

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Directors**” and the “**Board**”, respectively) of China Glass Holdings Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the corresponding year in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in Renminbi (“RMB”))

| | Note | 2022 <i>RMB’000</i> | 2021 <i>RMB’000</i> |
|--|------|------------------------|------------------------|
| Revenue | 5 | 4,327,196 | 5,065,048 |
| Cost of sales | | <u>(3,689,007)</u> | <u>(3,331,345)</u> |
| Gross profit | 5 | 638,189 | 1,733,703 |
| Other income | 6 | 170,638 | 3,140 |
| Distribution costs | | (101,166) | (83,213) |
| Administrative expenses | | (330,717) | (337,572) |
| Impairment losses on receivables and contract assets | | (23,853) | (566) |
| Other operating expenses | 7(c) | <u>–</u> | <u>(13,440)</u> |
| Profit from operations | | 353,091 | 1,302,052 |
| Finance costs | 7(a) | (267,713) | (232,802) |
| Share of profits less losses of joint ventures | | <u>(60)</u> | <u>(56)</u> |
| Profit before taxation | 7 | 85,318 | 1,069,194 |
| Income tax | 8 | <u>16,457</u> | <u>(267,247)</u> |
| Profit for the year | | <u>101,775</u> | <u>801,947</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 116,168 | 736,359 |
| Non-controlling interests | | <u>(14,393)</u> | <u>65,588</u> |
| Profit for the year | | <u>101,775</u> | <u>801,947</u> |
| Earnings per share (RMB cent) | | | |
| Basic | 9(a) | <u>6.9029</u> | <u>44.2415</u> |
| Diluted | 9(b) | <u>6.9022</u> | <u>44.1188</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in RMB)

| | 2022 | 2021 |
|---|------------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year | <u>101,775</u> | <u>801,947</u> |
| Other comprehensive income for the year | | |
| (after tax and reclassification adjustments): | | |
| Item that will not be reclassified to profit or loss: | | |
| – equity securities at fair value through other comprehensive income (FVOCI) – net movement in fair value reserve (non–recycling) | (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 | <u>(10,987)</u> | <u>748,945</u> |
| Attributable to: | | |
| Equity shareholders of the Company | 3,411 | 683,376 |
| Non-controlling interests | (14,398) | 65,569 |
| Total comprehensive income for the year | <u>(10,987)</u> | <u>748,945</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in RMB)

| | Note | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------|------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 8,517,228 | 6,750,142 |
| Investment property | | 36,808 | 21,240 |
| Right-of-use assets | | 510,028 | 560,577 |
| Intangible assets | | 52,500 | 66,762 |
| Other non-current assets | | 131,640 | 182,006 |
| Goodwill | | 129,755 | 127,215 |
| Interests in joint ventures | | 6,161 | 5,685 |
| Equity securities designated at FVOCI | | 1,510 | 1,610 |
| Deferred tax assets | | 233,201 | 187,472 |
| | | 9,618,831 | 7,902,709 |
| | | 9,618,831 | 7,902,709 |
| Current assets | | | |
| Inventories | | 1,078,882 | 832,908 |
| Contract assets | | 27,697 | 35,190 |
| Trade and bills receivables | 10 | 527,452 | 194,244 |
| Other receivables | | 416,009 | 353,534 |
| Prepayments | | 262,616 | 364,922 |
| Prepaid income tax | | 4,020 | 4,092 |
| Cash on hand and at bank | | 1,349,796 | 692,935 |
| | | 3,666,472 | 2,477,825 |
| | | 3,666,472 | 2,477,825 |
| Current liabilities | | | |
| Trade and bills payables | 11 | 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 |
| | | 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 |

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|-------------------------|-------------------------|
| 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 |
| | <u>3,505,387</u> | <u>1,236,795</u> |
| NET ASSETS | <u>3,290,899</u> | <u>3,378,023</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 85,951 | 85,703 |
| Reserves | 2,499,427 | 2,562,081 |
| | <u>2,585,378</u> | <u>2,647,784</u> |
| Total equity attributable to equity shareholders of the Company | <u>2,585,378</u> | <u>2,647,784</u> |
| Non-controlling interests | <u>705,521</u> | <u>730,239</u> |
| TOTAL EQUITY | <u>3,290,899</u> | <u>3,378,023</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2022 comprise the Group and the Group’s interest in joint ventures. The Group is principally involved in the production, marketing and distribution of glass and glass products, designing and installation of production lines of pharmaceutical glass, and the development of glass production technology.

2 STATEMENT OF COMPLIANCE

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

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

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

As at 31 December 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.* (“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.

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

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

4 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major products or service lines | | |
| – Sales of glass products | 3,963,952 | 4,845,053 |
| – Revenue from service contracts | 326,686 | 199,952 |
| – Sales of spare parts | 36,558 | 20,043 |
| | <u>4,327,196</u> | <u>5,065,048</u> |

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

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2022 (2021: Nil).

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

As at 31 December 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.

(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.

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 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Disaggregated by timing of revenue recognition | | | | | | | | | | | | |
| - Point in time | 2,002,711 | 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.

| | Revenue from external customers | | Specified non-current assets | |
|--|---------------------------------|------------------------|------------------------------|------------------------|
| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
| The Mainland China and Hong Kong (place of domicile) | <u>2,940,876</u> | <u>3,967,155</u> | <u>7,511,458</u> | <u>6,136,585</u> |
| 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 | <u>567,467</u> | <u>514,271</u> | <u>6,161</u> | <u>5,685</u> |
| | <u>1,386,320</u> | <u>1,097,893</u> | <u>1,872,662</u> | <u>1,577,042</u> |
| | <u>4,327,196</u> | <u>5,065,048</u> | <u>9,384,120</u> | <u>7,713,627</u> |

6 OTHER INCOME

| | 2022 | 2021 |
|--|-----------------------|---------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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) |
| | <u>170,638</u> | <u>3,140</u> |

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 borne by this subsidiary in 2022 resulting from the matters existing before it was acquired into the Group.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

| | 2022 | 2021 |
|---|-----------------|-------------|
| | RMB'000 | 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 | 5,769 | 4,659 |
| Bank charges and other finance costs | 82,170 | 87,389 |
| | <hr/> | <hr/> |
| Total borrowing costs | 320,690 | 250,837 |
| Less: amounts capitalised into property, plant and equipment* | (42,670) | (35,861) |
| | <hr/> | <hr/> |
| Net borrowing costs | 278,020 | 214,976 |
| Net foreign exchange (gain)/losses | (10,307) | 17,826 |
| | <hr/> | <hr/> |
| | 267,713 | 232,802 |
| | <hr/> <hr/> | <hr/> <hr/> |

* 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 | 2021 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, wages and other benefits | 441,410 | 403,734 |
| Contributions to defined contribution retirement plans | 35,558 | 30,486 |
| | <u>476,968</u> | <u>434,220</u> |

(c) **Other operating expenses**

| | 2022 | 2021 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Impairment losses on property, plant and equipment | – | 13,440 |

(d) **Other items:**

| | 2022 | 2021 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of inventories # | 3,660,645 | 3,326,429 |
| Auditors' remuneration | 7,500 | 7,380 |
| Depreciation and amortisation charge # | | |
| – 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) | <u>48,819</u> | <u>14,811</u> |

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 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current taxation | | |
| – Provision for the year | 58,499 | 220,295 |
| – PRC Withholding Tax (Note (viii)) | 15,566 | – |
| – Under-provision in respect of prior years | 322 | 7 |
| | <u>74,387</u> | <u>220,302</u> |
| Deferred taxation | | |
| – Origination and reversal of temporary differences | (90,844) | 46,945 |
| | <u>(16,457)</u> | <u>267,247</u> |

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before taxation | <u>85,318</u> | <u>1,069,194</u> |
| 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 | <u>(16,457)</u> | <u>267,247</u> |

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.

9 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 (Note 12(a)(iii)) | 4,608 | 6,262 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares at 31 December | <u>1,682,896</u> | <u>1,664,409</u> |

(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).

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

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| | RMB'000 | 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) |
| | <u>–</u> | <u>(817)</u> |
| Profit attributable to ordinary equity shareholders (diluted) | <u>116,168</u> | <u>735,563</u> |

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

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| | '000 | '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 12(a)) | 164 | 2,742 |
| | <u>164</u> | <u>2,742</u> |
| Weighted average number of ordinary shares (diluted) at 31 December | <u>1,683,060</u> | <u>1,667,234</u> |

10 TRADE AND BILLS RECEIVABLES

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 | <u>–</u> | <u>15,069</u> |
| | 432,690 | 228,483 |
| Less: loss allowance | <u>(131,126)</u> | <u>(126,807)</u> |
| Financial assets measured at amortised cost | 301,564 | 101,676 |
| Bills receivable | <u>225,888</u> | <u>92,568</u> |
| | <u>527,452</u> | <u>194,244</u> |

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

(a) Ageing analysis

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

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 | <u>3,398</u> | <u>5,096</u> |
| | <u>527,452</u> | <u>194,244</u> |

11 TRADE AND BILLS PAYABLES

| | 2022 | 2021 |
|-----------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 | 2021 |
|---------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 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.

12 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:

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

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

| | 2022 | | 2021 | |
|--|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | Weighted average exercise price | Number of options <i>'000</i> | Weighted average exercise price | Number of options <i>'000</i> |
| 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 | - | <u>-</u> | HK\$1.25 | <u>8,599</u> |
| Exercisable at the end of the year | - | <u>-</u> | HK\$1.25 | <u>8,599</u> |

(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.

(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 | <u><u>152,000</u></u> |

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.

13 CAPITAL AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends/distributions

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

The Directors of the Company 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 |

(b) Share capital

Authorised and issued share capital

| | 2022 | | 2021 | |
|--|----------------------|-----------------|----------------------|-----------------|
| | <i>No. of shares</i> | <i>HK\$'000</i> | <i>No. of shares</i> | <i>HK\$'000</i> |
| Authorised: | | | | |
| At 1 January and 31 December, at HK\$0.05 each | 3,600,000,000 | 180,000 | 3,600,000,000 | 180,000 |
| | 3,600,000,000 | 180,000 | 3,600,000,000 | 180,000 |
| | | | | |
| | 2022 | | 2021 | |
| | <i>No. of shares</i> | <i>RMB'000</i> | <i>No. of shares</i> | <i>RMB'000</i> |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | 1,830,288,258 | 85,703 | 1,810,147,058 | 84,867 |
| Shares issued under share option scheme (Note 12(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 |

MANAGEMENT DISCUSSION AND ANALYSIS

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, driving 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 projects (“**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 |
|---|------------------|---------------------|------------------|---------------------|--------------|
| | <i>RMB'000</i> | <i>Proportion %</i> | <i>RMB'000</i> | <i>Proportion %</i> | <i>%</i> |
| 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% |
| | <u>4,327,196</u> | <u>100</u> | <u>5,065,048</u> | <u>100</u> | <u>(15%)</u> |

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 announcement.

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 7(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).

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR, USD and Nigerian Naira. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, operating expenses and sales of a subsidiary incorporated in Nigeria were primarily denominated in Nigerian Naira, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of monetary assets would be closely associated with the development of the local economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the exchange rate of RMB, USD, EUR and Nigerian Naira. 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 15% 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), 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) (“**Huaguang Group**”), 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 Huaguang Group, 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.

SHARE OPTION SCHEMES

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

On 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Old Share Option Scheme. Further details of the share options are disclosed in Note 12(a) to the consolidated financial statements.

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

During the year ended 31 December 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 share options were exercised, cancelled or lapsed under the Old Share Option Scheme; and no share options were granted, exercised, cancelled or lapsed under the New Share Option Scheme.

SHARE AWARD SCHEME

The Board approved the adoption of the share award scheme of the Company (the “**Share Award Scheme**”) on 12 December 2011 in order to recognise the contributions made by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme would operate in parallel with the Old Share Option Scheme and the New Share Option Scheme. The Share Award Scheme was originally set to expire on 12 December 2021.

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

During the year ended 31 December 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 disclosed in Note 12(b) to the consolidated financial statements.

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.

SHARE CAPITAL

During the year ended 31 December 2022, the Company had issued 1,836,218,258 ordinary shares of par value HK\$0.05 each in the issued share capital of the Company. Details of the movements in share capital of the Company during the year ended 31 December 2022 are set out in Note 13(b) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audit committee of the Board, comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhang Baiheng and Mr. Wang Yuzhong as members, has reviewed, together with the participation of the Company's management and the external auditors, KPMG, the accounting principles and practices adopted by the Group, and has discussed auditing (including audit matters of the Group and reviewed their findings, recommendations and representations), operational, risk management and internal control, and financial reporting matters and systems of the Group, including the review of the annual results of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2022 (the “**Annual Results Announcement**”) have been agreed by the external auditors of the Company, KPMG, Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the Annual Results Announcement.

INVESTOR RELATIONS AND COMMUNICATIONS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2022, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules, except for the deviation set out in the CG Code provision 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 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. 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2023 AGM**”) will be held on Tuesday, 13 June 2023 and the notice of 2023 AGM will be published and despatched to the shareholders of the Company (the “**Shareholders**”) in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 8 June 2023 to Tuesday, 13 June 2023, both days inclusive, for the purpose of ascertaining Shareholders’ entitlement to attend and vote at the 2023 AGM which is scheduled on Tuesday, 13 June 2023. In order to be eligible to attend and vote at the 2023 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 June 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Annual Results Announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaglassholdings.com). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above-mentioned websites in due course.

By Order of the Board
China Glass Holdings Limited
Lyu Guo
Executive Director

Hong Kong, 30 March 2023

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

Executive Director:

Mr. Lyu Guo

Non-executive Directors:

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

Independent Non-executive Directors:

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

* *For identification purpose only*