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XINYI GLASS HOLDINGS LIMITED

信義玻璃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00868)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

| | Year Ended 31 December | | |
|---|------------------------|---------------------|--------|
| | 2023 | 2022 | Change |
| | <i>HK\$ million</i> | <i>HK\$ million</i> | |
| Revenue | 26,798.5 | 25,746.0 | 4.1% |
| Profit attributable to equity holders of the Company | 5,365.1 | 5,127.2 | 4.6% |
| Earnings per share – Basic | 129.2 HK cents | 126.6 HK cents | 2.1% |
| Proposed final dividend per share | 37.0 HK cents | 22.0 HK cents | 68.2% |

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Glass Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the audited consolidated results of the Group for the financial year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

| | <i>Note</i> | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------------------|------------------|
| | | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Revenue | 4 | 26,798,520 | 25,745,990 |
| Cost of sales | | (18,186,761) | (17,059,615) |
| Gross profit | | 8,611,759 | 8,686,375 |
| Other income | | 665,821 | 663,401 |
| Other (losses)/gains, net | 5 | (56,543) | 192,624 |
| Selling and marketing costs | | (1,310,293) | (1,810,143) |
| Administrative and other operating expenses | | (2,263,222) | (2,388,301) |
| Net impairment losses on financial assets | | (4,165) | (6,090) |
| Operating profit | | 5,643,357 | 5,337,866 |
| Finance income | | 196,997 | 110,850 |
| Finance costs | | (503,407) | (371,540) |
| Share of profits of associates | | 1,007,401 | 922,790 |
| Profit before income tax | | 6,344,348 | 5,999,966 |
| Income tax expense | 6 | (965,643) | (855,762) |
| Profit for the year | | <u>5,378,705</u> | <u>5,144,204</u> |
| Profit for the year attributable to: | | | |
| – Equity holders of the Company | | 5,365,114 | 5,127,154 |
| – Non-controlling interests | | 13,591 | 17,050 |
| | | <u>5,378,705</u> | <u>5,144,204</u> |
| Earnings per share attributable to the equity holders of the Company (expressed in Hong Kong cents per share) | | | |
| – Basic | 7 | 129.2 | 126.6 |
| – Diluted | 7 | 129.0 | 125.8 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

| | <u>2023</u> | <u>2022</u> |
|---|-------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | 5,378,705 | 5,144,204 |
| Other comprehensive income for the year, net of tax: | | |
| Items that will not be reclassified subsequently to the consolidated income statement: | | |
| Changes in fair value of financial assets at fair value through other comprehensive (loss)/income | (27,441) | 2,166 |
| Dilution gains/(losses) of interest in an associate | 3,924 | (783) |
| Revaluation gains on investment properties transferred from property, plant and equipment and right-of-use assets, net of tax | 26,875 | — |
| Items that may be reclassified subsequently to the consolidated income statement: | | |
| Currency translation differences | (806,425) | (3,643,230) |
| Share of other comprehensive loss, of investments accounted for using the equity method | (124,889) | (771,416) |
| Total comprehensive income for the year | <u>4,450,749</u> | <u>730,941</u> |
| Total comprehensive income for the year attributable to: | | |
| – Equity holders of the Company | 4,437,718 | 718,653 |
| – Non-controlling interests | 13,031 | 12,288 |
| | <u>4,450,749</u> | <u>730,941</u> |

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023**

| | <i>Note</i> | 2023 | 2022 |
|---|-------------|-------------------|-----------------|
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 18,215,388 | 17,555,471 |
| Right-of-use assets | | 4,364,072 | 4,225,539 |
| Investment properties | | 1,540,486 | 1,490,785 |
| Prepayments for property, plant and equipment, right-of-use assets and intangible assets | 9 | 931,214 | 920,655 |
| Intangible assets | | 1,238,915 | 870,197 |
| Financial assets at fair value through other comprehensive income | | — | 27,441 |
| Investments in associates | | 9,947,018 | 9,349,334 |
| Loans to an associate | | 27,427 | 27,936 |
| Fixed bank deposits | | 932,529 | 4,845,730 |
| Deferred income tax assets | | 4,416 | — |
| | | 37,201,465 | 39,313,088 |
| Current assets | | | |
| Inventories | | 3,807,939 | 4,296,655 |
| Trade and other receivables | 9 | 7,267,534 | 4,566,333 |
| Financial assets at fair value through profit and loss | | 42,376 | 734,170 |
| Pledged bank deposits | | 146,750 | 141,388 |
| Fixed bank deposits | | 356,555 | — |
| Cash and cash equivalents | | 1,990,800 | 3,180,155 |
| | | 13,611,954 | 12,918,701 |
| Total assets | | 50,813,419 | 52,231,789 |
| EQUITY | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | | 422,255 | 410,910 |
| Share premium | | 2,528,909 | 1,282,953 |
| Other reserves | | 1,349,448 | 1,677,022 |
| Retained earnings | | 31,450,191 | 28,601,785 |
| | | 35,750,803 | 31,972,670 |
| Non-controlling interests | | 115,050 | 114,953 |
| Total equity | | 35,865,853 | 32,087,623 |

| | <i>Note</i> | <u>2023</u> | <u>2022</u> |
|--|-------------|--------------------------|--------------------------|
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | 2,920,123 | 7,721,244 |
| Deferred income tax liabilities | | 526,302 | 468,078 |
| Lease liabilities | | 9,922 | 848 |
| Other payables | 10 | 142,730 | 51,255 |
| | | <u>3,599,077</u> | <u>8,241,425</u> |
| Current liabilities | | | |
| Trade, other payables and contract liabilities | 10 | 4,879,508 | 5,396,606 |
| Current income tax liabilities | | 1,207,192 | 691,469 |
| Lease liabilities | | 7,882 | 20,230 |
| Bank borrowings | | 5,253,907 | 5,794,436 |
| | | <u>11,348,489</u> | <u>11,902,741</u> |
| Total liabilities | | <u><u>14,947,566</u></u> | <u><u>20,144,166</u></u> |
| Total equity and liabilities | | <u><u>50,813,419</u></u> | <u><u>52,231,789</u></u> |

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) were principally engaged in the production and sales of float glass, automobile glass and architectural glass, which were carried out internationally, through the production complexes located in Mainland China (the “**PRC**”) and Malaysia in 2023.

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK\$’000**), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2024.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set forth below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 BASIS OF PREPARATION

(1) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance, Cap. 622 (“**HKCO**”).

(II) Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis, except for the following:

- financial assets at fair value through other comprehensive income (“FVOCI”), and
- financial assets at fair value through profit and loss (“FVTPL”), and
- investment properties, which are measured at fair values.

Changes in accounting policy and disclosures

- (a) The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023. The new and amended standards listed below did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

| | |
|--|--|
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies |
| HKAS 8 (Amendments) | Definition of Accounting Estimates |
| HKAS 12 (Amendments) | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction |
| HKAS 12 (Amendments) | International Tax Reform – Pillar Two Model Rules |
| HKFRS 17 | Insurance Contracts |
| HKFRS 17 | Amendments to HKFRS 17 |
| HKFRS 17 | Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information |

- (b) Amended standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group:

| | | Effective for accounting periods beginning on or after |
|--------------------------------------|---|---|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| HKAS 1 (Amendments) | Non-current Liabilities with Covenants | 1 January 2024 |
| HKFRS 16 (Amendments) | Lease Liability in a Sales and Leaseback | 1 January 2024 |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024 |
| HKAS 7 and HKFRS 7 (Amendments) | Supplier Finance Arrangements | 1 January 2024 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The executive directors consider the business from an operational perspective. Generally, the executive directors consider the performance of business of each operating segment within the Group separately. Thus, each business within the Group is an individual operating segment.

Among these operating segments, they are aggregated into three segments based on the products sold: (1) float glass; (2) automobile glass; and (3) architectural glass.

The executive directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate operating costs to its segments as this information is not reviewed by the executive directors.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement.

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2023 is as follows:

| | Automobile | | Architectural | Unallocated | Total |
|--|------------------|------------------|------------------|-------------|------------------|
| | Float glass | glass | glass | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | | |
| Segment revenue | 21,650,172 | 5,981,015 | 3,349,614 | — | 30,980,801 |
| Inter-segment revenue | (4,182,281) | — | — | — | (4,182,281) |
| Revenue from external customers (Note) | 17,467,891 | 5,981,015 | 3,349,614 | — | 26,798,520 |
| Cost of sales | (12,839,331) | (3,116,071) | (2,231,359) | — | (18,186,761) |
| Gross profit | <u>4,628,560</u> | <u>2,864,944</u> | <u>1,118,255</u> | <u>—</u> | <u>8,611,759</u> |
| Depreciation charge | | | | | |
| – property, plant and equipment | 1,046,153 | 160,569 | 167,869 | 4,335 | 1,378,926 |
| – right-of-use assets | 64,673 | 6,988 | 1,073 | 56,698 | 129,432 |
| Amortisation charge | | | | | |
| – intangible assets | 1,893 | 1,671 | — | — | 3,564 |
| Increase in provision | | | | | |
| for loss allowance, net | 21 | 896 | 3,248 | — | 4,165 |
| Share of profits of associates | — | — | — | 1,007,401 | 1,007,401 |

Note: The Group's revenue from all segments during the year ended 31 December 2023 have been recognised at point in time.

| | Assets and liabilities | | | | |
|---|------------------------|------------------|------------------|-------------------|-------------------|
| | Automobile | | Architectural | Unallocated | Total |
| | Float glass | glass | glass | | |
| HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Total assets | <u>23,029,066</u> | <u>7,089,177</u> | <u>1,949,714</u> | <u>18,745,462</u> | <u>50,813,419</u> |
| Total assets included: | | | | | |
| Investments in associates | — | — | — | 9,947,018 | 9,947,018 |
| Loans to an associate | — | — | — | 27,427 | 27,427 |
| Investment properties | — | — | — | 1,540,486 | 1,540,486 |
| Additions to non-current assets (other than financial assets at FVOCI) | <u>2,706,130</u> | <u>137,839</u> | <u>22,743</u> | <u>773,370</u> | <u>3,640,082</u> |
| Total liabilities | <u>3,435,564</u> | <u>2,079,481</u> | <u>912,136</u> | <u>8,520,385</u> | <u>14,947,566</u> |

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2022 is as follows:

| | Float glass | Automobile glass | Architectural glass | Unallocated | Total |
|---|--------------------|-------------------------|----------------------------|--------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment revenue | 20,152,631 | 6,081,282 | 3,076,942 | — | 29,310,855 |
| Inter-segment revenue | (3,564,865) | — | — | — | (3,564,865) |
| Revenue from external customers <i>(Note)</i> | 16,587,766 | 6,081,282 | 3,076,942 | — | 25,745,990 |
| Cost of sales | (12,165,715) | (3,023,687) | (1,870,213) | — | (17,059,615) |
| Gross profit | <u>4,422,051</u> | <u>3,057,595</u> | <u>1,206,729</u> | <u>—</u> | <u>8,686,375</u> |
| Depreciation charge | | | | | |
| – property, plant and equipment | 1,083,056 | 140,698 | 126,794 | 5,287 | 1,355,835 |
| – right-of-use assets | 70,800 | 4,706 | 3,294 | 57,757 | 136,557 |
| Amortisation charge | | | | | |
| – intangible assets | 1,319 | 1,410 | — | — | 2,729 |
| Increase in provision | | | | | |
| for loss allowance, net | 2,734 | 1,796 | 1,560 | — | 6,090 |
| Share of profits of associates | <u>—</u> | <u>—</u> | <u>—</u> | <u>922,790</u> | <u>922,790</u> |

Note: The Group's revenue from all segments during the year ended 31 December 2022 have been recognised at point in time.

| | Assets and liabilities | | | | |
|--|-------------------------------|-------------------------|----------------------------|--------------------|-------------------|
| | Float glass | Automobile glass | Architectural glass | Unallocated | Total |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total assets | <u>22,987,042</u> | <u>8,736,929</u> | <u>2,372,308</u> | <u>18,135,510</u> | <u>52,231,789</u> |
| Total assets included: | | | | | |
| Investments in associates | — | — | — | 9,349,334 | 9,349,334 |
| Loans to an associate | — | — | — | 27,936 | 27,936 |
| Investment properties | — | — | — | 1,490,785 | 1,490,785 |
| Additions to non-current assets | | | | | |
| (other than financial assets at FVOCI) | <u>1,506,945</u> | <u>160,005</u> | <u>3,687</u> | <u>1,166,732</u> | <u>2,837,369</u> |
| Total liabilities | <u>2,646,151</u> | <u>2,557,678</u> | <u>579,817</u> | <u>14,360,520</u> | <u>20,144,166</u> |

A reconciliation of segment gross profit to profit before income tax is provided as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment gross profit | 8,611,759 | 8,686,375 |
| Unallocated: | | |
| Other income | 665,821 | 663,401 |
| Other (losses)/gains, net | (56,543) | 192,624 |
| Selling and marketing costs | (1,310,293) | (1,810,143) |
| Administrative and other operating expenses | (2,263,222) | (2,388,301) |
| Net impairment losses on financial assets | (4,165) | (6,090) |
| Finance income | 196,997 | 110,850 |
| Finance costs | (503,407) | (371,540) |
| Share of profits of associates | 1,007,401 | 922,790 |
| Profit before income tax | <u>6,344,348</u> | <u>5,999,966</u> |

Reportable segment assets/(liabilities) are reconciled to total assets/(liabilities) as follows:

| | Assets | | Liabilities | |
|---|--------------------------|-------------------|----------------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment assets/(liabilities) | 32,067,957 | 34,096,279 | (6,427,181) | (5,783,646) |
| Unallocated: | | | | |
| Property, plant and equipment | 2,495,615 | 1,794,190 | — | — |
| Right-of-use assets | 2,396,066 | 2,481,436 | — | — |
| Investment properties | 1,540,486 | 1,490,785 | — | — |
| Prepayments for property, plant and equipment, right-of-use assets and intangible assets | 113,357 | 208,723 | — | — |
| Intangible assets | 23,633 | 28,222 | — | — |
| Fixed bank deposits | 98,738 | 102,183 | — | — |
| Financial assets at FVOCI | — | 27,441 | — | — |
| Financial assets at FVTPL | 42,376 | 734,170 | — | — |
| Investments in associates | 9,947,018 | 9,349,334 | — | — |
| Loans to an associate | 27,427 | 27,936 | — | — |
| Prepayments, deposits and other receivables | 1,242,355 | 1,105,938 | — | — |
| Cash and bank balances | 814,241 | 785,152 | — | — |
| Deferred income tax assets | 4,150 | — | — | — |
| Other payables | — | — | (753,285) | (660,301) |
| Current income tax liabilities | — | — | (114,528) | (76,198) |
| Deferred income tax liabilities | — | — | (365,998) | (387,701) |
| Bank borrowings | — | — | (7,286,574) | (13,236,320) |
| Total assets/(liabilities) | <u>50,813,419</u> | <u>52,231,789</u> | <u>(14,947,566)</u> | <u>(20,144,166)</u> |

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Breakdown of the revenue from the sales of products is as follows:

| | <u>2023</u> | <u>2022</u> |
|------------------------------|--------------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales of float glass | 17,467,891 | 16,587,766 |
| Sales of automobile glass | 5,981,015 | 6,081,282 |
| Sales of architectural glass | 3,349,614 | 3,076,942 |
| Total | <u>26,798,520</u> | <u>25,745,990</u> |

The Group's revenue is mainly derived from customers located in Greater China (including Hong Kong and the PRC) and other countries whilst the Group's business activities are conducted predominately in Greater China. An analysis of the Group's sales by geographical area of its customers is as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------|--------------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Greater China | 19,427,683 | 17,567,008 |
| Other countries | 7,370,837 | 8,178,982 |
| | <u>26,798,520</u> | <u>25,745,990</u> |

An analysis of the Group's non-current assets other than financial assets at FVOCI by geographical area in which the assets are located is as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------|--------------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Greater China | 35,080,219 | 37,407,393 |
| Malaysia | 1,622,584 | 1,781,932 |
| Other countries | 498,662 | 96,322 |
| | <u>37,201,465</u> | <u>39,285,647</u> |

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: None).

Sales of goods are recognised at a point in time when a group entity has delivered products to the customers, the customer has accepted the products and collectability of the related receivables is reasonably assured.

5 OTHER (LOSSES)/GAINS, NET

Included in other (losses)/gains, net, there was fair value losses on investment properties of HK\$32.2 million during the year ended 31 December 2023 (2022: HK\$53.7 million).

6 INCOME TAX EXPENSE

| | <u>2023</u> | <u>2022</u> |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current income tax | | |
| – Hong Kong profits tax (<i>Note (a)</i>) | 54,947 | 57,774 |
| – PRC corporate income tax (<i>Note (b)</i>) | 737,068 | 564,934 |
| – Overseas income tax (<i>Note (c)</i>) | 1,952 | 23,438 |
| – Over provision in prior years | (56,564) | (4,734) |
| – Withholding tax on remitted earnings (<i>Note (d)</i>) | 177,391 | 70,136 |
| Deferred income tax | | |
| – (Increase)/decrease in deferred income tax assets | (4,409) | 112,057 |
| – Increase in deferred income tax liabilities | 55,258 | 32,157 |
| | <u>965,643</u> | <u>855,762</u> |

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year.

(b) PRC corporate income tax (“CIT”)

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations.

The applicable CIT rates in the PRC is 25% (2022: 25%). Sixteen (2022: Fifteen) major subsidiaries in Chongqing, Deyang, Dongguan, Guangxi, Jiangmen, Shenzhen, Tianjin, Wuhu, Yingkou and Zhangjiagang enjoy high-tech enterprise income tax benefit and are entitled to a preferential tax treatment of reduction in the CIT rate to 15% (2022: 15%).

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. Overseas income tax mainly represents Malaysia income tax which has been calculated on the estimated assessable profits for the year at the standard Malaysia corporate income tax rate of 24% (2022: 24%).

(d) Withholding tax on remitted earnings

Withholding tax on remitted earnings from the PRC subsidiaries is 5%.

7 EARNINGS PER SHARE

BASIC:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after taking into account the effect of the issuance of new shares and share repurchased and cancellation during 2023 and 2022.

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Profit attributable to equity holders of the Company (HK\$'000) | <u>5,365,114</u> | <u>5,127,154</u> |
| Weighted average number of ordinary shares in issue (thousands) | <u>4,152,115</u> | <u>4,049,255</u> |
| Basic earnings per share (HK cents) | <u><u>129.2</u></u> | <u><u>126.6</u></u> |

DILUTED:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Earnings | | |
| Profit attributable to equity holders of the Company (HK\$'000) | 5,365,114 | 5,127,154 |
| Share of profit of an associate as a result of diluted earnings at associate level (HK\$'000) | <u>(215)</u> | <u>(1,610)</u> |
| Profit used to determine diluted earnings per share (HK\$'000) | <u>5,364,899</u> | <u>5,125,544</u> |
| Weighted average number of ordinary shares in issue (thousands) | | |
| Adjustments for: | | |
| Share options (thousands) | <u>8,188</u> | <u>23,833</u> |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | <u>4,160,303</u> | <u>4,073,088</u> |
| Diluted earnings per share (HK cents) | <u><u>129.0</u></u> | <u><u>125.8</u></u> |

8 DIVIDENDS

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interim dividend of HK\$0.26 (2022: HK\$0.40) per share (<i>Note (a)</i>) | 1,082,672 | 1,614,395 |
| Proposed final dividend of HK\$0.37 (2022: HK\$0.22) per share (<i>Note (b)</i>) | <u>1,562,342</u> | <u>907,734</u> |
| | <u><u>2,645,014</u></u> | <u><u>2,522,129</u></u> |

Notes:

- (a) During the year ended 31 December 2022, an interim dividend of HK\$0.40 per share was partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend for 2022 interim dividend whose names appeared on the register of members of the Company on 18 August 2022.

During the year ended 31 December 2023, an interim dividend of HK\$0.26 per share was partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend for 2023 interim dividend whose names appeared on the register of members of the Company on 17 August 2023.

- (b) A final dividend in respect of the year ended 31 December 2023 of HK\$0.37 per share (2022: HK\$0.22 per share), amounting to a total dividend of HK\$1,562,342,000 (2022: HK\$907,734,000), is to be proposed at the forthcoming annual general meeting. The amount of 2023 proposed final dividend is based on 4,222,545,672 shares in issue as of 31 January 2024 (2022: 4,126,063,327 shares in issue as of 6 June 2023). These consolidated financial statements do not reflect this proposed dividend payable.

9 TRADE AND OTHER RECEIVABLES

| | <u>2023</u> | <u>2022</u> |
|---|-------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables (<i>Note (a)</i>) | 1,782,172 | 1,966,830 |
| Less: provision for loss allowance (<i>Note (b)</i>) | <u>(59,852)</u> | <u>(62,087)</u> |
| | 1,722,320 | 1,904,743 |
| Bills receivables (<i>Note (d)</i>) | <u>1,636,068</u> | <u>743,952</u> |
| Trade and bills receivables, net | 3,358,388 | 2,648,695 |
| Prepayments, deposits and other receivables | <u>4,840,360</u> | <u>2,838,293</u> |
| | 8,198,748 | 5,486,988 |
| Less: non-current portion | | |
| Prepayments for property, plant and equipment, right-of-use assets and intangible assets | <u>(931,214)</u> | <u>(920,655)</u> |
| Current portion | <u><u>7,267,534</u></u> | <u><u>4,566,333</u></u> |

Notes:

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2023 and 2022, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 - 90 days | 1,448,949 | 1,445,061 |
| 91 - 180 days | 204,817 | 348,919 |
| 181 - 365 days | 59,104 | 97,583 |
| 1 - 2 years | 38,280 | 60,488 |
| Over 2 years | 31,022 | 14,779 |
| | <u>1,782,172</u> | <u>1,966,830</u> |

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

| | <u>2023</u> | <u>2022</u> |
|------------------|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| RMB | 812,349 | 943,839 |
| USD | 861,881 | 905,432 |
| HKD | 3,015 | 5,184 |
| Other currencies | 104,927 | 112,375 |
| | <u>1,782,172</u> | <u>1,966,830</u> |

(b) Movements in the Group’s provision for loss allowance of trade receivables are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| At 1 January | 62,087 | 62,523 |
| Currency translation differences | (574) | (3,031) |
| Increase in provision for loss allowance of trade receivables, net | 4,165 | 6,090 |
| Receivables written off during the year | (5,826) | (3,495) |
| At 31 December | <u>59,852</u> | <u>62,087</u> |

The provision for loss allowance of trade receivables has been included in “Net impairment losses on financial assets” in the consolidated income statement. The amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group applies HKFRS 9 simplified approach to measure provision for loss allowance which uses a lifetime expected loss allowance for all trade receivables.

(c) The top five customers and the largest customer accounted for approximately 16.6% (2022: 19.7%) and 6.3% (2022: 8.3%) of the trade and bills receivables balance as of 31 December 2023, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The other classes within trade and other receivables do not contain impaired assets.

(d) All bills receivables are issued by licensed banks in the PRC with maturities ranging within 12 months (2022: 12 months).

(e) The carrying amounts of trade and other receivables approximate their fair values.

(f) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

10 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables (<i>Note (a)</i>) | 1,561,526 | 1,594,545 |
| Bills payable (<i>Note (b)</i>) | 464,555 | 1,128,323 |
| | 2,026,081 | 2,722,868 |
| Other payables | 2,382,277 | 2,100,276 |
| Contract liabilities (<i>Note (d)</i>) | 613,880 | 624,717 |
| Less: non-current portion | | |
| Other payables | (142,730) | (51,255) |
| Current portion | 4,879,508 | 5,396,606 |

Notes:

- (a) At 31 December 2023 and 2022, the ageing analysis of the Group's trade payables based on invoice date was as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------|------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 - 90 days | 1,385,362 | 1,389,149 |
| 91 - 180 days | 46,714 | 54,553 |
| 181 - 365 days | 52,209 | 42,377 |
| 1 - 2 years | 24,796 | 76,559 |
| Over 2 years | 52,445 | 31,907 |
| | 1,561,526 | 1,594,545 |

- (b) Bills payable have maturities ranging within 12 months (2022: 12 months).
- (c) The carrying amounts of trade payables and other payables approximate their fair values.
- (d) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of glass products.

The following table shows the amount of the revenue recognised in the current reporting period relates to contract liabilities balance at the beginning of the year.

| | <u>2023</u> | <u>2022</u> |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue recognised that was included in the contract liabilities | | |
| balance at the beginning of the year | <u>624,717</u> | <u>653,811</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Group is engaged in the production and sales of a wide range of glass products, including automobile glass, energy-saving architectural glass, high-quality float glass and glass products for different commercial and industrial applications. These glass products are manufactured at the Group's production facilities which are strategically located in the PRC and Malaysia. In the PRC, the Group's production facilities are established in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province, Chongqing, Tianjin, Yingkou in Liaoning Province, Deyang in Sichuan Province, Zhangjiagang in Jiangsu Province, Beihai in Guangxi Zhuang Autonomous Region, and Chengmai County in Hainan Province. In Malaysia, the Group operates a production facility in Malacca. In addition to the glass products, the Group also produces rubber, plastic and value added advanced driver assistance systems (ADAS) components for automobile glass.

The Group's customers are located in over 140 countries and territories, including the PRC, Hong Kong, the United States ("US"), Canada, Australia, New Zealand and other countries in Asia, the Middle East, Europe, Africa and the Americas. The Group's customers include companies engaged in a wide range of business activities, from the automobile glass manufacturing, wholesaling and distribution; automobile repairs and maintenance; vehicle manufacturing; curtain wall design, engineering and installation; architectural and furniture glass manufacturing; electronic, industrial and household appliance manufacturing to the float glass manufacturing, wholesaling and distribution.

Business Review

During the year ended 31 December 2023, the depreciation of Renminbi ("RMB") caused by a strong US dollar with rising interest rates, the slowdown PRC property market and tight liquidity has significantly affected the PRC economy. The Group's three glass product businesses, namely float glass, automobile glass and architectural glass, have faced different challenges in sales volume and selling prices.

In 2023, the revenue of the Group slightly increased by 4.1% to HK\$26,798.5 million, as compared to HK\$25,746.0 million in 2022. Profit for the year attributable to the equity holders of the Company increased by 4.6% to HK\$5,365.1 million, as compared to HK\$5,127.2 million in 2022. The compound annual growth rate of the Group’s sales during the five-year period including 2023 was 13.3%. Basic earnings per share amounted to 129.2 HK cents, representing an increase of 2.1% as compared to 2022. The Board considers that the Group has achieved a reasonable level of profitability amid the global unfavourable market conditions. The Board proposes to declare a final dividend of 37.0 HK cents per share, subject to the approval by the shareholders (the “Shareholders”) of the Company at the forthcoming annual general meeting (the “AGM”).

Operational Review

Sales

The sales revenue of the Group slightly increased by 4.1% in 2023, principally due to the increases in the sales volume of float glass and architectural glass products in the PRC market even with the depreciation of RMB. The slight decrease in the automobile glass revenue was mainly due to the impact of drop of overseas freight costs of the cost, insurance and freight (CIF) sales of automobile glass during the year and the depreciation of RMB, even though there was an increase of sales volume of automobile glass in 2023.

The tables below set forth the Group’s sales by products and by geographical regions:

| | Year ended 31 December | | | |
|---|------------------------|---------------------|------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>HK\$’million</i> | <i>%</i> | <i>HK\$’million</i> | <i>%</i> |
| By Products | | | | |
| Float glass products | 17,467.9 | 65.2 | 16,587.8 | 64.4 |
| Automobile glass products (<i>Note</i>) | 5,981.0 | 22.3 | 6,081.3 | 23.6 |
| Architectural glass products | 3,349.6 | 12.5 | 3,076.9 | 12.0 |
| | <u>26,798.5</u> | <u>100.0</u> | <u>25,746.0</u> | <u>100.0</u> |

Note:

Included sales of automobile glass and automobile rubber and plastic components on an original equipment manufacturing (“OEM”) basis and on aftermarkets basis, respectively.

| | Year ended 31 December | | | |
|-----------------------------------|------------------------|---------------------|------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>HK\$'million</i> | <i>%</i> | <i>HK\$'million</i> | <i>%</i> |
| By Geographical Regions | | | | |
| Greater China (<i>Note (a)</i>) | 19,427.7 | 72.5 | 17,567.0 | 68.2 |
| Others (<i>Note (b)</i>) | 7,370.8 | 27.5 | 8,179.0 | 31.8 |
| | <u>26,798.5</u> | <u>100.0</u> | <u>25,746.0</u> | <u>100.0</u> |

Notes:

- (a) Greater China include the PRC and Hong Kong.
- (b) Others include Europe, Australia, New Zealand, Africa, the Middle East, Central America, North and South America and other countries.

Cost of Sales

The increase in the production costs was mainly attributable to the significant increase in the average costs of raw materials and energy in the PRC during the first half of 2023 (the “**1H2023**”) which were consistent with the increase in the sales volume of float glass, automobile glass and architectural glass. The production costs reduced in the second half of 2023 (the “**2H2023**”) with the improved production efficiency, cost control measures and the increasing use of renewable energy by the Group. As a result, the cost of sales increased by 6.6% to HK\$18,186.8 million in 2023, as compared to HK\$17,059.6 million in 2022.

Gross Profit

The gross profit of the Group in 2023 amounted to HK\$8,611.8 million, representing a slight decrease of 0.9%, as compared to HK\$8,686.4 million in 2022. The overall gross profit margin decreased from 33.7% to 32.1% principally due to the depreciation of RMB during the year and the increase in the cost of sales.

Other Income

Other income slightly increased to HK\$665.8 million, as compared to HK\$663.4 million in 2022.

Other (Losses)/Gains, Net

There was a net other losses of HK\$56.5 million. As compared to the net other gains of HK\$192.6 million in 2022, the significant difference was mainly due to the significant decrease in the other foreign exchange gain in 2023.

Selling and Marketing Costs

The Group's selling and marketing costs decreased by 27.6% to HK\$1,310.3 million in 2023. The decrement was principally due to the decrease in the domestic and overseas transportation costs.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by 5.2% to HK\$2,263.2 million in 2023, mainly due to the depreciation of RMB as the principal currency used in the administrative and other operating expenses incurred by the Group in the PRC.

Share of Profits of Associates

Share of profits of associates was mainly generated from the Company's associate companies, namely Xinyi Solar Holdings Limited (“**Xinyi Solar**”) and Xinyi Energy Holdings Limited. The share profits slightly increased to HK\$1,007.4 million, as compared to HK\$922.8 million in 2022. The increase was mainly due to the increased profit contribution from these two companies.

Finance Costs

The Group's finance costs increased significantly by 35.5% to HK\$503.4 million in 2023 mainly due to the increase in the HIBOR rate during the year. A portion of the interest expense incurred as construction-in-progress and acquisition of land, plant and machinery at the production complexes in the PRC, Malaysia and Indonesia has been capitalised under construction-in-progress and will be depreciated subsequently once the related production facilities and the new production lines commence the commercial operation. An interest expense amounted to HK\$104.5 million was capitalised under construction-in-progress in 2023, which was an increase of 203.8% as compared to HK\$34.4 million in 2022. An increase in the capitalised amount interest expense in 2023 represented an increase in the capital expenditure incurred by the Group on building and construction.

Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”)

EBITDA increased by 5.2% to HK\$8,162.7 million for the year ended 31 December 2023, as compared to HK\$7,755.8 million in 2022.

Income Tax Expense

The Group's income tax expense increased significantly by 12.8% to HK\$965.6 million in 2023 due to the increased amount of profits generated and the increase in the payment of PRC dividend withholding tax during the year. The effective tax rate was 15.2%, which was lower than the standard tax rates mainly due to more profits generated by the Company's subsidiaries that are qualified for the preferential CIT tax rate of 15% for PRC high-tech enterprise.

The PRC dividend withholding tax of HK\$177.4 million was paid in 2023 (2022: HK\$70.1 million).

A total amount of RMB1,290.0 million dividends from the Group's PRC subsidiaries were re-invested in the PRC and hence, no withholding tax has been recognised in accordance with the PRC dividend withholding tax rules under the current PRC taxation policies in 2023.

Net Profit

Net profit attributable to equity holders of the Company was HK\$5,365.1 million in 2023, representing an increase of 4.6%, as compared to HK\$5,127.2 million in 2022. Net profit margin increased to 20.0% in 2023.

Current Ratio

The Group's current ratio as of 31 December 2023 was 1.20, as compared with 1.09 as of 31 December 2022. The increase in the current ratio was mainly due to higher bills receivables and other receivables at end of the year.

Net Current Assets

As of 31 December 2023, the Group had net current assets of HK\$2,263.5 million, as compared to HK\$1,016.0 million as of 31 December 2022. The increase was in line with the increases in the current ratio and net profit.

Capital Expenditure and Commitments

For the year ended 31 December 2023, the Group incurred an aggregate capital expenditure of HK\$3,513.9 million (2022: HK\$2,624.4 million) for the purchase of plant and machinery and the construction of factory premises in the PRC, Malaysia and Indonesia. Capital commitments contracted for but not incurred by the Group as of 31 December 2023 amounted to HK\$1,557.3 million (2022: HK\$1,378.2 million), which was mainly related to the investment in Yunnan Province and new production capacities of architectural glass, automobile glass and float glass, to be expanded in the PRC and Indonesia.

Capital Structure

There has been no material change in the capital structure of the Company during the year. The capital of the Group companies comprises the ordinary shares.

Financial Resources and Liquidity

In 2023, the Group's primary source of funding included cash generated from its operating activities and the new banking facilities provided by its principal banks in Hong Kong and the PRC. Net cash inflow from operating activities amounted to HK\$5,001.2 million (2022: HK\$6,737.3 million) as a result of an increase in net profit for the year and efficient working capital management which led to a net cash surplus from operations. As of 31 December 2023, the Group had cash and bank balances (including fixed deposits and pledged bank deposits) of HK\$3,426.6 million (2022: HK\$8,167.3 million).

Bank Borrowings

As of 31 December 2023, the Group's bank borrowings amounted to HK\$8,174.0 million, representing a decrease of 39.5%, as compared to HK\$13,515.7 million as of 31 December 2022, because of the repayment of bank loans by cash on hand to reduce the loan interest expense during the year.

The Group's net debt gearing ratio as of 31 December 2023 was 13.3% (31 December 2022: 16.7%). This ratio was calculated by dividing the net debt, which is calculated as total bank borrowings plus lease liabilities less cash and cash equivalents, fixed bank deposits and pledged bank deposits, by the total equity of the Group as of 31 December 2023.

Pledge of Assets

As of 31 December 2023, bank balance of HK\$146.8 million has been pledged as collateral principally for import duties payable to the US government.

Employees and Remuneration Policy

As of 31 December 2023, the Group had 15,816 full-time employees, of whom 14,861 were based in the PRC and 955 were based in Hong Kong and other countries and territories. The Group maintains good relationship with its employees and provides employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good client relationship. Remuneration packages offered to the Group's employees are generally consistent with prevailing market rates and are reviewed on a regular basis. Discretionary bonus may be awarded to employees taking into consideration the Group's performance and that of individual staff.

Pursuant to applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by responsible government authorities in the PRC for its employees there. The Group's employees in Hong Kong are all participating in mandatory provident fund arrangements as required by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates

The Group has adopted treasury policies for the purpose of optimising the use of readily-available financial resources for the business needs of its different subsidiaries. The Directors believe that such treasury policies are an integral part of the business operations of the Group and are beneficial to the Group as a whole by reducing the costs and interests that may otherwise be borne by its relevant subsidiaries in arranging the required banking facilities to meet obligations. For example, the Group has adopted a centralised approach in managing funds available to its headquarters, subsidiaries and branches, including cash, bank deposits, securities, bills and other financial instruments. These assets, such as bills and financial instruments, are managed and arranged amongst subsidiaries of the Group through proper endorsements or transfers to the different subsidiaries so they can be fully utilised to meet the Group's payment obligations with minimal financing cost. The Group closely monitors the level of use and the value of each of these transactions only represents an immaterial part of its total assets and undertakings. The Directors believe that these policies promote the efficient use of the Group's financial resources.

In addition, the treasury policies of the Group also include mechanisms to mitigate its foreign exchange risks. The Group mainly operates in the PRC with most of its significant transactions denominated and settled in RMB and in US Dollars (“USD”). The exchange rate fluctuations between the RMB and the USD or the RMB and the Hong Kong dollar (“HKD”), the reporting currency of the Group, could affect the Group’s performance and asset value. The Directors do not foresee the Group is subject to any significant foreign exchange risk for transactions conducted in HKD or USD. The exchange rate fluctuations between the Malaysian Ringgit and the HKD could also affect the Group’s performance and asset value.

Because of the depreciation in the exchange rate of the RMB during the year, the Group reported non-cash translation decreases in the exchange reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2023, an exchanges reserve decrease of HK\$926.8 million was recorded as foreign currency translation reserve movement. As a result, the balance of the consolidated foreign currency translation reserve account recorded a debit balance of HK\$3,507.0 million as of 31 December 2023, as compared to a debit balance of HK\$2,580.2 million as of 31 December 2022.

Relating to the Group’s majority business is in the PRC, revenue from the sales of glass products in the PRC is denominated in RMB whilst most bank borrowings are denominated in both of RMB and HKD. In implementing its treasury policies, the Group maintained a deliberate balance between the currency risk and the interest savings arising from HKD-denominated bank borrowings. As of 31 December 2023, 39.1% of the bank borrowings of the Group were denominated in HKD and 54.5% of the bank borrowings of the Group were denominated in RMB.

The Group has not experienced any material difficulties and liquidity issues resulting from currency exchange fluctuations. During the year ended 31 December 2023, the Group has not used any financial instrument for hedging purposes.

CONTINGENT LIABILITIES

As of 31 December 2023, the Group did not have any significant contingent liability (31 December 2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2023.

EVENT AFTER THE REPORTING PERIOD

On 4 January 2024, the Group entered into an agreement (“**2024 Silica Sand Sales Agreement**”) with 合浦信義礦業有限公司 (Hepu Xinyi Mining Co., Ltd.*) (“**Hepu Xinyi**”) in relation to the purchase of silica sand from Hepu Xinyi by the Group for the year ending 31 December 2024. The annual cap of the transactions contemplated under the 2024 Silica Sand Sales Agreement would not exceed RMB96.4 million (equivalent to HK\$105.8 million). Also, the Group entered into an agreement (“**2024 Silica Sand Purchase Agreement**”) with Xinyi Solar in relation to the sales of low iron silica sand to Xinyi Solar Group by the Group for the year ending 31 December 2024. The annual cap of the transactions contemplated under the 2024 Silica Sand Purchase Agreement would not exceed RMB57.4 million (equivalent to HK\$63.0 million). The transactions contemplated under each of the 2024 Silica Sand Sales Agreement and the 2024 Silica Sand Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Further details of which are disclosed in the joint announcement of the Company and Xinyi Solar dated 4 January 2024.

Save as disclosed above, no significant events have taken place subsequent to 31 December 2023 and up to the date of this announcement.

BUSINESS REVIEW

The performance of the PRC glass industry has improved during the 2H2023 from the difficult period in the 1H2023 because of the higher property completion area for the year with the benefit of the PRC government initiative of ensuring the property projects are completed and delivered. The PRC property market has remained weak since the fourth quarter in 2021 due to the debt crisis and liquidity problems of those over leveraged property developers.

The inflation rate in the overseas markets results in the increase in the bank interest rates in Hong Kong. The high average costs of raw materials and energy in the 1H2023. Also, the overseas freight costs are increasing and longer shipment time mainly due to the Middle-East conflicts started in October 2023. Those factors dampened the glass market's profitability. As a result, the Group's operations in the automobile glass, architectural glass and float glass segments encountered unusual challenges and more importantly, opportunities that emerged from global markets.

The Group's net profit for the year ended 31 December 2023 increased by 4.6%, mainly due to the net impact of higher sales volume of float glass, automobile glass and architectural glass, lower production costs of float glass in the 2H2023 and the depreciation of RMB. The Group implemented stringent policies on production costs and energy conservation to enhance the cost control efficiency. Also, the Group refined in the product differentiation mix of float glass, automobile glass and architectural glass, and focused on the high value-added components and features, different colours and thickness, window structure-upgraded and energy-saving coating glass products. As for operations, the Group streamlined the production steps and the logistics and adopted dynamic marketing strategies for its architectural glass and automobile glass products.

The PRC's float glass demand has experienced a slow recovery during the year, as reflected in the increase in the average selling price (“ASP”) and sales volume, primarily driven by the slow improving in completion property projects and window installation in real estate industry in the PRC. On the other hand, in order to achieve the nation's carbon neutral policy, the PRC government is still restricting the granting of new approval for new capacity of float glass, thus limiting the supply of float glass.

As a significant number of the PRC private property developers encounter liquidity issues, the Group's architectural glass business has focused on the new glass window installation projects which are mainly led by government related entities, state owned enterprises or property developers have strong financial position. The sales volume of the architectural glass products posted growth, even though the overall new construction projects in the PRC market slowed down since the fourth quarter of 2021 due to the tight capital chains of private property developers.

The demand for architectural energy-saving Low-E glass products has continued be positive as supported by our strong reputation with outstanding track records, aggressive marketing strategy and a wide range of advanced coating material choices and advanced structured glass products. As a result, the Group has incurred a sales increase of the architectural glass segment even there is a depreciation of RMB impact.

The Group's marketing and production strategies for the automobile glass business in 2023 would focus on tackling challenges on the slowdown of overseas demand due to high inflation and high interest cost, as well as the local competition. The Group has developed new glass products for applications on ADAS, head up displays (“HUD”), sound proofing, low-e coating, sunroofs, heat lining system and value-added parts that are suitable for both new and existing car models, as well as the EV models, and are ready to be launched as and when appropriate.

The Group has been exploring new opportunities in the PRC and overseas markets. The Group strengthening existing customers relationships for the purpose of increasing the sales volume for both new and existing product models, participated more overseas exhibitions and actively visited overseas customers in 2023. The Group's automobile glass products are sold to customers in over 140 countries or territories.

As one of the leading players in the global glass industry, the Group has secured its market-leading position and enhanced its economies of scale through strategic expansion and acquisition of production capacities across different product segments, that incorporate streamlined and automated production process at different locations in the PRC and Malaysia. The Group has also acquired additional float glass production facilities in Chongqing, the PRC for the purpose of increasing the production capacity with comparatively low production costs under the national supply side reform policy in previous years.

The Group has also implemented a series of measures that contributed to the performance of the Group. Such measures include enhancing cost controls on the supply and consumption of raw materials, owning and operating silica sand mines, improving supply chain flow and recycling of principal raw materials. Furthermore, the Group has also re-engineered its production process, adding automation features and centralised control management system to boost production efficiency, employed rooftop distributed solar power generation system and low-temperature recycling residual heat power co-generation systems to generate electricity and hot water for internal consumption and implemented energy conservation scheme, which at the same time are also in line with the national carbon neutral policies.

To enhance its competitiveness, the Group will continue to developing and launching a range of unique glass products with different colours, thickness, special coating materials, high value-added features and parts, accessories and specialties, advanced designs and functions, adopting proactive pricing and flexible marketing strategies and make use of the favourable policies implemented under the 14th Five-Year Plan of the PRC government.

Improved productivity, product quality and features, technology and economies of scale to enhance production efficiency, new products, new equipment and advanced float glass line design by new research and development (“R&D”) investments

Continuing R&D investments by the Group in new materials and coatings, production engineering, information technology, big data analysis, environmental control, and carbon neutrality awareness as well as improvements made to the production process, automation and equipment maintenance programs, produce new equipment and advanced float glass line design have enhanced its productivity and yield rate, thus, reducing the carbon emissions, wastage, overall labour, production and energy costs for the year ended 31 December 2023.

The Group’s engineering and design division has designed the latest world-class, environmental friendly, larger capacity, energy efficient and higher yield rate float glass production lines in the PRC and Malaysia. The economies of scale have enabled the generation of significant cost savings in the procurement and production process and they also facilitated the increased efficiency in the use of fuel and principal raw materials. To further control the energy costs and carbon emissions, the Group increasingly uses clean environmental-friendly energy by employing the rooftop distributed solar power generation system and the low-temperature recycling residual heat power co-generation systems to support the electricity consumption and hot water supply for the Group’s production.

In addition, the use of natural gas as fuel for the production of high-quality float glass can reduce carbon emissions for a better air quality environment and fulfil the carbon neutral target, improve float glass product quality and enhance the Group’s energy cost structure.

The R&D team will continue to develop new glass products, advanced low-e coating materials and features, improve product quality and production flow to capture the new market and business opportunities.

Expansion of differentiated product mix and global coverage which enhances the group's overall competitiveness

While the global markets were affected by high inflation rate, high interest cost, severe competition and geo-political risks, the Group achieved a reasonable level of profitability in the automobile glass, architectural glass and the high-quality float glass businesses. These demonstrated the Group's diversified product segments, integrated production and supply chain, global market coverage, overseas production facilities, upgraded product structure, state-of-art production lines and the expanded high value-added and differentiated product mix could comprehend the operational pressures and risks in any specific business segment or country despite an uncertain and competitive market environment.

Solid financial position and resources to future expansion

The Group has solid financial position with HK\$3,426.6 million cash and bank deposits, current ratio of 1.20 with low net debt gearing ratio of 13.3% as of 31 December 2023. The Group's strong credit history has resulted in its effective borrowing rate at 4.92%. For the year ended 31 December 2023, the Group has new proceeds from bank borrowings of HK\$7,193.9 million with the cash generated from operations of HK\$5,001.2 million, demonstrating its ability to secure financing and cash inflow from multiple channels to support capital expenditure and future expansion.

The Group will continue decrease its HKD loan balance portion in order to mitigate the pressure of the high HKD interest rate.

BUSINESS OUTLOOK

Through its continued adoption of advanced technologies and equipment at its production facilities with centralised management to further improve operational efficiency and product quality control, the Group will continue to adopt and enhance flexible and pro-active strategies in integrated production flow and supply chains, logistics, product mix and marketing strategies to maintain its leadership and competitive position of global glass manufacturers.

In response to the increasingly tightened environmental protection standards on air emission under the national carbon neutral policy, the PRC government has continued its strict supply side reform on building up new float glass production capacity, acquisition of existing capacity and phase-out obsolete and non-compliant float glass production facilities. The Group applies the prudent and flexible strategies in response to the current situation of the float glass market in the PRC and other countries.

The prices for soda ash are expected to be weakened and maintained at the low level in 2024, as compared to 2023, due to more new supply in the PRC and import from overseas. Energy costs might be stabilised in 2024 as crude oil price is floating between within a range in the global market. Thus, the Group is cautiously optimistic on the prospects for the float glass market in 2024 because of the PRC government initiative of ensuring the property projects are completed and delivered and the latest issued of “White Name List”, as well as on the movements of the ASP in peak season in the second half of 2024.

The Group operates silica sand mine and processing factories in Beihai, Guangxi Zhuang Autonomous Region since the end of 2020. It signifies the Group’s capability to achieve a high level of integration of the glass production flow and maintain a full control of the major raw material costs and quality. The Group will continue to explore more opportunities on new source of silica sand and raw materials in Asia in future.

The Sino-US trade conflict continues to have adverse impact on the additional import tariff on both the US aftermarket automobile glass customers and the Group and it also caused inflation in US. The Group’s new automobile glass production lines in Malaysia mitigated such impact gradually. Another new automobile glass production lines in the Gresik, Indonesia are planned to commence operation in 2025. The Group will continue to explore other opportunities to expand our overseas production capacity in order to counter different import tariff issues.

The market expects the PRC government would launch further relax and proactive economic and monetary policies to stimulate the domestic consumption cycle and improve the property market environment in the near future. The policies, such as the latest issued “White Name

List”, would relax the funding channels for completion of designated properties and delivery of new building projects to the property buyers, which would result in more construction and window installation activities in 2024 and would increase the demand for float glass and architectural glass.

The Directors are also optimistic on the continuous development of the Group’s automobile glass aftermarket and OEM business in the global markets as the number of global vehicles and the new cars sales in the PRC are expected to increase in 2024, as well as on the prospects of increasing sales in the energy-saving and single and double-insulated Low-E glass segments with the target of carbon neutrality in the PRC in the future.

After years of expanding its production facilities in the major economic zones of the PRC and Southeast Asia, the Group continues to explore acquisitions and new expansion opportunities in the PRC and overseas, which can provide direct access to other markets, lower labour and raw material costs, better production and energy costs and more favourable tax treatment and other incentives. The Group is building a new float glass production complex with automobile glass and architectural glass facilities in Gresik, East Java, Indonesia to expand its business footprints in ASEAN countries.

The acquisition of the float glass business in Chongqing in the 1H2023 has strengthened the float glass capacity and the Group’s market coverage in Southwestern China. A new float glass production complex is under construction in Yunnan Province.

In 2021, the Group has formed a new division dedicated to carbon neutrality, which takes responsibility for the planning, implementation and monitoring of the Group’s carbon neutrality policies and targets. Its initiated energy conservation plan also helps to improve the overall energy cost structure of the Group.

Solar energy is among the most efficient and reliable form of renewable energy with lower installation costs than hydropower, nuclear power and wind power. It is also safer in operation. There will be an increasing number of solar farms to be constructed in the PRC and global markets in the near future in support of the national goal of “carbon neutrality” by 2060. European market has enjoyed a high growth due to the energy crisis brought by the Russia-Ukraine war since 2022.

Polysilicon is an essential feedstock for photovoltaics and is widely used to manufacture conventional solar cells. A new polysilicon associated company with 48% stake has formed with Xinyi Solar in Yunnan Province, which is under construction and expected to increase the Group's green and renewable energy investments and profit in 2024. The Directors believe that clean and renewable energy will become the major source of energy in the future and that the demand for clean and renewable energy will continue to increase in the PRC and global markets.

The Group will continue to allocate sufficient resources to R&D, enhancement of product quality and development of new products and materials, models and features, new equipment, improved production flow as well as exploring new markets, increasing production efficiency, achieving carbon neutrality goal. The Group also conducts staff trainings for the purpose of maintaining the production safety standards, competitiveness, marketing skill and, ultimately, enhancing profitability.

CONCLUSION

The Group continues to tackle and overcome different challenges amidst changes in the global market environments and geo-politic risks by bolstering its efficiency and increasing its profitability through more effective and flexible management capability across its cash management, information technology, logistics, procurement and supply chain, production, operational, marketing and R&D activities, as well as expansion of its business collaboration with its customers, suppliers and business partners. The Directors believe that these will enable the Group to maximise the profits from the domestic market in the PRC and other emerging and overseas markets in addition to being cautiously optimistic about the Group's long-term business development prospects.

The Group will continue to refine its proven business strategies to maintain and strengthen its growth and performance in future. To sustain its industry-leading position, the Group is also exploring opportunities for expanding its business presence in the global glass and related upstream markets across a broad spectrum of industries, applications and products as well as developing other business partnerships that would be beneficial to the overall business development of the Group and its employees and Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that the Company has complied with the applicable code provisions contained in the Corporate Governance Code (the “**Code**”) as set forth in Part 2 of Appendix C1 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the year ended 31 December 2023.

AUDIT COMMITTEE OF THE BOARD

The Company has established an audit committee (the “**Audit Committee**”), comprising four independent non-executive Directors namely, Mr. LAM Kwong Siu, G.B.S, Mr. WONG Chat Chor Samuel, Dr. TRAN Chuen Wah, John and Dr. YANG Siu Shun, J.P. Dr. YANG Siu Shun, J.P. is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group and provide comment and advice to the Board. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they have complied with the required standard of dealings as set forth in the Model Code throughout the year ended 31 December 2023.

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 15 January 2015, an aggregate of 35,000,000 share options were granted to selected employees in March 2023. The share options are valid from 1 March 2023 to 31 March 2027. One third of the options would be vested on each of 31 December 2023, 2024 and 2025 if the relevant grantee has satisfied the conditions of vesting as stated in the letter of grant.

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

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float of not less than 25% of the shares are in the hands of the public as required under the Listing Rules.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2023 containing all the information required by Appendix D2 to the Listing Rules and other applicable laws and regulations will be despatched to the Shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in due course.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set forth in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

FINAL DIVIDEND

At the meeting of the Board held on 28 February 2024, the Directors consider that the Group has achieved a reasonable level of profitability in an unfavourable market condition and recommended the payment of a final dividend (the “**Final Dividend**”) of 37.0 HK cents per share for the year ended 31 December 2023. The recommendation of payment of the Final Dividend is subject to the approval of the Shareholders at the AGM which is expected to be held on Friday, 31 May 2024. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 7 August 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024.

Shareholders will be given an option to receive the Final Dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash. The scrip dividend scheme (the “**Scrip Dividend Scheme**”) is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Scheme.

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commencing on Tuesday, 4 June 2024 until Tuesday, 11 June 2024 (both days inclusive) rounded down to two decimal places.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 31 May 2024. The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar 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, for registration not later than 4:30 p.m. on Monday, 27 May 2024.

The register of members of the Company will be closed from Thursday, 6 June 2024 to Tuesday, 11 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Final Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar 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, for registration not later than 4:30 p.m. on Wednesday, 5 June 2024.

On behalf of the Board
XINYI GLASS HOLDINGS LIMITED
Dr. LEE Yin Yee, S.B.S.
Chairman

Hong Kong, 28 February 2024

As of the date of this announcement, the executive Directors are Dr. LEE Yin Yee, S.B.S., Datuk Wira. TUNG Ching Bor D.C.S.M, Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. and Mr. LEE Shing Kan; the non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho; and the independent non-executive Directors are Mr. LAM Kwong Siu, G.B.S, Mr. WONG Chat Chor Samuel, Dr. TRAN Chuen Wah, John and Dr. YANG Siu Shun, J.P..

This announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.xinyiglass.com.