cohesion and sense of identity with the enterprises have been effectively enhanced.

(ii) The companies continued to organize and carry out the annual appraisal for the selection of outstanding employees and commendation activities, selected the Outstanding Contribution Awards, Special Contribution Awards, Top Ten Advanced Workers, Top Ten Advanced Managers as well as Management Benchmarks, Advanced Unit of Safety, Environmental Protection and Energy Conservation and other awards, and grandly carried out commendations to offer rewards, which effectively stimulated the spirit of unity and progress of all employees and formed a good atmosphere which results in everyone strove to be advanced and make contributions to the development of the companies; in daily production and operation activities, the companies continued to summarize and conclude the tenet, spirit, values and business philosophy which were suitable for the development process, strategic objectives and so on of the companies to improve the sense of identity, sense of responsibility and sense of mission of the employees of the companies and increase the cohesion for the development of the companies; and the inculcation of the philosophy of "acting legally, ethically and responsibly" throughout the companies was continuously reinforced.

(iii) The companies emphasized on corporate publicity. Throughout the year, more than 30 press releases of various types were released on the website of the companies and WeChat platform, and blessing and promotional greeting cards were issued to employees on major festivals; meanwhile, through authoritative media including "China Building Materials Daily", "China Glass News", "Scientific Chinese", etc. conducted an all-rounded publicity and promotion of the companies from multiple aspects, which achieved better results. In addition, the companies proactively participated in related activities of China Building Materials Federation, China Architectural and Industrial Glass Association and other community organizations. The positive and good image of the companies was significantly improved over the year.

(iv) Through the organization of activities including the "Top Ten" news selection publicized and established the companies' image from different perspectives, and inspired the employees of the companies to better accomplish every task for the year, which achieved better results.

(v) Every base companies proactively organized and participated in activities such as local appraisal and selection of advanced workers to improve the sense of honor and happiness of the employees of the companies. For example, Suqian Base recommended Zhang Qi from the second-line float workshop for the "May 1 Labor Medal" of Suyu District in 2022, who was successfully selected. It is proactively recommended Duan Suliang, the procurement director, to participate in the evaluation of the "Top Ten Most Beautiful Characters" of Suyu District, and recommended comrades Luo Yu and Zhang Qi to participate in the evaluation of the "New Long March Vanguards" as organized by the propaganda department of the district, which achieved better results.

(vi) The companies continued to promote the rectification of the factory appearance of the base companies to improve corporate appearance and enhance the image of corporate civilization. Over the past year, the factory appearance of each base company has been greatly improved.

EMPLOYEES DIVERSITY

One of the most important diversity issues facing the Company in the Group is gender, and it is critical to address the issue of gender diversity in the workplace.

In order to meet the development needs of companies by the Group, the companies has established the Recruitment Management System. In line with the principles of objectivity and fairness, equal competition, and internal promotion before external recruitment, the companies emphasize the moral integrity of candidates and gives priority to morality and the best candidates are recruited as employees based on the nature of positions and job descriptions. The companies strictly abides by laws and regulations including the Labor Law of the People's Republic of China, the Employment Promotion Law, the Law on the Protection of Women's Rights and Interests and the Special Provisions on Labor Protection for Female Employees, as well as laws and regulations of foreign countries ensures equal employment rights for female employees, and special protection is given to female employees and no gender discrimination occured.

In order to achieve the basic goal of gender non-discrimination, according to the Whistleblowing System, the Compliance and Supervision Department will file a case to deal with gender discrimination and other behaviors that damage the legitimate rights and interests of employees, to proactively encourage employees to protect their own legitimate rights and interests.

As at 31 December 2022 and 31 December 2021, the gender ratio of all employees (including senior management) of the Group is as follows:

Gender ratio of all employees of the Group			
	Total*	**Male**	**Female**
As at 31 December 2022			
Number of employees	4,162	3,492	670
Proportion		84%	16%
As at 31 December 2021			
Number of employees	3,822	3,180	642
Proportion		83%	17%

* *Total number of full-time and part-time employees*

The Company's progress in achieving its gender diversity goal is as follows:

By nature of employment			
	Total	**Full-time**	**Part-time**(Note)
As at 31 December 2022			
Number of employees	4,162	4,151	11
Proportion		99.74%	0.26%
As at 31 December 2021			
Number of employees	3,822	3,807	15
Proportion		99.61%	0.39%

Note: Part-time employees mainly come from the subsidiary in Italy and its proportion is relatively small.

By gender			
	Total*	Male	Female
As at 31 December 2022			
Number of employees	4,151	3,487	664
Proportion		84%	16%
As at 31 December 2021			
Number of employees	3,807	3,170	637
Proportion		83%	17%

* *Only full-time employees are counted*

The Group is mainly engaged in glass manufacturing. Based on the industry characteristics of the manufacturing industry, in order to fulfill the demands of production and operation, the employees of the Group are mainly male. In 2022, the absolute number of female employees of the Group increased slightly year-on-year. There is no circumstance which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

By category of employees					
	Gender		Senior management	Managers	General employees
As at 31 December 2022	Male	Number of employees	110	345	3,032
		Proportion	89%	84%	84%
	Female	Number of employees	13	64	587
		Proportion	11%	16%	16%
	Total number of employees*		123	409	3,619
As at 31 December 2021	Male	Number of employees	98	333	2,739
		Proportion	91%	85%	83%
	Female	Number of employees	10	58	569
		Proportion	9%	15%	17%
	Total number of employees*		108	391	3,308

* *Only full-time employees are counted*

According to statistics, the ratio of male to female in each category of employees is consistent with the overall male to female ratio of the Group, and the proportion of female senior management and middle-level cadres has certainly increased as compared to 2021. The Group has established the Recruitment Management System to provide open and fair opportunities for promotion to numerous employees based on the principles of objectivity and fairness, equal competition, merit-based recruitment, and internal promotion before external recruitment. The internal recruitment announcements for employees are notified within the companies and posted on the bulletin board to ensure that they are conveyed to every employee. The internal recruitment review team organized by the human resources department conducts internal review, and the review results come into effect after approval by the president.

By age					
	Gender		Under 30	30 to 49	50 and above
As at 31 December 2022	Male	Number of employees	508	1,594	1,385
		Proportion	84%	75%	98%
	Female	Number of employees	98	543	23
		Proportion	16%	25%	2%
	Total number of employees*		606	2,137	1,408
As at 31 December 2021	Male	Number of employees	315	1,501	1,354
		Proportion	78%	74%	99%
	Female	Number of employees	89	529	19
		Proportion	22%	26%	1%
	Total number of employees*		404	2,030	1,373

* *Only full-time employees are counted*

By geographical region							
	Gender		China (including Hong Kong)	Kazakhstan	Nigeria	Italy	Turkey
As at 31 December 2022	Male	Number of employees	3,042	178	189	64	14
		Proportion	83%	97%	96%	86%	93%
	Female	Number of employees	640	6	7	10	1
		Proportion	17%	3%	4%	14%	7%
	Total number of employees*		3,682	184	196	74	15
As at 31 December 2021	Male	Number of employees	2,946	0	157	53	14
		Proportion	83%	0%	95%	84%	93%
	Female	Number of employees	617	0	9	10	1
		Proportion	17%	0%	5%	16%	7%
	Total number of employees*		3,563	0	166	63	15

* *Only full-time employees are counted*

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA GLASS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 202, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern

Refer to Note 2(b) to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2022, the Group had net current liabilities of RMB2,822,545,000. Note 2(b) to the consolidated financial statements explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group.

The directors of the Company made their assessment of the Group's ability to continue as a going concern by preparing a cash flow forecast in which certain key assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and necessary capital expenditure for glass products and the availability of banking and other financing facilities as well as financial assistance from the largest shareholder of the Company, namely Triumph Science Technology Group Co., Ltd.* (the "Triumph Group"), which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd., a central state-owned enterprise. Based on the assessment, the directors concluded 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.

We identified going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Group which are inherently uncertain.

How the matter was addressed in our audit

Our audit procedures in respect of the directors' assessment of the Group's ability to continue as a going concern included the following:

- assessing and challenging the key assumptions used by management in the cash flow forecast (including forecasted sales volumes, average selling prices, raw materials costs and necessary capital expenditure for glass products) and evaluating whether there were any indicators of management bias by comparing the key assumptions, where possible, to budgets reviewed by management and market and other externally available information;
- comparing the cash flow forecast prepared in the prior year with the current year's performance of the Group to assess how accurate the prior year's cash flow forecast was and making enquiries of management as to the reasons for any significant variations identified;
- assessing the availability of banking and other financing facilities during the forecast period by inspecting relevant underlying documentation in relation to banking and other financing facilities and evaluating whether the financing facilities were sufficient to meet the Group's needs in the context of the cash flow forecast, taking into the account any breach of loan covenants which may trigger early repayment of loans;

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

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
	• assessing the intention and ability of Triumph Group to continually provide financial assistance and the legality and enforceability of such assistance; • obtaining from management sensitivity analyses of the key assumptions (including forecast sales volumes, average selling prices, raw materials costs and necessary capital expenditure for production) adopted in the cash flow forecast prepared by management and assessing the impact on the conclusions of the going concern assessment; and • assessing the related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Potential impairment of property, plant and equipment

Refer to Note 12 to the consolidated financial statements and the accounting policies of Note 2(n).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022, the Group's property, plant and equipment is the most quantitatively significant item in the consolidated statement of financial position and mainly comprises plant, buildings, machinery and equipment used in the Group's glass production lines located in the People's Republic of China. The Group's property, plant and equipment is allocated to relevant cash generating units ("CGUs") for the purpose of assessing if there is any impairment at the end of the reporting period. In accordance with the prevailing accounting standards, management performed assessment at the end of the reporting period to determine whether there was any indication that these properties, plant and equipment may be impaired. An asset is impaired when its recoverable amount, or the recoverable amount of the cash generated unit to which it belongs, is less than its carrying amount. Management considered that there were indicators of potential impairment of property, plant and equipment at 31 December 2022 because certain CGUs have sustained losses, consequently, management prepared impairment assessments of the loss-making CGUs by assessing their recoverable amounts using value in use calculations based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating future production and sales volumes and future unit selling prices and unit costs for the relevant CGUs in different locations and in determining the discount rates applied, all of which may be inherently uncertain. We identified assessing potential impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of property, plant and equipment included the following: • challenging the evidence on which management based its assessment as to whether indicators of impairment existed by comparing historical performance with the current financial performance and considering changes in market conditions; • assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards; • engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards; • challenging the key assumptions adopted in the discounted cash flow forecasts, including future production and sales volumes and future unit selling prices and unit costs by comparing these inputs with the historical results of each CGU and economic and industry forecasts; • evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry; and • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias in the process.

KEY AUDIT MATTERS (continued)

Assessing potential goodwill impairment

Refer to Note 17 to the consolidated financial statements and the accounting policies of Notes 2(f) and 2(n).

The Key Audit Matter

As at 31 December 2022, goodwill of the Group amounted to RMB129,755,000 in total and was allocated to operations in design and installation service and operations in glass production and sales.

Goodwill is assessed annually for potential impairment by management based on discounted cash flow forecasts of the future performance of the operations in design and installation service and operations in glass production and sales acquired. This involves significant management judgement and estimation including future revenue growth rate, profit margins and the discount rate applied.

We identified assessing potential goodwill impairment as a key audit matter because of the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of goodwill in relation to the acquisition included the following:

- assessing management's identification of CGUs and the allocation of assets and liabilities to the CGUs with reference to the requirements of the prevailing accounting standards;
- engaging our internal valuation specialists to assist us in evaluating management's valuation methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards;
- evaluating management's cash flow forecasts for the CGUs, comparing these with board approved business plans; challenging the key assumptions, which included revenue growth rate and profit margins, by comparing these forecasts with the historical performance of the CGUs and industry information;
- evaluating the discount rate used in the cash flow forecast by benchmarking against other similar companies in the same industry;
- performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts, including the discount rate, revenue growth rate and forecast profit margins, and considering the resulting impact on management's conclusion in respect of the impairment assessment and whether there were any indicators of management bias; and
- assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitivities, with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022
(Expressed in Renminbi ("RMB"))

	Note	**2022 RMB'000**	2021 RMB'000
Revenue	4	**4,327,196**	5,065,048
Cost of sales		**(3,689,007)**	(3,331,345)
Gross profit	4	**638,189**	1,733,703
Other income	5	**170,638**	3,140
Distribution costs		**(101,166)**	(83,213)
Administrative expenses		**(330,717)**	(337,572)
Impairment losses on receivables and contract assets	34(a)	**(23,853)**	(566)
Other operating expenses	6(c)	**–**	(13,440)
Profit from operations		**353,091**	1,302,052
Finance costs	6(a)	**(267,713)**	(232,802)
Share of profits less losses of joint ventures		**(60)**	(56)
Profit before taxation	6	**85,318**	1,069,194
Income tax	7	**16,457**	(267,247)
Profit for the year		**101,775**	801,947
Attributable to:			
Equity shareholders of the Company		**116,168**	736,359
Non-controlling interests		**(14,393)**	65,588
Profit for the year		**101,775**	801,947
Earnings per share (RMB cent)			
Basic	11(a)	**6.9029**	44.2415
Diluted	11(b)	**6.9022**	44.1188

The notes on pages 110 to 202 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 31(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Profit for the year		**101,775**	801,947
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
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)		**(75)**	(1,116)
Item that may be reclassified subsequently to profit or loss:			
– exchange differences on translation		**(112,687)**	(51,886)
Total comprehensive income for the year		**(10,987)**	748,945
Attributable to:			
Equity shareholders of the Company		**3,411**	683,376
Non-controlling interests		**(14,398)**	65,569
Total comprehensive income for the year		**(10,987)**	748,945

The notes on pages 110 to 202 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	12	**8,517,228**	6,750,142
Investment property	13	**36,808**	21,240
Right-of-use assets	14	**510,028**	560,577
Intangible assets	16	**52,500**	66,762
Other non-current assets	12	**131,640**	182,006
Goodwill	17	**129,755**	127,215
Interests in joint ventures	18	**6,161**	5,685
Equity securities designated at FVOCI		**1,510**	1,610
Deferred tax assets	30(b)	**233,201**	187,472
		9,618,831	7,902,709
Current assets			
Inventories	19	**1,078,882**	832,908
Contract assets	20(a)	**27,697**	35,190
Trade and bills receivables	21	**527,452**	194,244
Other receivables	22	**416,009**	353,534
Prepayments	23	**262,616**	364,922
Prepaid income tax	30(a)	**4,020**	4,092
Cash on hand and at bank	24(a)	**1,349,796**	692,935
		3,666,472	2,477,825
Current liabilities			
Trade and bills payables	25	**435,896**	462,072
Accrued charges and other payables	26	**1,026,266**	1,051,983
Contract liabilities	20(b)	**284,627**	204,926
Bank loans and other borrowings	27(a)	**4,599,755**	3,826,420
Lease liabilities	28	**10,397**	14,200
Income tax payable	30(a)	**132,076**	206,115
		6,489,017	5,765,716
Net current liabilities		**(2,822,545)**	(3,287,891)
Total assets less current liabilities		**6,796,286**	4,614,818

The notes on pages 110 to 202 form part of these consolidated financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bank loans and other borrowings	27(b)	**3,338,673**	1,016,138
Lease liabilities	28	**65,354**	73,423
Deferred tax liabilities	30(b)	**92,647**	137,583
Other non-current liabilities		**8,713**	9,651
		3,505,387	1,236,795
NET ASSETS		**3,290,899**	3,378,023
CAPITAL AND RESERVES	31		
Share capital		**85,951**	85,703
Reserves		**2,499,427**	2,562,081
Total equity attributable to equity shareholders of the Company		**2,585,378**	2,647,784
Non-controlling interests		**705,521**	730,239
TOTAL EQUITY		**3,290,899**	3,378,023

Approved and authorised for issue by the board of directors on 30 March 2023.

Peng Shou
Chairman

Lyu Guo
Director

The notes on pages 110 to 202 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 31(c))	Share premium RMB'000 (Note 31(d)(i))	Shares held under share award scheme RMB'000 (Note 31(d)(ii))	Capital reserve RMB'000 (Note 31(d)(iii))	Statutory reserve RMB'000 (Note 31(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 31(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 31(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	84,867	1,780,249	(75,689)	33,198	40,785	(447,145)	1,621	440	592,078	2,010,404	157,592	2,167,996
Profit for the year	–	–	–	–	–	–	–	–	736,359	736,359	65,588	801,947
Other comprehensive income	–	–	–	–	–	–	(51,886)	(1,097)	–	(52,983)	(19)	(53,002)
Total comprehensive income	–	–	–	–	–	–	(51,886)	(1,097)	736,359	683,376	65,569	748,945
Shares issued under share option scheme (Notes 29(a)(iii) and 31(c)(i))	836	29,636	–	(9,584)	–	–	–	–	–	20,888	–	20,888
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	333,200	333,200
Deemed capital injection from non-controlling interests ("NCI") of a subsidiary	–	–	–	–	–	–	–	–	–	–	181,710	181,710
Effect on equity arising from disposal of equity securities designated at FVOCI	–	–	–	–	–	–	–	852	(852)	–	–	–
Transferred from share premium to accumulated loss account of the Company	–	(134,999)	–	–	–	–	–	–	134,999	–	–	–
Distributions approved in respect of the current year (Note 31(b)(iii))	–	(75,451)	–	–	–	6,214	–	–	–	(69,237)	–	(69,237)
Acquisition of NCI of a subsidiary	–	–	–	–	–	2,353	–	–	–	2,353	(7,832)	(5,479)
	836	(180,814)	–	(9,584)	–	8,567	–	852	134,147	(45,996)	507,078	461,082
Balance at 31 December 2021	85,703	1,599,435	(75,689)	23,614	40,785	(438,578)	(50,265)	195	1,462,584	2,647,784	730,239	3,378,023

The notes on pages 110 to 202 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2022

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 31(c))	Share premium RMB'000 (Note 31(d)(i))	Shares held under share award scheme RMB'000 (Note 31(d)(ii))	Capital reserve RMB'000 (Note 31(d)(iii))	Statutory reserve RMB'000 (Note 31(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 31(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 31(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	**85,703**	**1,599,435**	**(75,689)**	**23,614**	**40,785**	**(438,578)**	**(50,265)**	**195**	**1,462,584**	**2,647,784**	**730,239**	**3,378,023**
Profit for the year	–	–	–	–	–	–	–	–	116,168	116,168	(14,393)	101,775
Other comprehensive income	–	–	–	–	–	–	(112,687)	(70)	–	(112,757)	(5)	(112,762)
Total comprehensive income	–	–	–	–	–	–	(112,687)	(70)	116,168	3,411	(14,398)	(10,987)
Shares issued under share option scheme (Notes 29(a)(iii) and 31(c)(i))	248	8,797	–	(2,845)	–	–	–	–	–	6,200	–	6,200
Dividends approved in respect of the previous year (Note 31(b))	–	–	6,500	–	–	–	–	–	(78,517)	(72,017)	–	(72,017)
Dividends approved to equity owners of subsidiaries	–	–	–	–	–	–	–	–	–	–	(10,320)	(10,320)
	248	8,797	6,500	(2,845)	–	–	–	–	(78,517)	(65,817)	(10,320)	(76,137)
Balance at 31 December 2022	**85,951**	**1,608,232**	**(69,189)**	**20,769**	**40,785**	**(438,578)**	**(162,952)**	**125**	**1,500,235**	**2,585,378**	**705,521**	**3,290,899**

The notes on pages 110 to 202 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		**85,318**	1,069,194
Adjustments for:			
Depreciation and amortisation	6(d)	**389,892**	337,766
Net (gain)/loss on disposal of property, plant and equipment	5	**(3,558)**	1,115
Net loss on disposal of interest in a subsidiary	5	**–**	5,158
Impairment losses on property, plant and equipment	6(c)	**–**	13,440
Impairment losses on receivables and contract assets	34(a)	**23,853**	566
Interest income	5	**(17,306)**	(6,987)
Compensation income	5	**(54,678)**	–
Interest expenses and other finance costs	6(a)	**278,020**	214,976
Share of profits less losses of joint ventures		**60**	56
Changes in working capital:			
Increase in inventories		**(245,974)**	(321,461)
Decrease/(increase) in contract assets		**7,493**	(6,119)
(Increase)/decrease in trade and bills receivables		**(337,858)**	141,355
Decrease/(increase) in other receivables and prepayments		**50,126**	(113,874)
Increase/(decrease) in trade and bills payables		**426,180**	(232,020)
(Decrease)/increase in accrued charges and other payables		**(90,986)**	14,400
Increase in contract liabilities		**79,701**	53,562
Cash generated from operations		**590,283**	1,171,127
Income tax paid	30(a)	**(148,354)**	(213,922)
Net cash generated from operating activities		**441,929**	957,205
Investing activities			
Payment for the purchase of property, plant and equipment		**(1,575,282)**	(903,433)
Payment for the purchase of right-of-use assets		**(14,618)**	(91,075)
Proceeds from relocation of production plants and disposals of property, subsidiaries plant and equipment and land use rights		**18,162**	14,962
Proceeds from disposal of equity securities designated at FVOCI		**–**	139
Payment for acquisition of subsidiaries, net off cash acquired		**(290,201)**	(354,775)
Payment for development of intangible assets		**(4,384)**	(2,794)
Loans to a joint venture		**–**	(14,028)
Proceeds from loans to a joint venture		**–**	36,791
Net increase in time deposits	24(a)	**(112,182)**	(18,935)
Interest received		**17,306**	6,987
Net cash used in investing activities		**(1,961,199)**	(1,326,161)

The notes on pages 110 to 202 form part of these consolidated financial statements.

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Capital element of lease rentals paid	24(b)	**(6,299)**	(19,567)
Interest element of lease rentals paid	24(b)	**(5,769)**	(4,659)
Proceeds from bank loans and other borrowings	24(b)	**6,338,263**	4,312,605
Repayment of bank loans and other borrowings	24(b)	**(3,906,697)**	(3,699,634)
Payment for the redemption of convertible bonds	24(b)	**–**	(16,345)
Dividends paid to ordinary equity shareholders of the Company	31(b)	**(72,017)**	(69,237)
Dividends paid to ordinary equity owners of subsidiaries		**(5,987)**	–
Proceeds from shares issued under share option scheme		**6,200**	20,888
Borrowing costs paid	24(b)	**(309,587)**	(248,522)
Net cash generated from financing activities		**2,038,107**	275,529
Net increase/(decrease) in cash and cash equivalents		**518,837**	(93,427)
Cash and cash equivalents at 1 January	24(a)	**565,977**	698,114
Effect of foreign exchange rate changes		**25,842**	(38,710)
Cash and cash equivalents at 31 December	24(a)	**1,110,656**	565,977

The notes on pages 110 to 202 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

China Glass Holdings Limited (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 2022 comprise the Company and its subsidiaries (collectively referred to as 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 SIGNIFICANT ACCOUNTING POLICIES

(a) 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"). Significant accounting policies adopted by the Group are disclosed below.

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 2(c) 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.

(b) 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 (see Note 2(h)) and equity securities (see Note 2(g)) which are stated at their fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

As at 31 December 2022, the Group had net current liabilities of RMB2,822,545,000 (31 December 2021: RMB3,287,891,000). Notwithstanding the net current liabilities as at 31 December 2022, 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 at least the next twelve months from 31 December 2022 prepared by the management, which has taken into account:

- the Group has unutilised bank facilities of RMB301.1 million;
- the Group has newly financed and refinanced bank loans and other borrowings and facilities of RMB930.6 million after 31 December 2022;
- 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 short-term bank loans or facilities with secured assets and/or guarantee amounting to RMB1,146.3 million, and the directors of the Company are of the opinion that renewal banking facilities is likely to be obtained during the year ending 31 December 2023; and
- the Group has obtained financial assistance from its largest shareholder, namely Triumph Science Technology Group Co., Ltd.[1] ("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, of RMB1,998.2 million as at 31 December 2022, and the directors of the Company are of the opinion that such assistance will continue to be available based on the discussion with the Triumph Group.

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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) 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 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Contractual obligations towards these shareholders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(u).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(n)(ii)), unless the investment is classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(n)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 2(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group cease to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a finance asset (see Note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non–controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(n)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and joint ventures, are as follows:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 34(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(x)(ii)(b)).

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(x)(ii)(d).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(l)) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(n)(ii)). The depreciation policy is the same as that of property, plant and equipment (see Note 2(j)). Rental income from investment properties is accounted for as described in Note 2(x)(ii)(a).

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(n)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(z)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	8 – 60 years
Machinery and equipment	2 – 35 years
Motor vehicles and others	2 – 15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs (see Note 2(z)), where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(n)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(n)(ii)).

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Technologies	5 – 20 years
Non-competition agreement	5 years
Customer relationship	10 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leased assets (continued)

(i) As a lessee (continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(n)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(g), 2(x)(ii)(b) and 2(n)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(x)(ii)(a).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(p)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(n)(i)).

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and deposits and other receivables); and

– contract assets as defined in HKFRS 15 (see Note 2(p));

Equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof for trade receivables, other receivables and contract assets where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(x)(ii)(b) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investment property;

– right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries, joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(n)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(o)(i)), property, plant and equipment (see Note 2(j)) or intangible assets (see Note 2(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(x).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(x)(ii)(b)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(n)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see Note 2(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 2(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(z)).

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to profit or loss when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or cost of construction in progress not yet transferred to property, plant and equipment.

(ii) Share-based payments

– *Share options granted to employees under the share option scheme*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the share options will vest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Share-based payments (continued)

– *Share options granted to employees under the share option scheme (continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

– *Shares granted to employees under the share award scheme*

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from equity.

For shares granted under the share award scheme, the fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured based on the closing price of the Company's shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest with a corresponding adjustment to the capital reserve.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to "Shares held under share award scheme", and the grant date fair value of the awarded shares vested are debited to the capital reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Provisions, contingent liabilities and onerous contracts (continued)

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(b) Service contract

(i) Design, purchasing and installation service

When the outcome of a service contract can be reasonably measured, revenue from the contract is recognised progressively over time during the construction process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to date to the estimated total costs to provide a faithful depiction of the transfer of those services.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(b) Service contract (continued)

(i) Design, purchasing and installation service (continued)

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(ii) Upgrading and transformation service

The Group provides upgrading and transformation service to customers. Such revenue is recognised when the upgrading and transformation service is completed and payment of the related service is due immediately at the point from when the service is completed.

The Group's service contracts include payment schedules which require stage payments over the service period once milestones are reached. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist. Otherwise, the Group has taken advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(n)(i).

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit– impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(n)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue and other income (continued)

(ii) Revenue from other sources and other income (continued)

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(d) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on a consolidation of foreign operation acquired after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products, or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Going concern

Note 2(b) contains information about the judgements made in concluding that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(ii) Determine whether an arrangement contains a lease

The Group enters into a series of finance lease agreements pursuant to which the Group sells certain machineries to the lessors and lease them back from the lessors over the lease period simultaneously. The lease period of such lease arrangements usually exceed one year. After the lease period, the Group has a right to purchase those machineries back from lessors with a minimum nominal value. The risk and awards incident to owning those machineries are not substantially changed before and after the finance lease agreement, and the substance of those finance lease agreements is to obtain loans from the lessors secured by those machineries. As a result, the Group recognises the consideration from sales of machineries as secured loans and does not derecognise those machineries from its consolidated financial statements.

(b) Sources of estimation uncertainty

Notes 17 and 34 contain information about the assumptions and their risk factors relating to impairment of goodwill and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of receivables and contract assets

The management maintains an allowance for trade receivables, other receivables and contract assets for expected credit losses resulting from the expected credit risk of the customers and debtors to make the required payments. The management bases the expected credit losses on the ageing of the individual receivable balance, customer and debtor credit-worthiness and historical write-off experience. If the financial condition of the customers or debtors were to deteriorate, actual write-offs would be higher than estimated.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(ii) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(n)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iii) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 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, the service related to designing and installation of glass production lines. Further details regarding the Group's principal activities are disclosed in Note 4(b).

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	**3,963,952**	4,845,053
– Revenue from service contracts	**326,686**	199,952
– Sales of spare parts	**36,558**	20,043
	4,327,196	5,065,048

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 4(b)(i) and 4(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 2022 (2021: Nil). Details of concentrations of credit risk arising from customers are set out in Note 34(a).

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

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR61.3 million (2021: EUR44.6 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.

4 REVENUE AND SEGMENT REPORTING (continued)

(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 related service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines and upgrading and transformation services of glass production process.

(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.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

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 2022 and 2021 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Design and installation related service		Total	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Disaggregated by timing of revenue recognition												
– Point in time	**2,002,711**	2,688,045	**567,142**	639,520	**1,130,858**	1,047,605	**263,241**	472,011	**56,888**	20,043	**4,020,840**	4,867,224
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**306,356**	197,824	**306,356**	197,824
Revenue from external customers	**2,002,711**	2,688,045	**567,142**	639,520	**1,130,858**	1,047,605	**263,241**	472,011	**363,244**	217,867	**4,327,196**	5,065,048
Inter-segment revenue	**–**	53,340	**–**	183	**–**	2,437	**–**	–	**–**	–	**–**	55,960
Reportable segment revenue	**2,002,711**	2,741,385	**567,142**	639,703	**1,130,858**	1,050,042	**263,241**	472,011	**363,244**	217,867	**4,327,196**	5,121,008
Reportable segment gross profit	**25,382**	824,590	**109,948**	266,666	**382,656**	457,485	**22,132**	134,123	**98,071**	50,839	**638,189**	1,733,703

(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.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographic information (continued)

	Revenue from external customers		Specified non-current assets	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
The Mainland China and Hong Kong (place of domicile)	**2,940,876**	3,967,155	**7,511,458**	6,136,585
Nigeria	**561,813**	378,938	**628,554**	656,575
Middle East	**250,551**	199,210	**–**	–
Italy	**–**	5,474	**187,190**	168,299
Kazakhstan	**6,489**	–	**1,050,757**	746,483
Other countries	**567,467**	514,271	**6,161**	5,685
	1,386,320	1,097,893	**1,872,662**	1,577,042
	4,327,196	5,065,048	**9,384,120**	7,713,627

5 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants	**75,433**	10,218
Compensation income (Note)	**54,678**	–
Interest income	**17,306**	6,987
Net gain from sale of raw and scrap materials	**11,423**	7,805
Net gain/(loss) on disposal of property, plant and equipment	**3,558**	(1,115)
Rental income from investment property	**825**	1,508
Net loss on disposal of interest in a subsidiary	**–**	(5,158)
Gain on derecognition of the payables without further payment obligations	**–**	6,946
Others	**7,415**	(24,051)
	170,638	3,140

Note: The amount of 2022 represents a compensation income from a non-controlling equity owner of a subsidiary of the Group, which is to compensate the expenses borned by this subsidiary in 2022 resulting from the matters existing before it was acquired into the Group.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	**232,751**	159,585
Finance charges on convertible bonds	**–**	21
Gain incurred from the redemption of convertible bonds	**–**	(817)
Interest on lease liabilities (Note 24(b))	**5,769**	4,659
Bank charges and other finance costs	**82,170**	87,389
Total borrowing costs	**320,690**	250,837
Less: amounts capitalised into property, plant and equipment* (Note 24(b))	**(42,670)**	(35,861)
Net borrowing costs	**278,020**	214,976
Net foreign exchange (gain)/losses	**(10,307)**	17,826
	267,713	232,802

* The borrowing costs have been capitalised at 4.73% per annum for the year ended 31 December 2022 (2021: 5.70% per annum).

(b) Staff costs:

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	**441,410**	403,734
Contributions to defined contribution retirement plans	**35,558**	30,486
	476,968	434,220

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement age.

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs: (continued)

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of Hong Kong dollar ("HK$") 30,000.

The employees of the subsidiaries of the Group established outside of the PRC participate in defined contribution retirement benefit schemes managed by the respective local government authorities, whereby these subsidiaries are required to contribute to the respective schemes at rates stipulated by the relevant rules and regulations of the respective jurisdictions.

Contributions to these scheme vest immediately. There are no forfeited contributions that may be used by the Group to reduce the existing level of distribution. The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other operating expense

	2022 **RMB'000**	2021 RMB'000
Impairment losses on property, plant and equipment	**–**	13,440

(d) Other items:

	2022 **RMB'000**	2021 RMB'000
Cost of inventories# (Note 19)	**3,660,645**	3,326,429
Auditors' remuneration	**7,500**	7,380
Depreciation and amortisation charge# (Notes 12, 13, 14 and 16)		
– property, plant and equipment and intangible assets	**363,700**	313,599
– investment property	**1,314**	1,223
– right-of-use assets	**24,878**	22,944
Research and development costs (other than capitalised costs and related amortisation)	**48,819**	14,811

Cost of inventories includes RMB623.6 million (2021: RMB552.2 million) for the year ended 31 December 2022, 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 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 RMB'000	2021 RMB'000
Current taxation (Note 30(a))		
– Provision for the year	**58,499**	220,295
– PRC Withholding Tax (Note (viii))	**15,566**	–
– Under-provision in respect of prior years	**322**	7
	74,387	220,302
Deferred taxation (Note 30(b))		
– Origination and reversal of temporary differences	**(90,844)**	46,945
	(16,457)	267,247

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**85,318**	1,069,194
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (v) and (vii))	**48,358**	281,175
Tax effect of non-deductible expenses	**17,731**	13,843
Tax effect of unused tax losses and temporary differences not recognised	**7,903**	(1,354)
Derecognition of tax losses previously recognised	**19,743**	19,740
Tax concessions (Notes (vi) and (ix))	**(127,815)**	(46,164)
Tax effect on change of tax rate	**1,735**	–
Tax effect of PRC Withholding Tax (Note (viii))	**15,566**	–
Under – provision in respect of prior years	**322**	7
Income tax	**(16,457)**	267,247

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

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% (2021: 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% (2021: 25%).

(iv) A subsidiary of the Group established in the PRC obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for a period of three years, from 2022 in which the approval is obtained.

(v) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2021: 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's corporate income taxes.

(vii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (2021: 27.9%).

(viii) 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 non-resident equity owners are subject to the PRC Withholding Tax.

(ix) Two subsidiaries of the Group 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 these subsidiaries for the year ended 31 December 2022.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director					
Mr. Lyu Guo	–	1,101	–	58	1,159
Non-executive directors					
Mr. Peng Shou	1	–	–	–	1
Mr. Zhao John Huan	–	–	–	–	–
Mr. Zhang Jinshu	1	–	–	–	1
Independent non-executive directors					
Mr. Zhang Baiheng	214	–	–	–	214
Mr. Chen Huachen	214	–	–	–	214
Mr. Wang Yuzhong	214	–	–	–	214
	644	1,101	–	58	1,803

	2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director					
Mr. Cui Xiangdong (retired on 1 April 2021)	–	243	–	–	243
Mr. Lyu Guo (appointed on 1 April 2021)	–	1,188	812	53	2,053
Non-executive directors					
Mr. Peng Shou	1	–	–	–	1
Mr. Zhao John Huan	–	–	–	–	–
Mr. Zhou Cheng (resigned on 27 August 2021)	–	–	–	–	–
Mr. Zhang Jinshu	1	–	–	–	1
Independent non-executive directors					
Mr. Zhang Baiheng	149	–	–	–	149
Mr. Chen Huachen	149	–	–	–	149
Mr. Wang Yuzhong (appointed on 22 June 2021)	75	–	–	–	75
	375	1,431	812	53	2,671

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2021: four) individuals is as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**2,796**	2,955
Discretionary bonuses	**56**	1,516
Retirement scheme contributions	**73**	179
	2,925	4,650

The emoluments of all of the four employees who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

HK$	**2022** **Number of individuals**	2021 Number of individuals
Nil – 1,000,000	**4**	1
1,000,001 – 2,000,000	**–**	3

10 OTHER COMPREHENSIVE INCOME

	2022			2021		
	Before tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Equity securities designated at FVOCI – net movement in fair value reserve (non-recycling)	**(100)**	**25**	**(75)**	(1,204)	88	(1,116)
Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(112,687)**	**–**	**(112,687)**	(51,886)	–	(51,886)
Other comprehensive income	**(112,787)**	**25**	**(112,762)**	(53,090)	88	(53,002)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit attributable to ordinary equity shareholders of the Company of RMB116,168,000 (2021: RMB736,359,000) and the weighted average of 1,682,896,000 ordinary shares (2021: 1,664,409,000 ordinary shares) in issue during the year ended 31 December 2022, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
	'000	'000
Issued ordinary shares at 1 January	**1,678,288**	1,658,147
Effect of share options exercised (Notes 29(a)(iii) and 31(c)(i))	**4,608**	6,262
Weighted average number of ordinary shares at 31 December	**1,682,896**	1,664,409

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2022 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB116,168,000 (2021: RMB735,563,000) and the weighted average number of ordinary shares (diluted) of 1,683,060,000 (2021: 1,667,234,000).

11 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

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

	2022 RMB'000	2021 RMB'000
Profit attributable to ordinary equity shareholders	116,168	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	–	(817)
Profit attributable to ordinary equity shareholders (diluted)	116,168	735,563

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

	2022 '000	2021 '000
Weighted average number of ordinary shares at 31 December	1,682,896	1,664,409
Effect of conversion of convertible bonds	–	83
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 29(a))	164	2,742
Weighted average number of ordinary shares (diluted) at 31 December	1,683,060	1,667,234

12 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2021	1,941,412	3,380,652	23,024	1,052,616	6,397,704
Additions	64,546	110,024	7,278	874,885	1,056,733
Transfer in/(out)	309,307	799,464	–	(1,214,195)	(105,424)
Reclassification from right-of-use assets (Note 14)	–	37,932	–	–	37,932
Additions through acquisition of subsidiaries	326,764	542,636	388	931,989	1,801,777
Disposals	(4,737)	(178,316)	(4,625)	(687)	(188,365)
Exchange adjustments	(27,219)	(35,271)	(226)	(681)	(63,397)
At 31 December 2021 and 1 January 2022	2,610,073	4,657,121	25,839	1,643,927	8,936,960
Additions	59,941	47,897	8,115	1,957,993	2,074,224
Transfer in/(out)	132,198	(477,865)	–	(18,190)	(363,857)
Reclassification from right-of-use assets (Note 14)	–	26,880	–	–	26,880
Disposals	–	(47,261)	(671)	–	(48,210)
Exchange adjustments	1,713	3,133	320	21,176	26,342
At 31 December 2022	2,803,925	4,209,905	33,603	3,604,906	10,652,339
Accumulated depreciation and impairment losses:					
At 1 January 2021	494,809	1,579,794	18,506	39,260	2,132,369
Charge for the year	61,978	228,698	1,390	–	292,066
Transfer out	–	(105,424)	–	–	(105,424)
Reclassification from right-of-use assets (Note 14)	–	22,360	–	–	22,360
Written back on disposals	(1,114)	(158,367)	(3,783)	–	(163,264)
Impairment losses for the year	–	13,440	–	–	13,440
Exchange adjustments	(924)	(3,760)	(45)	–	(4,729)
At 31 December 2021 and 1 January 2022	554,749	1,576,741	16,068	39,260	2,186,818
Charge for the year	75,435	266,019	2,381	–	343,835
Transfer out	–	(363,857)	–	–	(363,857)
Reclassification from right-of-use assets (Note 14)	–	5,010	–	–	5,010
Written back on disposals	–	(37,532)	(494)	–	(38,026)
Exchange adjustments	132	1,012	187	–	1,331
At 31 December 2022	630,316	1,447,393	18,142	39,260	2,135,111
Net book value:					
At 31 December 2021	2,055,324	3,080,380	9,771	1,604,667	6,750,142
At 31 December 2022	2,173,609	2,762,512	15,461	3,565,646	8,517,228

At 31 December 2022, property certificates of certain properties with an aggregate net book value of RMB901.3 million (31 December 2021: RMB804.5 million) are yet to be obtained.

Prepayments for property, plant and equipment are presented as "other non-current assets" in the consolidated statement of financial position.

13 INVESTMENT PROPERTY

	RMB'000
Cost	
At 1 January 2021, 31 December 2021 and 1January 2022	**35,512**
Additions	**16,882**
At 31 December 2022	**52,394**
Accumulated depreciation:	
At 1 January 2021	**13,049**
Charge for the year	**1,223**
At 31 December 2021 and 1 January 2022	**14,272**
Charge for the year	**1,314**
At 31 December 2022	**15,586**
Net book value	
At 31 December 2021	**21,240**
At 31 December 2022	**36,808**

The Group holds investment properties under operating leases to earn rental income or for capital appreciation. The existing leases typically run for an initial period of 5 to 7 years. Lease payments are usually increased every 2 years to reflect market rentals. None of the existing leases includes variable lease payments.

According to the property valuation reports issued by independent qualified valuers, the fair value of investment properties located in the PRC are determined using market value approach and the fair value of the Group's investment properties at 31 December 2022 is RMB99.2 million (2021: RMB64.9 million).

Undiscounted lease payments under operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**1,792**	1,751
After 1 year but within 5 years	**6,302**	7,278
After 5 years	**–**	773
	8,094	9,802

14 RIGHT-OF-USE ASSETS

The reconciliation and analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Leasehold land held for own use RMB'000	Plant, machinery and equipment RMB'000	Other properties leased for own use RMB'000	Total RMB'000
Cost:				
At 1 January 2021	335,795	72,013	30,252	438,060
Additions	91,075	–	2,086	93,161
Additions through acquisition of a subsidiary	112,045	72,771	–	184,816
Disposals	–	–	(390)	(390)
Reclassification to property, plant and equipment (Note 12)	–	(37,932)	–	(37,932)
Exchange adjustments	(1,995)	–	(1,489)	(3,484)
At 31 December 2021 and 1 January 2022	536,920	106,852	30,459	674,231
Additions	755	–	1,861	2,616
Disposals	–	–	(17,613)	(17,613)
Reclassification to property, plant and equipment	–	(26,880)	–	(26,880)
Exchange adjustments	951	–	328	1,279
At 31 December 2022	538,626	79,972	15,035	633,633
Accumulated depreciation:				
At 1 January 2021	82,046	24,100	8,823	114,969
Charge for the year	9,073	7,776	6,095	22,944
Written back on disposals	–	–	(390)	(390)
Reclassification to property, plant and equipment (Note 12)	–	(22,360)	–	(22,360)
Exchange adjustments	(776)	–	(733)	(1,509)
At 31 December 2021 and 1 January 2022	90,343	9,516	13,795	113,654
Charge for the year	16,411	5,633	2,834	24,878
Written back on disposals	–	–	(10,633)	(10,633)
Reclassification to property, plant and equipment	–	(5,010)	–	(5,010)
Exchange adjustments	477	–	239	716
At 31 December 2022	107,231	10,139	6,235	123,605
Net book value:				
At 31 December 2021	446,577	97,336	16,664	560,577
At 31 December 2022	431,395	69,833	8,800	510,028

14 RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Notes	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
– Leasehold land held for own use	(i)	**16,411**	9,073
– Plant, machinery and equipment	(ii)	**5,633**	7,776
– Other properties leased for own use	(ii)	**2,834**	6,095
		24,878	22,944
Interest on lease liabilities (Note 6(a))		**5,769**	4,659
Expense relating to short-term leases		**561**	258
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets		**–**	16

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 24(c) and 28, respectively. There is no lease that is not yet commenced as at 31 December 2022.

(i) Leasehold land held for own use

Leasehold land held for own use represented land use right premiums paid by the Group for land situated in the PRC and Nigeria. The remaining lease terms falls within the ranges of 12 years to 49 years. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities. At 31 December 2022, land use right certificates of certain land use rights with an aggregate carrying value of RMB6.8 million (31 December 2021: RMB7.0 million) are yet to be obtained.

(ii) Other leases

The Group leases production plant, machinery and office equipment under leases expiring from 1 to 14 years. Some leases include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary.

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
China Glass Investment Limited* (ii) 中玻投資有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Investment holding
CNG Glass (Nigeria) FZE	The Federal Republic of Nigeria	Registered and paid-up capital of United States dollar ("USD") 38,500,000	100%	–	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* (i) 東台中玻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Production, marketing and distribution of glass and glass products
Fujian Longtai Industrial Company Limited* ("Fujian Longtai") (i) 福建龍泰實業有限公司	The PRC	Registered and paid-up capital of RMB600,000,000	55%	–	Production, marketing and distribution of glass and glass products
Jiangsu SHD New Materials Company Limited* (i) 江蘇蘇華達新材料有限公司	The PRC	Registered and paid-up capital of RMB582,813,823	100%	–	Production, marketing and distribution of glass and glass products
Linyi CNG New Materials Technology Company Limited* (i) 中玻(臨沂)新材料科技有限公司	The PRC	Registered and paid-up capital of RMB206,800,000	73.64%	–	Production, marketing and distribution of glass and glass products
Olivotto Glass Technologies S.p.A	The Italy	Registered and paid-up capital of EUR1,408,000	–	100%	Design and construction of production lines of pharmaceutical glass

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Orda Glass Ltd LLP	The Republic of Kazakhstan	Registered and paid-up capital of Kazakhstan Tenge 8,413,876,000	100%	–	Design and construction of production lines of pharmaceutical glass
Shaanxi CNG New Technology Limited* (i) 中玻 (陝西) 新技術有限公司	The PRC	Registered and paid-up capital of RMB132,500,000	92.49%	–	Production, marketing and distribution of glass and glass products
Suqian CNG New Energy Company Limited* (i) 宿遷中玻新能源有限公司	The PRC	Registered capital of RMB500,000,000 and paid-up capital of RMB234,999,920	71%	–	Production, marketing and distribution of glass and glass products
Weihai CNG Coated Glass Company Limited* ("Weihai CNG") (i) 威海中玻鍍膜玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB143,941,848	89.80%	–	Production, marketing and distribution of glass and glass products
Wuhai CNG Special Glass Company Limited* ("Wuhai CNG") (i) 烏海中玻特種玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	93.84%	–	Production, marketing and distribution of glass and glass products

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

(i) These companies are limited liability companies established in the mainland China.

(ii) These companies are wholly foreign-owned enterprises established in the mainland China.

15 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the combined financial information of Fujian Longtai and its subsidiary (collectively referred to as the "Fujian Longtai Group"), Weihai CNG and its subsidiaries and Wuhai CNG and its subsidiaries, three sub-groups within the Group which have material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2022 **RMB'000**	2021 RMB'000
Revenue	**1,740,354**	2,401,593
(Loss)/profit for the year	**(39,582)**	434,407
Attributable to NCI	**(14,224)**	52,735
Acquisition of a subsidiary with NCI	**–**	333,200
Capital injection from NCI of a subsidiary	**–**	181,710
Acquisition of NCI of a subsidiary	**–**	(7,832)
Dividends approved to NCI	**(6,222)**	–
Non-current assets	**3,706,990**	3,355,933
Current assets	**2,162,812**	1,983,174
Current liabilities	**(2,744,059)**	(2,092,525)
Non-current liabilities	**(625,041)**	(645,298)
Net assets	**2,500,702**	2,601,284
Carrying amount of NCI	**662,283**	682,729
Cash flows generated from operating activities	**58,095**	178,893
Cash flows used in investing activities	**(396,247)**	(285,526)
Cash flows generated from financing activities	**370,333**	32,588

16 INTANGIBLE ASSETS

	Non-competition agreement RMB'000	Technologies RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:				
At 1 January 2021	81,121	203,556	2,625	287,302
Additions	–	2,794	–	2,794
Exchange adjustments	(8,140)	(4,798)	(263)	(13,201)
At 31 December 2021 and 1 January 2022	72,981	201,552	2,362	276,895
Additions	–	4,384	–	4,384
Exchange adjustments	2,051	1,034	66	3,151
At 31 December 2022	75,032	206,970	2,428	284,430
Accumulated amortisation and impairment losses:				
At 1 January 2021	35,152	157,831	569	193,552
Charge for the year	15,410	5,874	249	21,533
Exchange adjustments	(4,342)	(540)	(70)	(4,952)
At 31 December 2021 and 1 January 2022	46,220	163,165	748	210,133
Charge for the year	14,801	4,825	239	19,865
Exchange adjustments	1,506	402	24	1,932
At 31 December 2022	62,527	168,392	1,011	231,930
Net book value:				
At 31 December 2021	26,761	38,387	1,614	66,762
At 31 December 2022	12,505	38,578	1,417	52,500

The amortisation change for the year is included in "cost of sales" in the consolidated statement of profit or loss.

17 GOODWILL

	2022 RMB'000	2021 RMB'000
At 1 January	**127,215**	100,349
Additions through acquisition of a subsidiary	**–**	36,935
Exchange adjustments	**2,540**	(10,069)
At 31 December	**129,755**	127,215

17 GOODWILL (continued)

(a) Impairment tests for cash-generating units ("CGU") containing goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment as follows:

	2022 **RMB'000**	2021 RMB'000
Design and installation service	**92,820**	90,280
Glass production and sales	**36,935**	36,935

(i) Design and installation service

On 30 October 2018, the Group acquired the 100% equity interests of OGT and its subsidiaries (collectively referred to as the "OGT Group") for a cash consideration of EUR21,445,000. The excess of the cost of the purchase over the net fair value of the identifiable net assets of the OGT Group of EUR12,500,000 was recorded as goodwill and allocated to the OGT Group's business of designing and installation pharmaceutical glass production lines (the "OGT design and installation service CGU").

The recoverable amount of the OGT design and installation service CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual revenue growth rates around 13% during the first three years and around 2% during the next two years (2021: 10% during the first year and 3% during the next four years), which are based on OGT Group's historical experience and the Group's forecast of reaching maximum business scale before 2023 and adjusted for other factors that are specific to the OGT design and installation service CGU. Cash flows beyond the five-year period are extrapolated using a 2.00% (2021: 1.10% beyond the five-year period) long-term growth rate, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 17.84% (2021: 16.19%). The discount rates used are pre-tax and reflect specific risks relating to the OGT design and installation service CGU.

(ii) Glass production and sales

On 16 July 2021, the Group acquired the 55% equity interests of Fujian Longtai Group with a total consideration of RMB444,180,000. The excess of the cost of the purchase over the proportionate interest of 55% in the recognised amounts of the identifiable net assets of the Fujian Longtai Group acquired of RMB407,245,000 was recorded as goodwill and allocated to the Fujian Longtai Group's business of production, marketing and distribution of glass products (the "Fujian glass production and sales CGU").

17 GOODWILL (continued)

(a) Impairment tests for cash-generating units ("CGU") containing goodwill (continued)

(ii) Glass production and sales (continued)

The recoverable amount of the Fujian Longtai glass products CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual revenue growth rates around 141% in the first year (2021: 208% in the first year) considering a production line which is under construction by now is forecasted to start operation in second quarter of 2023, and around 9% during the next four years (2021: 10% during the next four years), which are based on the Group's historical experience and expectations of glass markets. Cash flows per year beyond the five-year period are extrapolated to be in the same situation as the fifth year, based on prudent relevant industry growth forecasts. The cash flows are discounted using a discount rate of 14.16% (2021: 14.02%). The discount rates used are pre-tax and reflect specific risks relating to the Fujian glass production and sales CGU.

18 INTERESTS IN JOINT VENTURES

Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of establishment/ incorporation and business	Particulars of registered and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
GIGA&CNG Glass Company Limited	The United Republic of Tanzania	Registered and paid-up capital of HK$2,000,000	50.00%	–	Marketing and distribution of glass and glass products
Belt and Road Glass Management Limited	The Cayman Islands	Registered and paid-up capital of USD2,000,000	45.00%	–	Investment holding

The joint ventures in which the Group participates, are not material to the consolidated financial statements, and are unlisted corporate entities whose quoted market price are not available.

19 INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**351,380**	445,433
Work in progress and finished goods	**697,848**	348,304
Racks, spare parts and consumables	**63,456**	47,432
	1,112,684	841,169
Less: write-down of inventories	**(33,802)**	(8,261)
	1,078,882	832,908

19 INVENTORIES (continued)

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold/used in service contract	**3,660,645**	3,326,429
Write-down of inventories	**28,362**	4,916
	3,689,007	3,331,345

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

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 RMB'000	2021 RMB'000
Contract assets		
Arising from performance under service contracts	**27,697**	35,190

Typical payment terms which impact on the amount of contract assets recognised arising from service contracts are as follows:

The Group's service contracts include payment schedules which require stage payments over the period of rendering service once milestones are reached, these payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a 1 to 2 years retention period, this amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing retention period.

All contract assets are expected to be recovered within one year.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities

	2022 RMB'000	2021 RMB'000
Contract liabilities		
Sales of glass products		
– Billings in advance of sales	**110,917**	98,264
Service contracts		
– Billings in advance of performance	**173,710**	106,662
	284,627	204,926

All of the contract liabilities are expected to be recognised as revenue within one year.

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

When the Group receives a deposit before rendering services commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

When the Group receives a deposit before operation leases term commences this will give rise to contract liabilities at the start of an operation lease, until the rental income recognised in equal instalments over the periods.

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
Balance at 1 January	**204,926**	133,655
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(110,553)**	(122,020)
Increase as a result of acquisition of a subsidiary	**–**	17,709
Increase in contract liabilities as a result of billing in advance of rendering services and sales of goods	**3,741,520**	5,001,613
Decrease in contract liabilities as a result of recognising revenue	**(3,555,326)**	(4,818,739)
Exchange adjustments	**4,060**	(7,292)
Balance at 31 December	**284,627**	204,926

21 TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables from:		
– third parties	**423,193**	211,804
– Triumph Group's related parties	**9,497**	1,610
– affiliates of non-controlling equity owners of subsidiaries	**–**	15,069
	432,690	228,483
Less: loss allowance (Note 34(a))	**(131,126)**	(126,807)
Financial assets measured at amortised cost	**301,564**	101,676
Bills receivable	**225,888**	92,568
	527,452	194,244

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:

	2022 RMB'000	2021 RMB'000
Within 1 month	**254,457**	118,000
More than 1 month but less than 3 months	**151,703**	39,374
More than 3 months but less than 6 months	**91,406**	21,054
More than 6 months but less than 1 year	**26,488**	10,720
Over 1 year	**3,398**	5,096
	527,452	194,244

Further details on the Group's credit policy are set out in Note 34(a).

22 OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Amounts due from related companies:		
– an equity shareholder of the Company (Note (i))	**13**	12
– non-controlling equity owners of a subsidiary (Note (ii))	**112,754**	38,358
	112,767	38,370
Deposits and other debtors		
– receivable for relocation of production plants and government grants (Note (iii))	**169,309**	162,314
– advances to third parties	**141,175**	147,239
– receivable for disposal of property, plant and equipment	**–**	4,420
– others	**62,424**	57,019
	372,908	370,992
Less: loss allowance (Note 34(a))	**(184,073)**	(165,432)
	188,835	205,560
Financial assets measured at amortised cost	**301,602**	243,930
Value added tax refundable	**114,407**	109,604
	416,009	353,534

Notes:

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

(ii) As at 31 December 2022, the amount is from a non-controlling equity owner of a subsidiary of the Group related to the compensation receivable and advance payment, which are secured by its owned equity interests in this subsidiary.

(iii) As at 31 December 2022, the amount of RMB87.0 million (2021: RMB87.0 million) is the remaining receivables from the local government authority for relocation of production plants.

All of the other receivables are expected to be recovered or recognised as expenses within one year.

23 PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Prepayments for the purchase of inventories and services		
– Triumph Group's related parties	**63,004**	271,147
– third parties	**199,612**	82,437
	262,616	353,584
Prepayments for the purchase of property, plant and equipment and land use rights		
– Triumph Group's related parties	**–**	393
– third parties	**–**	10,945
	–	11,338
	262,616	364,922

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION

(a) Cash on hand and at bank comprise:

	2022 RMB'000	2021 RMB'000
Cash on hand and at bank	**1,110,656**	565,977
Time deposits	**239,140**	126,958
Cash on hand and at bank in the consolidated statement of financial position	**1,349,796**	692,935
Less: time deposits	**(239,140)**	(126,958)
Cash and cash equivalents in the consolidated cash flow statement	**1,110,656**	565,977

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Bank loans and other borrowings RMB'000 (Note 27)	Lease liabilities RMB'000 (Note 28)	Interest payables RMB'000 (Note 26)	Total RMB'000
At 1 January 2022	4,842,558	87,623	20,378	4,950,559
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	6,338,263	–	–	6,338,263
Repayment of bank loans and other borrowings	(3,906,697)	–	–	(3,906,697)
Capital element of lease rentals paid	–	(6,299)	–	(6,299)
Interest element of lease rentals paid	–	(5,769)	–	(5,769)
Other borrowing costs paid	–	–	(309,587)	(309,587)
Total changes from financing cash flows	2,431,566	(12,068)	(309,587)	2,109,911
Exchange adjustments	121,948	(460)	–	121,488
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	1,861	–	1,861
Early termination of lease contracts	–	(6,974)	–	(6,974)
Bank acceptance bills received for the factoring loan	542,356	–	–	542,356
Interest on lease liabilities (Note 6(a))	–	5,769	–	5,769
Interest expenses and other finance costs	–	–	272,251	272,251
Capitalised borrowing costs (Note 6(a))	–	–	42,670	42,670
Total other changes	542,356	656	314,921	857,933
At 31 December 2022	7,938,428	75,751	25,712	8,039,891

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans and other borrowings RMB'000 (Note 27)	Convertible bonds RMB'000	Lease liabilities RMB'000 (Note 28)	Interest payables RMB'000 (Note 26)	Total RMB'000
At 1 January 2021	3,439,883	17,355	32,917	21,721	3,511,876
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	4,312,605	–	–	–	4,312,605
Repayment of bank loans and other borrowings	(3,699,634)	–	–	–	(3,699,634)
Capital element of lease rentals paid	–	–	(19,567)	–	(19,567)
Interest element of lease rentals paid	–	–	(4,659)	–	(4,659)
Payment for the redemption of convertible bonds	–	(16,345)	–	–	(16,345)
Other borrowing costs paid	–	(205)	–	(248,317)	(248,522)
Total changes from financing cash flows	612,971	(16,550)	(24,226)	(248,317)	323,878
Exchange adjustments	(25,503)	(9)	(753)	–	(26,265)
Other changes:					
Additions through acquisition of subsidiaries	650,207	–	72,940	–	723,147
Increase in lease liabilities from entering into new leases during the year	–	–	2,086	–	2,086
Bank acceptance bills received for the factoring loan	165,000	–	–	–	165,000
Gain from the redemption of convertible bonds (Note 6(a))	–	(817)	–	–	(817)
Interest on lease liabilities (Note 6(a))	–	–	4,659	–	4,659
Finance charges on convertible bonds (Note 6(a))	–	21	–	–	21
Interest expenses and other finance costs (Note 6(a))	–	–	–	211,113	211,113
Capitalised borrowing costs (Note 6(a))	–	–	–	35,861	35,861
Total other changes	815,207	(796)	79,685	246,974	1,141,070
At 31 December 2021	4,842,558	–	87,623	20,378	4,950,559

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	**561**	274
Within investing cash flows	**14,618**	91,075
Within financing cash flows	**12,068**	24,226
	27,247	115,575

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	**12,629**	24,500
Purchase of leasehold assets	**14,618**	91,075
	27,247	115,575

25 TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables to:		
– third parties	**306,951**	365,966
– Triumph Group's related parties	**2,370**	606
Bills payable	**126,575**	95,500
	435,896	462,072

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

	2022 RMB'000	2021 RMB'000
Due within 1 month or on demand	**309,321**	407,572
Due after 1 month but within 6 months	**25,575**	39,500
Due after 6 months	**101,000**	15,000
	435,896	462,072

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

26 ACCRUED CHARGES AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Amounts due to related parties:		
– Triumph Group and its related parties (Note)	**468,245**	349,437
– a non-controlling equity owner of a subsidiary	**486**	134,316
	468,731	483,753

26 ACCRUED CHARGES AND OTHER PAYABLES (continued)

	2022 RMB'000	2021 RMB'000
Accrued charges and other payables:		
– payables for construction and purchase of property, plant and equipment, land use rights and other non-current assets	**297,267**	349,218
– payables for staff related costs	**61,247**	76,912
– payables for acquisitions considerations and dividends to non-controlling interests in subsidiaries	**9,574**	5,241
– payables for transportation expenses	**7,175**	5,266
– advances from third parties	**42,431**	23,943
– interest payables	**25,712**	20,378
– others	**48,171**	43,305
	491,577	524,263
Financial liabilities measured at amortised cost	**960,308**	1,008,016
Payables for miscellaneous taxes	**58,604**	42,787
Provision for legal claims	**7,354**	1,180
	1,026,266	1,051,983

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

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

27 BANK LOANS AND OTHER BORROWINGS

(a) Short-term bank loans and other borrowings

	2022 RMB'000	2021 RMB'000
Bank loans	**1,514,308**	1,209,373
Loans from financial institutions	**347,475**	–
Loan from Triumph Group and its related parties	**1,998,226**	1,553,489
	3,860,009	2,762,862
Add: current portion of long-term bank loans and other borrowings (Note 27(b))	**739,746**	1,063,558
	4,599,755	3,826,420

27 BANK LOANS AND OTHER BORROWINGS (continued)

(a) Short-term bank loans and other borrowings (continued)

At 31 December 2022, the Group's short-term bank loans and other borrowings (excluding current portion of long-term bank loans and other borrowings) are secured as follows:

	2022 **RMB'000**	2021 RMB'000
Bank loans:		
– pledged by bank bills	**203,000**	39,500
– secured and/or guaranteed (Note (i))	**1,166,308**	1,104,873
– unguaranteed and unsecured	**145,000**	65,000
	1,514,308	1,209,373
Loans from financial institutions:		
– secured and guaranteed (Note (i))	**347,475**	–
Loans from a related party of Triumph Group		
– unguaranteed and unsecured	**–**	315,920
Other borrowings:		
– financial assistance from Triumph Group		
– secured (Notes (i) and (iii))	**96,637**	235,000
– unguaranteed and unsecured (Notes (ii) and (iii))	**1,901,589**	1,002,569
	1,998,226	1,237,569
	3,860,009	2,762,862

Notes:

(i) These loans and borrowings are secured by the Group's property, plant and equipment, right-of-use assets, inventories, trade receivables, equity interest of a subsidiary and/or guaranteed by Triumph Group, a director of the Company or a key management personnel of a subsidiary of the Group.

(ii) The amounts are unsecured, with fixed interest rate from 2.00% to 4.35% (2021: 3.00% to 4.25%), and repayable within one year.

(iii) These borrowings are financial assistance through which the Group obtain financing from certain banks under the financing facilities Triumph Group owned in these banks.

27 BANK LOANS AND OTHER BORROWINGS (continued)

(a) Short-term bank loans and other borrowings (continued)

At 31 December 2022, the aggregate carrying value of the secured property, plant and equipment and right-of-use assets for the Group's short-term bank loans is RMB590.6 million (31 December 2021: RMB514.4 million).

At 31 December 2022, none of the Group's short-term bank loans is secured by inventories (31 December 2021: RMB22.7 million).

At 31 December 2022, the aggregate carrying value of the pledged trade receivables (including inter-company balance) for the Group's short-term bank loans and other borrowings is RMB106.4 million (31 December 2021: RMB235.0 million).

(b) Long-term bank loans and other borrowings

	2022 **RMB'000**	2021 RMB'000
Bank loans	**2,900,498**	972,424
Loans from financial institutions	**1,177,921**	1,107,272
	4,078,419	2,079,696
Less: current portion of long-term bank loans and other borrowings (Note 27(a))	**(739,746)**	(1,063,558)
	3,338,673	1,016,138

The Group's long-term bank loans and other borrowings are repayable as follows:

	2022 **RMB'000**	2021 RMB'000
Within 1 year or on demand	**739,746**	1,063,558
After 1 year but within 2 years	**1,017,538**	542,729
After 2 years but within 5 years	**2,220,194**	373,375
After 5 years	**100,941**	100,034
	4,078,419	2,079,696

27 BANK LOANS AND OTHER BORROWINGS (continued)

(b) Long-term bank loans and other borrowings (continued)

At 31 December 2022, the Group's long-term bank loans and other borrowings are secured as follows:

	2022 **RMB'000**	2021 RMB'000
Bank loans:		
– secured and/or guaranteed (Note)	**1,144,781**	972,424
– unguaranteed and unsecured	**1,755,717**	–
	2,900,498	972,424
Loans from financial institutions:		
– secured and/or guaranteed (Note)	**1,145,497**	1,076,877
– unguaranteed and unsecured	**32,424**	30,395
	1,177,921	1,107,272
	4,078,419	2,079,696

Note: These loans are secured by the Group's property, plant and equipment, right-of-use assets, equity interests of certain subsidiaries, trade receivables and/or guaranteed by Triumph Group.

At 31 December 2022, the aggregate carrying value of the pledged trade receivables (including intercompany balance) for the Group's long-term financial institution loans is RMB12.2 million (31 December 2021: RMB53.7 million).

At 31 December 2022, the aggregate carrying value of the secured property, plant and equipment and right-of-use assets for the Group's long-term bank loans and other borrowings is RMB1,294.4 million (31 December 2021: RMB1,238.2 million).

All of the non-current interest-bearing borrowings are carried at amortised cost and are not expected to be settled within one year.

At 31 December 2022, the Group's banking facilities amounted to RMB4,832.5 million (31 December 2021: RMB1,859.7 million) were utilised to the extent of RMB4,531.4 million (31 December 2021: RMB1,521.6 million).

27 BANK LOANS AND OTHER BORROWINGS (continued)

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants.

As at 31 December 2022, the Group failed to fulfil certain covenants of bank loans with non-current portion of RMB2,083.7 million (2021: RMBNil) and the lenders have the right to require the Group to repay the loans immediately at any time prior to their original repayment dates, including of which RMB347.5 million was reclassified as current liabilities at the end of the reporting period and was repaid as at report date. The waiver was granted by related banks to the remaining loan of RMB1,736.2 million. Except loans mentioned as above, none of the covenants relating to the bank and other loans had been breached (31 December 2021: None).

28 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**10,397**	14,200
After 1 year but within 2 years	**8,815**	11,408
After 2 years but within 5 years	**19,992**	27,437
After 5 years	**36,547**	34,578
	65,354	73,423
	75,751	87,623

(Expressed in RMB unless otherwise indicated)

29 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 2022 and 2021.

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

	Exercise price	Number of options	Vesting conditions	Contractual life of options
Options granted to a director:				
– 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		

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

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

	2022		2021	
	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**	**8,599**	HK$1.25	30,060
Exercised during the year	**HK$1.25**	**(5,930)**	HK$1.25	(20,141)
Forfeited during the year	**HK$1.25**	**(19)**	HK$1.25	(1,320)
Lapsed during the year	**HK$1.25**	**(2,650)**	–	–
Outstanding at the end of the year	**–**	**–**	HK$1.25	8,599
Exercisable at the end of the year	**–**	**–**	HK$1.25	8,599

(iii) Shares issued under share option scheme

During the year ended 31 December 2022, share options were exercised to subscribe for 5,930,000 ordinary shares (2021: 20,141,200 ordinary shares) in the Company at a consideration of HK$7,412,500 (2021: HK$25,176,500), of which HK$296,500 (2021: HK$1,007,060) was credited to share capital and the remaining balance of HK$7,116,000 (2021: HK$24,169,440) was credited to the share premium account. HK$3,401,000 (2021: HK$11,552,000) has been transferred from the capital reserve to the share premium account in accordance with the accounting policy set out in Note 2(t)(ii).

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(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 (the "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:

	No. of shares held '000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	152,000

No ordinary shares were purchased for the Share Award Scheme during years 2021 and 2022. No shares have been awarded to any selected employee as at the date of these financial statements.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements in current taxation in the consolidated statement of financial position are as follows:

	2022 **RMB'000**	2021 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**202,023**	157,425
Additions through acquisition of a subsidiary	**–**	38,218
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**74,065**	220,295
Under-provision in respect of prior years (Note 7(a))	**322**	7
Income tax paid	**(148,354)**	(213,922)
Balance of income tax payable (net of prepaid income tax) at 31 December	**128,056**	202,023
Represented by:		
Income tax payable	**132,076**	206,115
Prepaid income tax	**(4,020)**	(4,092)
	128,056	202,023

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets					Liabilities	
Deferred tax arising from:	**Unused tax losses** RMB'000	**Write-down of inventories** RMB'000	**Loss allowance** RMB'000	**Depreciation expenses in excess of related tax allowances, impairment losses on property, plant and equipment and government grants and fair value adjustments of investments** RMB'000	**Total** RMB'000	**Fair value adjustments on intangible assets, property, plant and equipment, equity securities, right-of-use assets, interest capitalisation and related depreciation** RMB'000	**Net** RMB'000
At 1 January 2021	100,463	1,017	51,074	84,228	236,782	(39,887)	196,895
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(58,939)	907	(939)	7,842	(51,129)	4,184	(46,945)
Additions through acquisition of subsidiaries	2,279	–	–	–	2,279	(103,775)	(101,496)
Credited to reserves	–	–	–	–	–	88	88
Exchange adjustments	–	(86)	(111)	(263)	(460)	1,807	1,347
At 31 December 2021 and 1 January 2022	**43,803**	**1,838**	**50,024**	**91,807**	**187,472**	**(137,583)**	**49,889**
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	**38,459**	**5,773**	**4,067**	**(2,711)**	**45,588**	**45,256**	**90,844**
Credited to reserves	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Exchange adjustments	**–**	**49**	**57**	**35**	**141**	**(345)**	**(204)**
At 31 December 2022	**82,262**	**7,660**	**54,148**	**89,131**	**233,201**	**(92,647)**	**140,554**

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(v), the Group has not recognised deferred tax assets in respect of unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB388.2 million (31 December 2021: RMB403.5 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB41.1 million which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2022 will expire on or before 31 December 2027.

(d) Deferred tax liabilities not recognised

At 31 December 2022, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB674.7 million (31 December 2020: RMB954.0 million). Deferred tax liabilities of RMB58.9 million (31 December 2021: RMB81.9 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 31(c))	Share premium RMB'000 (Note 31(d)(i))	Shares held under share award scheme RMB'000 (Note 31(d)(ii))	Capital reserve RMB'000 (Note 31(d)(iii))	Exchange reserve RMB'000 (Note 31(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	84,867	1,780,249	(75,689)	33,198	(83,543)	(96,021)	1,643,061
Changes in equity for 2021:							
Loss for the year	–	–	–	–	–	(85,983)	(85,983)
Other comprehensive income	–	–	–	–	(37,900)	–	(37,900)
Total comprehensive income for the year	–	–	–	–	(37,900)	(85,983)	(123,883)
Shares issued under share option scheme (Note 31(c)(i))	836	29,636	–	(9,584)	–	–	20,888
Transferred from share premium to accumulated loss account of the Company (Note 31(e))	–	(134,999)	–	–	–	134,999	–
Distributions approved in respect of the current year (Note 31(b)(iii))	–	(75,451)	–	–	–	–	(75,451)
	836	(180,814)	–	(9,584)	–	134,999	(54,563)
At 31 December 2021 and 1 January 2022	85,703	1,599,435	(75,689)	23,614	(121,443)	(47,005)	1,464,615
Changes in equity for 2022:							
Profit for the year	–	–	–	–	–	40,806	40,806
Other comprehensive income	–	–	–	–	138,456	–	138,456
Total comprehensive income for the year	–	–	–	–	138,456	40,806	179,262
Shares issued under share option scheme (Note 31(c)(i))	248	8,797	–	(2,845)	–	–	6,200
Dividends approved in respect of the previous year (Note 31(b))	–	–	6,500	–	–	(78,517)	(72,017)
	248	8,797	6,500	(2,845)	–	(78,517)	(65,817)
At 31 December 2022	85,951	1,608,232	(69,189)	20,769	17,013	(84,716)	1,578,060

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(b) Dividends/distributions

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

The Directors of the Company do not propose final dividends after 31 December 2022 (2021: HK$0.05 per share).

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

	2022	2021
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the year, of HK$0.05 per ordinary share (2021: HK$Nil) (Note)	**78,517**	–

Note: Dividends amounting to RMB6.5 million were paid to the Trust.

(iii) Distributions approved and paid during the year

	2022	2021
	RMB'000	RMB'000
Interim distributions approved and paid of HK$Nil per ordinary share (2021: HK$0.05 per ordinary share)	**–**	75,451

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(c) Share capital

(i) Authorised and issued share capital

	2022		2021	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At 1 January and 31 December, at HK$0.05 each	**3,600,000,000**	**180,000**	3,600,000,000	180,000

	2022		2021	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**1,830,288,258**	**85,703**	1,810,147,058	84,867
Shares issued under share option scheme (Note 29(a)(ii))	**5,930,000**	**248**	20,141,200	836
At 31 December	**1,836,218,258**	**85,951**	1,830,288,258	85,703

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	**Exercise price**	**2022 Number**	2021 Number
13 May 2016 to 12 May 2022	HK$1.25	–	3,439,520
13 May 2017 to 12 May 2022	HK$1.25	–	2,579,640
13 May 2018 to 12 May 2022	HK$1.25	–	2,579,640
		–	8,598,800

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 29(a) to these financial statements.

(iii) At 31 December 2022, 152,000,000 ordinary shares are held by the Company under the Share Award Scheme (31 December 2021: 152,000,000) (see Note 29(b)).

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Shares held under share award scheme

The shares held under share award scheme represents the weighted average acquisition cost for unvested shares acquired under the Share Award Scheme that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(t)(ii).

(iii) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(t)(ii).

(iv) Statutory reserves

In accordance with the articles of association of the subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which have a functional currency other than RMB into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(y).

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(e) Distributable reserves

At 31 December 2022, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval) available for distribution to equity shareholders of the Company was RMB1,608.2 million (31 December 2021: RMB1,599.4 million). The directors of the Company do not recommend interim distribution or final dividend for the year ended 31 December 2022 (2021: recommended the payment of an interim distribution and a final dividend of both HK$0.05 per ordinary share).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt-to-asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2022 and 2021 was 75% and 67%, respectively.

The directors of the Company will continue to monitor and improve the Group's capital structure.

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(f) Capital management (continued)

The Group's debt-to-asset ratio at the end of the current and previous reporting periods was as follows:

	2022 RMB'000	2021 RMB'000
Current liabilities:		
Trade and bills payables	**435,896**	462,072
Accrued charges and other payables	**1,026,266**	1,051,983
Contract liabilities	**284,627**	204,926
Bank loans and other borrowings	**4,599,755**	3,826,420
Lease liabilities	**10,397**	14,200
Income tax payable	**132,076**	206,115
	6,489,017	5,765,716
Non-current liabilities:		
Bank loans and other borrowings	**3,338,673**	1,016,138
Lease liabilities	**65,354**	73,423
Deferred tax liabilities	**92,647**	137,583
Other non-current liabilities	**8,713**	9,651
	3,505,387	1,236,795
Total debt	**9,994,404**	7,002,511
Total asset	**13,285,303**	10,380,534
Debt-to-asset ratio	**75%**	67%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 MATERIAL RELATED PARTY TRANSACTIONS

At 31 December 2022, the directors of the Company consider that the Company did not have immediate and ultimate holding company.

In addition to those disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with Triumph Group and its related parties

	2022 RMB'000	2021 RMB'000
Purchase of raw materials	**455,032**	564,488
Engineering services received	**1,170,395**	766,521
Sales of glass products	**18,716**	–
Service provided	**32,019**	1,500
Net decrease in guarantees received for the Group's loans	**(133,084)**	(13,833)
Net increase in loan's principal from Triumph Group and its related parties	**444,737**	1,393,489
Interest and financial charges in relation to Group's interest-bearing borrowings	**68,560**	61,548

(b) Transactions with joint ventures of the Group

	2022 RMB'000	2021 RMB'000
Net increase in interest-bearing receivables granted to a joint venture	**–**	14,028
Interest income	**–**	1,665

(c) Transactions with a director of the Company

	2022 RMB'000	2021 RMB'000
Net (decrease)/increase in guarantees received for the Group's bank loans and other borrowings	**(40,000)**	10,000

(d) Transactions with key managements of the Company

	2022 RMB'000	2021 RMB'000
Net decrease in guarantees received for the Group's bank loans and other borrowings	**–**	(10,000)

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employees as disclosed in Note 9, is as follows:

	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits	**4,690**	7,090
Contributions to defined contribution retirement plans	**132**	231
	4,822	7,321

Total remuneration is included in "staff costs" (see Note 6(b)).

(f) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2022, the related party transactions in respect of receiving guarantees and interest-bearing borrowings from and accruing related financial charges to Triumph Group and its related parties constitute connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

33 COMMITMENTS

Capital commitments

At 31 December 2022, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2022 **RMB'000**	2021 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– contracted for	**534,737**	1,216,847
– authorised but not contracted for	**1,921,437**	1,901,475
	2,456,174	3,118,322

At 31 December 2022, capital commitments in respect of land and buildings, and machinery and equipment are for the expansion and upgrade of the production lines of the Group.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group considers its exposure to equity price risk arising from its equity investment in other entity to be insignificant.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

In respect of trade receivables, other receivables and contract assets, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates.

For sales of glass and glass products, and rendering services, cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing or separately negotiated repayment schedules may be granted to customers and debtors, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers and debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 December 2022, 6.5% (31 December 2021: 4.4%) and 20.8% (31 December 2021: 15.7%) of the total trade and bills receivables and contract assets were due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments or geographic regions, the loss allowance based on past due status is not further distinguished between the Group's different customer or geographic bases.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2022:

	2022		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0%**	**27,697**	**–**
Less than 1 year past due	**3%**	**306,363**	**(8,197)**
More than 1 year past due	**97%**	**126,327**	**(122,929)**
		460,387	**(131,126)**

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0%	35,190	–
Less than 1 year past due	3%	99,200	(2,621)
More than 1 year past due	96%	129,283	(124,186)
		263,673	(126,807)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The movements in the loss allowance account in respect of trade receivables and other receivables during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Adjusted balance at 1 January	**292,239**	294,917
Loss allowance written off	**(1,191)**	(2,629)
Loss allowance recognised	**23,853**	566
Exchange adjustment	**298**	(615)
Balance at 31 December	**315,199**	292,239

Receivables that were neither past due nor impaired relate to trade and bills receivables from the issuing banks and customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are set out in Notes 21 and 22.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Note 2(b) explains management's plans for managing the liquidity needs of the Group. Taking all factors set out in Note 2(b) into account, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term, including negotiation with financial institutions to raise new bank loans.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2022 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	**More than 3 months but less than 6 months RMB'000**	**More than 6 months but less than 9 months RMB'000**	**More than 9 months but less than 12 months RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Trade and bills payables	**316,106**	**18,790**	**101,000**	**–**	**–**	**–**	**–**	**435,896**	**435,896**
Accrued charges and other payables measured at amortised cost	**960,308**	**–**	**–**	**–**	**–**	**–**	**–**	**960,308**	**960,308**
Bank loans and other borrowings	**1,607,810**	**1,350,725**	**616,470**	**1,268,748**	**1,167,229**	**2,313,508**	**104,366**	**8,428,856**	**7,938,428**
Lease liabilities	**2,719**	**2,719**	**2,719**	**2,719**	**9,917**	**25,150**	**66,285**	**112,228**	**75,751**
Other non-current liabilities	**–**	**–**	**–**	**9,241**	**–**	**–**	**–**	**9,241**	**8,713**
	2,886,943	**1,372,234**	**720,189**	**1,280,708**	**1,177,146**	**2,338,658**	**170,651**	**9,946,529**	**9,419,096**

	2021 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and bills payables	437,072	10,000	15,000	–	–	–	–	462,072	462,072
Accrued charges and other payables measured at amortised cost	1,008,016	–	–	–	–	–	–	1,008,016	1,008,016
Bank loans and other borrowings	1,096,928	872,928	716,597	1,684,102	589,257	428,502	127,641	5,515,955	4,842,558
Lease liabilities	3,717	3,717	3,718	3,718	12,674	35,365	67,065	129,974	87,623
Other non-current liabilities	–	–	–	–	9,757	–	–	9,757	9,651
	2,545,733	886,645	735,315	1,687,820	611,688	463,867	194,706	7,125,774	6,409,920

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2022		2021	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Lease liabilities	**3.06%-6.84%**	**75,751**	6.31% – 7.80%	87,623
Bank loans and other borrowings	**3.99%**	**4,364,434**	4.41%	3,878,873
Other non-current liabilities	**7.70%**	**8,713**	7.70%	9,651
		4,448,898		3,976,147
Variable rate borrowings:				
Bank loans and other borrowings	**4.57%**	**3,573,994**	3.14%	963,685
Total borrowings		**8,022,892**		4,939,832
Fixed rate borrowings as a percentage of total borrowings		**55%**		80%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and the Group's retained profits by approximately RMB33.8 million (31 December 2021: RMB9.6 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of the reporting period. The impact on the Group's results after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2021.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, RMB, HK$, and Euros. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2022 Exposure to foreign currencies		
	USD RMB'000	**RMB RMB'000**	**Euros RMB'000**
Trade receivables	**42,859**	**–**	**–**
Other receivables	**59,524**	**402,688**	**48,220**
Cash and cash equivalents	**91,511**	**1,253**	**–**
Trade payables	**(7,576)**	**–**	**–**
Accrued charges and other payables	**(200,571)**	**(282,316)**	**–**
Bank loans and other borrowings	**(12,046)**	**(271,547)**	**–**
Gross exposure arising from recognised assets and liabilities	**(26,299)**	**(149,922)**	**48,220**

	2021 Exposure to foreign currencies		
	USD RMB'000	RMB RMB'000	Euros RMB'000
Trade receivables	36,018	–	–
Other receivables	5,416	201,144	43,504
Cash and cash equivalents	39,465	19,098	–
Trade payables	(21,705)	(1,309)	–
Accrued charges and other payables	(171)	(335,178)	–
Bank loans and other borrowings	(53,521)	(240,000)	–
Gross exposure arising from recognised assets and liabilities	5,502	(356,245)	43,504

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and in retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and in retained profits RMB'000
USD	**10%**	**(4,817)**	10%	273
	(10%)	**4,817**	(10%)	(273)
RMB	**10%**	**(14,992)**	10%	(35,624)
	(10%)	**14,992**	(10%)	35,624
EUR	**10%**	**4,822**	10%	4,350
	(10%)	**(4,822)**	(10%)	(4,350)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2021.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a finance manager performing valuations for the financial instruments. The manager reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the manager at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Equity securities	**1,510**	**–**	**–**	**1,510**
Bills receivable	**225,888**	**–**	**225,888**	**–**

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Equity securities	1,610	–	–	1,610
Bills receivable	92,568	–	92,568	–

Valuation techniques and inputs used in Level 2 fair value measurements

Bills receivable

The fair value of bills receivable is determined using its cost as it approximates the present value of the cash flows to be derived from the receivables determined using discounted cash flow method.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	50% to 70%

The fair value of unlisted equity instruments is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by RMB132,300 (2021: RMB141,000).

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2022 RMB'000	2021 RMB'000
Unlisted equity securities:		
At 1 January	**1,610**	2,953
Net unrealised loss recognised in other comprehensive income during the year	**(100)**	(1,204)
Disposals	**–**	(139)
At 31 December	**1,510**	1,610

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 31 December 2022 and 2021 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2022		2021	
	Carrying amount at 31 December RMB'000	**Fair value measurements at 31 December categorised into Level 3 RMB'000**	Carrying amount at 31 December RMB'000	Fair value measurements at 31 December categorised into Level 3 RMB'000
Long-term bank loans and other borrowings	**3,338,673**	**3,248,945**	1,016,138	990,832

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of long-term bank loans and other borrowings is estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount long-term bank loans and other borrowings. The interest rates used are as follows:

	2022	2021
Long-term bank loans and other borrowings	**4.78%**	5.79%

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**471**	438
Investments in subsidiaries		**1,132,729**	1,037,501
Loans to subsidiaries		**12,971**	63,739
Right-of-use assets		**904**	1,766
		1,147,075	1,103,444
Current assets			
Other receivables		**2,831,305**	2,635,978
Loans to subsidiaries		**537,953**	33,433
Cash on hand and at bank		**68,213**	41,967
		3,437,471	2,711,378
Current liabilities			
Accrued charges and other payables		**199,354**	468,069
Bank loans and other borrowings		**1,069,983**	1,880,367
Lease liabilities		**932**	967
		1,270,269	2,349,403
Net current assets		**2,167,202**	361,975
Total asset less current liabilities		**3,314,277**	1,465,419
Non-current liabilities			
Bank loans and other borrowings	27(c)	**1,736,217**	–
Lease liabilities		**–**	804
		1,736,217	804
NET ASSETS		**1,578,060**	1,464,615
CAPITAL AND RESERVES	31		
Share capital		**85,951**	85,703
Reserves		**1,492,109**	1,378,912
TOTAL EQUITY		**1,578,060**	1,464,615

Approved and authorised for issue by the board of directors on 30 March 2023.

(Expressed in RMB unless otherwise indicated)

36 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.