CHINA GLASS HOLDINGS LIMITED
中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 3300)

2023
ANNUAL REPORT

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Lyu Guo *(Chief Executive Officer)*

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

SENIOR MANAGEMENT

Mr. He Wen
Mr. Ye Zhihui
Mr. Cai Guo
Mr. Zhang Guan
Ms. Kuok Yew Lee

COMPANY SECRETARY

Ms. Kuok Yew Lee

AUTHORISED REPRESENTATIVES

Mr. Lyu Guo
Ms. Kuok Yew Lee

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Fulbright Hong Kong

As to the PRC Law
Commerce & Finance Law Offices

As to Bermuda Law
Appleby

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Construction Bank
Bank of Communications
Agriculture Bank of China
Bank of Shanghai
Bank of East Asia
Ping An Bank
Standard Chartered Bank
Hua Xia Bank
China CITIC Bank

AUDITORS

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

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Holdings Limited

STOCK CODE

The Stock Exchange of Hong Kong Limited: 3300

WEBSITE

www.chinaglassholdings.com

Financial Highlights

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2023 are extracted from the audited financial statements of this report and the Company's 2019, 2020, 2021 and 2022 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**5,307,924**	4,327,196	5,065,048	3,158,567	2,369,230
Cost of sales	**(5,008,413)**	(3,689,007)	(3,331,345)	(2,419,843)	(2,084,588)
Gross profit	**299,511**	638,189	1,733,703	738,724	284,642
Other income	**188,604**	170,638	3,140	30,413	319,597
Distribution costs	**(114,049)**	(101,166)	(83,213)	(77,515)	(67,325)
Administrative expenses	**(394,344)**	(330,717)	(337,572)	(287,656)	(241,128)
Impairment losses recognised on receivables and contract assets	**(953)**	(23,853)	(566)	(122,739)	(20,528)
Other operating expenses	**(141,875)**	–	(13,440)	(11,673)	–
(Loss)/profit from operations	**(163,106)**	353,091	1,302,052	269,554	275,258
Finance costs	**(389,964)**	(267,713)	(232,802)	(263,674)	(185,728)
Net gain on acquisition of interests in a joint venture	**33,628**	–	–	–	–
Net gain on disposal of interests in a joint venture	**98**	–	–	–	–
Share of profit less losses of joint ventures	**(31,280)**	(60)	(56)	(725)	(102)
(Loss)/profit before taxation	**(550,624)**	85,318	1,069,194	5,155	89,428
Income tax	**63,216**	16,457	(267,247)	(103,633)	(16,724)
(Loss)/profit for the year	**(487,408)**	101,775	801,947	(98,478)	72,704

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**14,960,243**	13,285,303	10,380,534	7,201,243	7,188,111
Total liabilities	**(12,735,639)**	(9,994,404)	(7,002,511)	(5,033,247)	(4,938,392)
Net assets	**2,224,604**	3,290,899	3,378,023	2,167,996	2,249,719

Chairman's Statement

To shareholders,

In 2023, the global economic growth momentum continued to decline, regional economic recovery differentiated, and the growth rate of developed economies slowed down. The overall recovery of the Chinese economy was positive, with a year-on-year growth of 5.2% in gross domestic product, which remained an important engine of global economic growth. Under the guidance of supply side structural reform and the "double carbon" strategic orientation, the overall operation of the domestic glass industry was stable, and the supply-demand relationship has improved in the process of recovery.

In the past year, the Group has combined the extension of its industrial chain with the widespread application of its own technology, and technological transformation and cost reduction and efficiency enhancement work have been carried out simultaneously, injecting strong impetus into the transformation and upgrading of the company's industrial structure. Breakthroughs have been made in the development of the new glass, new materials, and new energy ("three new") industrial fields. The first photovoltaic rolled glass production line has been successfully put into operation, and the innovative product online TCO glass has been achieved mass production. Through equity mergers and acquisitions, we have quickly tapped into the solar thermal power industry with development potential in the western region. At the same time, the Group seized opportunities for overseas development, and adhered to the "going global" strategy, increasingly enhancing its international influence. The business performance of overseas projects in Nigeria, Italy and so on has attracted attention and made important contributions to the improvement of the company's performance. In particular, the successful execution of the Egypt new energy glass project of China Glass marks our official start of new journey in the "Belt and Road" initiative.

Looking ahead to 2024, the world economy is gradually recovering amidst difficulties and twists. The Chinese government will continue to adhere to the general principle of seeking progress while maintaining stability and intensify macroeconomic regulation. In this context, the Group will fully grasp the industry development situation at home and abroad, steadily promote industrial transformation and upgrading as well as cost reduction and efficiency enhancement, actively expand the "three new" industrial fields, and achieve quality improvement, efficiency increase, and stable growth; adhere to the policy of "innovation empowers high-quality development", deepen the implementation of innovative reforms in products, markets, and business models, promote industrial innovation through technological innovation, and stimulate the vitality of the main body; adhere to the development path of "going global", fully leverage international advantages, strategise to tap into the international market, utilize the "dual circulation" system of domestic and foreign markets to deepen the operational capabilities of high-quality overseas enterprises; continuously improve management level, continue to implement comprehensive budget management and benchmarking management; strengthen industrial collaboration and regional cooperation, and achieve common development through collaboration. In addition, the Group will further intensify efforts in the training of new generation talents, expand the introduction of market-oriented and international talents, and build a high-level international management platform and high-level technical team.

On behalf of the board of directors, I would like to express my sincere gratitude to our shareholders and investors for their support and concern and to our staff for their contributions to the development of the Company. We will continue to work hard to live up to expectations, and persistently strive to achieve the long-term development goals of the Company.

Peng Shou
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2023, influenced by factors such as geopolitical conflicts, persistent inflation and monetary tightening in major economies, the growth momentum of the world economy continued to decline, and the developed economies and emerging economies were recovering at different pace. In the face of the severe and complex international situation, China's economy steadily improved, with the increased efforts by the government in macro-control to promote high-quality development of the economy solidly.

In 2023, the price of float glass recovered slowly due to the lingering pressure on the real estate industry in China, coupled with the impact of relatively high prices of raw and fuel materials, resulted in limited profitability of the glass industry. With the continuous deepening of supply-side structural reform and the nation's efforts in macro-control to promote the establishment of a long-term mechanism for the real estate industry, gradual improvement is expected in the supply and the demand of float glass.

In 2023, the photovoltaic power generation industry of China experienced strong growth, with a newly added installed capacity of approximately 217GW, representing a year-on-year increase of 148%; the cumulative output of photovoltaic glass was approximately 24.78 million tonnes, representing a year-on-year increase of 54%. In 2023, the growth rate of photovoltaic glass output was lower than that of photovoltaic installed capacity, but it still subject to oversupply pressure in stages, and the price of photovoltaic glass was at a low level throughout the year. With the continuous restraint from the early warning system for the production capacity of photovoltaic glass, a boom is expected to be seen in both of the supply and demand of photovoltaic glass in the future, and the pricing may increase.

BUSINESS REVIEW

Overview

The Group currently has 16 float glass production lines, with a daily melting capacity of 8,600 tonnes. As at 31 December 2023, the Group had 13 float glass production lines in actual operation, and the unoperated production lines included a high-quality float glass production line under construction and 2 float glass production lines in the stage of cold repair technical modification. The main products of the Group's float glass production lines are clear glass, painted glass, coated glass, energy saving and new energy glass applied in the fields of construction, automotive, solar power generation, home renovation and home appliances.

The Group currently has 2 photovoltaic rolled glass production lines, the main products of which are photovoltaic glass; 3 offline low-emission ("Low-E") coated glass production lines, the main products of which are energy-saving architectural glass; 3 solar reflector production lines, mainly for concentrating reflectors; and a company specialized in engineering equipment and technical services for neutral pharmaceutical glass production lines, providing equipment, designing and installation consultation services for the production lines of downstream enterprises.

In 2023, the Group acquired the controlling equity interest in Gansu Kaisheng Daming Solar Energy Technology Co., Ltd.* (甘肅凱盛大明光能科技有限公司), which owns a photothermal ultra-clear float glass production line with a melting capacity of 600 tonnes per day with its ancillary solar reflector production line, an offline Low-E coated glass production line, and a photovoltaic rolled glass production line with its ancillary deep processing line under construction located in Yumen City, Gansu Province. The main products of such company are photothermal glass, photovoltaic glass, energy-saving and new energy glass. The acquisition will further expand the Group's strategic layout in the northwestern region of the PRC, which will help the Company to expand its production capacity scale, optimize the product structure, fully utilize the resource cost advantage and geographical market advantage in the northwestern region of the PRC, seize the growth opportunity for the new energy industry in the region, and further enhance the profitability and industry position of the Company.

In 2023, the Group continued to keep an eye on the development opportunities in overseas emerging markets, and its overseas subsidiaries achieved remarkable profitability and steady development.

Production, sales and selling price

In 2023, the Group produced an aggregate amount of 53.16 million weight cases of various types of glass, representing an increase of 29% as compared to last year; whereas the sales volume was 51.75 million weight cases, representing an increase of 41% as compared to last year. The average selling price of the Group's various types of glass products was RMB96 per weight case in 2023, representing a decrease of 11% as compared to last year.

Prices of raw and fuel materials, and production costs

In terms of raw materials, soda ash and quartz sand are the main raw materials for glass production. In 2023, some domestic soda ash factories were forced to suspend production due to environmental protection issues, the supply and demand of glass products was mismatched temporarily, and the market price of soda ash fluctuated within a high-level prices range. With the expansion of rolled glass's production capacity, the demand for quartz sand was increasing, while the supply was relatively tight and the price of quartz sand fluctuated at a high price range.

In terms of fuel, in 2023, geopolitical conflicts led to the restructuring of the global natural gas trade landscape. In China, with the implementation of the policy of "increasing production and ensuring supply", the supply channels of natural gas were diversified, the demand for natural gas increased steadily by virtue of its advantages of high efficiency, cleanliness and low carbon, and the domestic and international natural gas prices continuously remained at high level.

MAJOR WORKS IN 2023

In the face of the market downturn, the complex and ever-changing internal and external environments, the Group consistently adhered to the three mid-term and long-term development strategies of "organic growth, M&A growth and going global", followed the development concept of "low carbon, green, energy saving and environmental protection", adjusted the product structure as appropriate, and fully realized industrial upgrading, to facilitate the achievement of the objective of "peak carbon dioxide emissions and carbon neutrality" of the country. The Group's efforts were mainly exerted in the following aspects:

1. **Breakthroughs were achieved in exploring new glass, new materials and new energy ("three new") industrial fields**

   The Group seized the development opportunity posed by "three new" industries fields, actively promoted the layout of photovoltaic capacity in Central China, Southern China, Northwestern China and other regions to accelerate the transformation and upgrading of industrial structure.

   The Group completed the construction of the first photovoltaic rolled glass production line in Suqian, Jiangsu Province, of which the successful operation was a "zero" breakthrough for the photovoltaic glass business segment of the Group, laying a solid foundation for Suqian CNG's Energy Materials Industrial Park* (宿遷中玻新能源材料產業園) of the Group. During the year, the Group formally entered the field of solar thermal power generation through the acquisition of the controlling equity interest in Gansu Kaisheng Daming Solar Energy Technology Co., Ltd.*(甘肅凱盛大明光能科技有限公司), and further expanded the production capacity of the photovoltaic new energy in the meantime. The Group is actively advancing the preliminary construction work of photovoltaic cell encapsulating materials for solar equipment with its supporting projects in Tongliao City, Inner Mongolia.

The technical research and development team of the Group has been engaged in the research and application of float online coated glass technology for an extended period of time and is able to fully utilized to the advantages of the complete technical system of its proprietary intellectual property. In 2023, the Group successfully commenced the production of a new offline Low-E glass production line in Dongtai, Jiangsu Province. At the same time, the Group also achieved mass production of online Transparent Conductive Oxide (“TCO”) glass, which is mainly applied to the front electrodes of the window layer of new thin-film solar batteries such as Cadmium Telluride (“CdTe”) and Calcium Titanium Ore (“CTO”), and possesses the advantages of leading technology, low cost and large-scale production, which will provide opportunities for the extension of the Group’s industrial chain and to meet the explosive growth of the CdTe and CTO industries at any time in the near future.

2. Overseas subsidiaries have developed under adverse circumstances, benefiting from the deepening implementation of the “going global” development strategy

The production base in Nigeria overcame the challenges including international geopolitical conflict, the domestic political turmoil in Nigeria, the significant devaluation in Naira and severe social environment, actively cooperated with upstream and downstream enterprises and peers and jointly created a relatively stable environment for market operation. In 2023, the production and operation were stable, the gross profit margin level was ahead of the domestic leading enterprises.

Facing the adverse effects brought by the Russia-Ukraine war, the base in Kazakhstan deeply developed and opened up sales channels in Kazakhstan and its neighboring countries, striving to establish a sales network centering on Kazakhstan and radiating to the Middle Eastern and European countries, while extending its industrial chain upstream, with the mineral raw material processing factories and other ancillary facilities being put into operation, and expanding its deep processing business segment downstream, with commencing the relocation and upgrading of an offline Low-E production line in order to fill the local market demand gap.

The revenue from hollow glass and pharmaceutical-use packaging engineering equipment business segment of the Italian subsidiary was strong, the mineral cotton engineering business segment recorded a significant growth in performance, and the preliminary market development for the new photovoltaic glass business segment achieved effective progress.

In 2023, the Group continued to seek and explore new overseas cooperation opportunities and actively deployed in countries and regions along the “Belt & Road”. During the year, on the occasion of the opening of the 10th anniversary ceremony of the “Belt & Road” initiative and the third “Belt & Road” Forum for International Cooperation, witnessed by Egyptian Prime Minister Mostafa Madbouly, the Group formally reached an investment strategic cooperation in relation to the construction of the China Glass – Egypt new energy glass project with the Suez Canal Economic Zone Authority in Egypt and the China-Africa TEDA investor and such project will be constructed in China-Egypt TEDA Suez Economic and Trade Cooperation Zone.

3. The policy of “cost reduction and efficiency enhancement” was implemented in depth in production technology, strategic procurement, marketing and human resources work

Taking into account the market situation, the Group planned for the cold repair production and upgrading and renovation plans of each production base as a whole, and combined technical transformation with the measures of “cost reduction and efficiency enhancement” to effectively improve the comprehensive energy consumption indicators and capacity utilization efficiency of its production lines. The R&D team actively developed energy-saving glass products with characteristics of "CNG" and market competitiveness, such as “Online Low-E CNG Blue”, and achieved stable mass production.

In terms of procurement, close attention was paid to the fluctuations on the economic environment and market conditions at home and abroad. Through methods such as centralized procurement, peak-shifting procurement, opportunity procurement and advance procurement, strengthened the procurement synergy of domestic and international businesses, strictly implemented the evaluation system for qualified suppliers, and deeply explored the strategic cooperation with high-quality suppliers, the cost of raw and fuel material procurement was under effective control. At the same time, through methods such as overall planning, on-the-spot investigation, intelligent monitoring and dynamic management, procurement channels were optimized and procurement processes were refined to ensure stable supply of raw and fuel materials and production safety.

In terms of marketing, the market development trends of downstream industries such as real estate, automotive and new energy were closely monitored, marketing strategies were quickly adjusted to adapt to market changes. Data analysis and processing capabilities were optimized, product mix was adjusted in a timely manner and the advantages of the Company's traditional high value-added specialty products, such as painted glass, coated glass and energy-saving architectural glass were fully utilized to meet the market demands flexibly, and to penetrate high-quality product markets gradually. Regional coordination and information sharing were strengthened to jointly safeguard the healthy development of the flat glass industry market.

By optimizing and improving the performance and incentive system, strengthening the performance appraisal, the Group safeguarded the physical interests for its employees, while encouraging the employees to take their personal initiative, to cultivate talents for comprehensive management and professional technical talents, contributing to the achievement of the international, sustainable and high-quality development of the Company.

4. Accelerating the process of intelligent and digital transformation

The Group engaged a professional team to design and establish the direction and plan of its intelligent and digital transformation in conjunction with its own practical production and operation, comprehensively applying to the industrial internet, big data, artificial intelligence and other technologies to build and refine its intelligent production lines, to accelerate the promotion of intelligent production method, and to improve the digital form of its industrial chain, thereby promoting the upgrading, value chain ascension and vitality enhancement of traditional industries and enhancing the production efficiency and product quality of the Group.

5. Building "CNG" brand and maintaining the stability of the market value

Through the "five-in-one" unified management of five systems covering collaborative production technology, strategic procurement, marketing, financial management and investment management, the Group aimed to create the brand effect of "CNG", gathered resources and integrated advantages of its business segments at home and abroad, and utilize the platform and media resources of the listed company to establish and strengthen a trustworthy corporate image. At the same time, the Group attached great importance to maintaining the market value, actively expanded and deepened the dimension and depth of communication and interaction with the capital market, and promoted the Group to achieve high-quality development.

MARKET OUTLOOK

In 2024, global inflation is expected to slow down and economic growth is stabilizing, the Chinese government will strive for progress while exerting efforts to maintain stability and promoting stability through progress, so as to promote high-quality development. Meanwhile, the clear objective of the Chinese government to stabilize real estate and the economy, the expected increase in its efforts to implement policies and the gradual emerging of the effect of regulation will drive the real estate to be back to a new balance.

In 2024, in the flat glass industry of the PRC, the multiple pressures of "strictly restriction of additional capacity" and "increase of environmental protection policies" may produce opportunity for the supply side to shrink. On the demand side, as economic recovery will bring marginal improvements in real estate policies, coupled with the expected acceleration of the reconstruction of old residential areas and construction of green energy-saving buildings, the repair of the industrial chain will be drived to accelerate and the price of architectural glass is expected to be stable and rebound. Under the guidance of the national "double carbon" policy, solar photovoltaic power generation and solar photothermal power generation will be booming, and the growth potential of the market demand for photovoltaic glass, photothermal glass and other energy-saving new energy glass products of the Company will be enormous.

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

In terms of raw materials, in 2024, the domestic soda ash market is expected to be booming in both supply and demand, and soda ash manufacturers that suspended production are expected successively resume their production, the supply will increase, and the prices are expected to show a fluctuating downward trend. It is expected the prices of quartz 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 fuel, in 2024, with the restructuring of global natural gas trade patterns, 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 decline in the medium and long run. The expansion of international crude oil production capacity will be limited by capital input, and its price is expected to remain at a middle and high level, which will directly affect the market price trending of domestic fuel materials such as fuel oil and petroleum coke.

WORK PLANS FOR 2024

1. **To grasp the industry development trends, take into account of the situation, focus on performance growth and enhance the market competitiveness of the products**

   In line with the changes in the internal and external environment and the development situation of the industry, the Group will formulate the policy of "One Policy for One Line" for each of its production base, expand their own advantages in terms of geography, resources and production conditions, and enhance the differentiated and distinctive market competitiveness of its architectural glass products.

2. **To increase the efforts in expanding new energy and deep-processed glass segments and build new core competitiveness of the enterprise**

   Relying on its own R&D platform, the Group will optimize the production process of its new energy and deep-processed glass segments, improve the production efficiency and reduce production costs simultaneously. The Group will accelerate the promotion of the construction, ignition and commencement of production of its new energy projects in Gansu, Inner Mongolia and Egypt, as well as the construction of deep processing projects in Kazakhstan and Shaanxi. At the same time, the Group will keep an eye on capacity expansion and investment opportunities at home and abroad.

3. **To promote the strategy of "going global" to achieve greater breakthroughs and expand the contribution from overseas performance**

   The Group will strive to guarantee the stable operation and high-level profitability of its companies in Nigeria and Kazakhstan, strengthen its market development and collaboration in those countries and neighboring regions, closely monitor the exchange rate fluctuations and avoid abnormal exchange rate fluctuation risks in advance. The R&D team of our company in Italy will strive to improve and innovate products of the whole line, providing customers with engineering equipment and technical solutions with better production efficiency, lower energy consumption and more agile monitoring and control system, and at the same time select appropriate timing to also develop flat glass engineering business segment, so as to realize diversified development. 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 & Road" to expand the scale of its overseas business segments.

4. **To improve the management ability in all respects and avoid and address business risks**

   The Group will continue to strengthen the "five-in-one" management, give full play to the advantages of collaborative management among systems, promote the upgrading and transformation of the Group's industrial structure, and contribute to the growth of its performance. At the same time, by promoting the digital and intelligent transformation of the Group, it will make full use of the advantages of digital systems in data programming, integration and visualization, to provide rigid support for the efficient and high-quality development of the Company.

5. **To expand and deepen the dimension and depth of communication and interaction with the capital market to promote the healthy development of the market value of the Company**

   The Group will strengthen the Company's information transmission role in the capital market, actively build a diversified and effective information sharing and publicity platform, and promote the development of a long-term stable and benign interactive relationship between the Company and the investors.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 23% from RMB4.327 billion for the year ended 31 December 2022 to RMB5.308 billion for the year ended 31 December 2023. The increase in revenue was mainly attributable to the combined effect of a decrease of 11% in the annual average sales price compared to last year, and an increase of sales volume of 41% compared to last year.

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

	2023		2022		Change
	RMB'000	***Proportion %***	*RMB'000*	*Proportion %*	%
Clear glass	**2,819,703**	**53.1**	2,002,711	46.3	41%
Painted glass	**604,071**	**11.4**	567,142	13.1	7%
Coated glass	**823,632**	**15.5**	1,130,858	26.1	(27%)
Energy saving and new energy glass	**703,361**	**13.3**	263,241	6.1	167%
Designing and installation related services	**357,157**	**6.7**	363,244	8.4	(2%)
	5,307,924	**100**	4,327,196	100	23%

The decrease in selling prices per unit of the Group's glass products was mainly due to a 41% decrease in the Group's overseas selling prices per unit measured in Renminbi, which pulled down the average selling prices per unit of the Group's clear glass, painted glass and coated glass. Such decrease was mainly affected by the continued depreciation of the Nigerian Naira over a short period of time, notwithstanding that the selling price per unit of the Group's Nigerian base, if measured in Nigerian Naira, increased by 18% as compared to last year.

The market competition in the flat glass industry in the PRC was fierce and the market price of float glass was running at a low level. The Group actively explored both domestic and overseas sales markets and continued to increase the proportion of production and sales of glass products with functionality and high added value, which were applied in the automotive, home renovation, home appliances and electronic fields, resulting in a significant increase of 41% in the revenue from the sale of clear glass and a slight increase in the revenue from the sale of painted glass.

In 2023, a photovoltaic rolled glass production line with ancillary deep processing lines, and an offline Low-E of the Group were put into operation, resulting in a 167% year-on-year increase in the sales revenue of energy-saving and new energy glass of the Group, along with a significant increase in sales volume compared to last year.

Revenue from the Group's designing and installation related services segment remained stable as compared to the same period last year. The Group's Italian subsidiary had stable sales revenue and improved gross margin year-on-year, contributing to the stable performance of the Group, with its technology and research and development advantage.

Cost of sales

The Group's cost of sales increased by approximately 36% from RMB3.689 billion for the year ended 31 December 2022 to RMB5.008 billion for the year ended 31 December 2023, which was mainly attributable to the effect of the significant increase in amount of the glass products sold. While the market prices of raw and fuel materials were at a high level, the Group adopted a series of procurement measures to strictly control costs, resulting in a decrease in the unit cost of the Group's glass products.

Gross profit

The Group's gross profit decreased from RMB638 million for the year ended 31 December 2022 to RMB300 million for the year ended 31 December 2023. Gross profit margin decreased from 15% in 2022 to 6% in 2023, mainly attributable to the effect of a decrease in the average selling price of glass products.

Other income

The Group's other income increased from RMB171 million for the year ended 31 December 2022 to RMB189 million for the year ended 31 December 2023, which was mainly due to an increase in government grants, insurance claims income and interest income.

Administrative expenses

For the year ended 31 December 2023, the administrative expenses of the Group increased by 19% to RMB394 million as compared to RMB331 million for the year ended 31 December 2022, which was mainly due to the increase in the number of employees and average salary as a result of the operation of the Group's new production lines.

Impairment losses on the receivables and contract assets

For the year ended 31 December 2023, the impairment losses on the receivables and contract assets of the Group decreased significantly to approximately RMB1.0 million as compared to RMB23.9 million for the year ended 31 December 2022, which was mainly due to the decrease in the ageing of certain other receivables, resulting in a decrease in the provision for impairment.

Finance costs

For the year ended 31 December 2023, the finance costs of the Group increased by 46% to RMB390 million as compared to RMB268 million for the year ended 31 December 2022, mainly due to the increase in the scale of borrowings and the increase in the cost of the debts denominated in US dollars.

Other operating expenses

Other operating expenses incurred by the Group for the year ended 31 December 2023 amounted to approximately RMB142 million but were not incurred for the year ended 31 December 2022. Such expenses arised from the asset impairment provision made by the Group after comprehensive assessment of the status of the production line.

Loss for the year

For the year ended 31 December 2023, the Group recorded a loss of approximately RMB487 million, representing a significant decrease as compared to the profit of approximately RMB102 million for 2022. Such loss was mainly attributable to the combined effect of the following factors: (1) the lingering downturn in the real estate industry in the PRC, leading to a relatively low market price of float glass; (2) the fluctuating high-level market prices of major raw and fuel materials; (3) geopolitical conflicts, persistent global inflation and significant fluctuations in the exchange rates of currencies in certain countries and regions, leading to a drop in contribution to results from the overseas bases of the Group; (4) the continuous interest rates hikes by the Federal Reserve, resulting in an increase in the cost of the Group's debts denominated in US dollars; and (5) the corresponding impairment provision made for certain production lines after a comprehensive assessment on the status of such production lines.

Current assets

The Group's current assets decreased by approximately 9% from RMB3.666 billion as at 31 December 2022 to RMB3.338 billion as at 31 December 2023, which was mainly due to a decrease in inventories, trade receivables and cash on hand and at bank.

Current liabilities

The Group's current liabilities increased by approximately 45% from RMB6.489 billion as at 31 December 2022 to RMB9.434 billion as at 31 December 2023, which was mainly due to an increase in accrued charges and other payables, and short-term bank loans, and a reclassification of non-current portion of a Syndicated Loan of RMB1,496.6 million to current liabilities due to not fulfilling all of the financial covenants as at 31 December 2023.

Up to the date of this report, the directors of the Company consider that the waiver has been substantially obtained and will reclassify these amounts to the non-current liabilities.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 6% from RMB3.505 billion as at 31 December 2022 to RMB3.302 billion as at 31 December 2023.

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

As at 31 December 2023, the Group's cash on hand and at bank were RMB1.211 billion (31 December 2022: RMB1.350 billion), of which 53% (31 December 2022: 46%) were denominated in RMB, 6% (31 December 2022: 13%) were denominated in United States Dollars ("USD"), 14% (31 December 2022: 15%) were denominated in Euro ("EUR"), 26% (31 December 2022: 24%) were denominated in Nigerian Naira, and 1% (31 December 2022: 2%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank loans and other borrowings were RMB9.423 billion (31 December 2022: RMB7.938 billion), of which 80.6% (31 December 2022: 67.2%) were denominated in RMB, 18.9% (31 December 2022: 30.8%) were denominated in USD, Nil (31 December 2022: 1.3%) were denominated in HKD and 0.5% (31 December 2022: 0.7%) were denominated in EUR. As at 31 December 2023, 57% (31 December 2022: 55%) of the outstanding bank loans and other borrowings bear interest at fixed rates while approximately 43% (31 December 2022: approximately 45%) bear interest at variable rates.

As at 31 December 2023, the gearing ratio (total interest-bearing debts divided by total assets) was 0.64 (31 December 2022: 0.60). As at 31 December 2023, the Group's current ratio (current assets divided by current liabilities) was 0.35 (31 December 2022: 0.57). The Group recorded net current liabilities amounting to RMB6.096 billion as at 31 December 2023 (31 December 2022: RMB2.823 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.85 as at 31 December 2023 (31 December 2022: 0.75).

CHARGED ASSETS

As at 31 December 2023, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB2.004 billion (31 December 2022: approximately RMB687 million), and certain trade and bills receivables of the Group with a carrying amount of approximately RMB489 million (31 December 2022: approximately RMB213 million) were pledged against certain bank loans with a total amount of approximately RMB2.890 billion (2022: approximately RMB1.349 billion).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITIONS OF CAPITAL ASSETS

On 27 October 2023, China Glass Investment Limited* (中玻投資有限公司) (as purchaser and an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement to conditionally acquire an approximately 51.4706% equity interest in Gansu Kaisheng Daming Solar Energy Technology Co., Ltd.* (甘肅凱盛大明光能科技有限公司) ("Gansu Daming") for a consideration of RMB312,982,380. Gansu Daming is principally engaged in the production and distribution of float glass and photovoltaic glass products. Following the completion on 31 December 2023, Gansu Daming became a non wholly-owned subsidiary of the Company.

Save as disclosed, the Group did not have any material investments or acquisitions of capital assets, or material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2023, or had any significant investments as of 31 December 2023.

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

* *For identification purpose only*

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2023, the Group employed a total of approximately 4,774 employees within and outside the PRC (31 December 2022: approximately 4,162 employees). The increase in the number of employees of the Group as at 31 December 2023 as compared to 31 December 2022 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 employees of the companies in the Group which were established in the PRC and overseas participate in benefit schemes in line with local labor laws and regulations, respectively. Details of staff costs and pension schemes are set out in Note 6(b) to the financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (31 December 2022: Nil).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, 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 RMB and 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 2023, 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 39% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 21% of the Group's total purchases for the year.

CNBM Triumph Mineral Resources Group Co. Ltd.* (中建材凱盛礦產資源集團有限公司) ("Triumph Mineral"), the Group's largest supplier for the year ended 31 December 2023, is a direct wholly-owned subsidiary of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司), which is a substantial shareholder of the Company. Apart from Triumph Mineral, for the year ended 31 December 2023, none of the Directors, their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares in the share capital of the Company) has any interest in the Group's five largest suppliers.

* *For identification purpose only*

Report of the Directors

The board of directors (the "Board" or the "Directors") of China Glass Holdings Limited (the "Company") presented its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023.

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

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The loss of the Group for the year ended 31 December 2023 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the consolidated financial statements on pages 105 to 108 and page 211.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (31 December 2022: Nil).

GROUP'S FIVE YEARS FINANCIAL SUMMARY

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

RESERVES

Details of the distributable reserves of the Company as at 31 December 2023 are set out in Note 31(e) to the consolidated financial statements.

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

DONATIONS

The charitable or other donations of the Group was approximately to RMB80,000 during the year ended 31 December 2023 (2022: RMB530,200).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2023 are set out in Note 31(c) to the consolidated financial statements.

As at 31 December 2023, the issued share capital of the Company was 1,836,218,258 ordinary shares of par value HK$0.05 each (the "Shares" and each a "Share"). During the year ended 31 December 2023, there were no changes to the total number of Shares or the share capital structure of the Company.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Mr. Lyu Guo *(Chief Executive Officer)*

Non-executive Directors

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

Independent Non-executive Directors

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 34(c) to the consolidated financial statements, during the year ended 31 December 2023, none of the Directors or any entity connected with the Directors had any material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save and except for the share option scheme and the share award scheme disclosed on pages 184 to 185 of this report and Note 29 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2023.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 2023, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares (1)	Approximate Percentage of Shareholding (3)
Mr. Lyu Guo	The Company	Beneficial owner	15,442,096 (L)	0.84%
Mr. Zhao John Huan	The Company	Interest of a controlled corporation (2)	272,926,000 (L)	14.86%

Notes:

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

(2) New Glory Fund L.P. is a wholly-owned subsidiary of New Glory Management Limited, which is owned as to 50% by United Strength Upward Limited. United Strength Upward Limited is a wholly-owned subsidiary of Hony Capital Group Limited, which is wholly-owned by Hony Group Management Limited. Hony Group Management Limited is owned as to 80% by Hony Managing Partners Limited. Hony Managing Partners Limited is wholly-owned by Exponential Fortune Group Limited, which is owned as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is taken to be interested in the 272,926,000 shares held by New Glory Fund L.P. by virtue of Part XV of the SFO.

(3) As at 31 December 2023, the total number of issued Shares is 1,836,218,258.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 31 December 2023, the interests and/or short positions of the Shareholders, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Total Number of Ordinary Shares (1)	Approximate Percentage of Shareholding (9)
New Glory Fund L.P.	Beneficial owner	272,926,000 (L)	14.86%
New Glory Management Limited	Interest of a controlled corporation (2)	272,926,000 (L)	14.86%
蚌埠華金控股股份有限公司 (Bengbu Huajin Holdings Co., Ltd.*)	Interest of a controlled corporation (3)	272,926,000 (L)	14.86%
United Strength Upward Limited	Interest of a controlled corporation (3)	272,926,000 (L)	14.86%
Hony Capital Group Limited	Interest of a controlled corporation (4)	272,926,000 (L)	14.86%
Hony Group Management Limited	Interest of a controlled corporation (5)	272,926,000 (L)	14.86%
Hony Managing Partners Limited	Interest of a controlled corporation (5)	272,926,000 (L)	14.86%
Exponential Fortune Group Limited	Interest of a controlled corporation (5)	272,926,000 (L)	14.86%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621(L)	8.52%
凱盛科技集團有限公司 (Triumph Science & Technology Group Co., Ltd.*)	Beneficial owner/Interest of a controlled corporation (6)	416,424,621(L)	22.68%
中國建材集團有限公司 (China National Building Material Group Co., Ltd.*)	Interest of a controlled corporation (6)	416,424,621(L)	22.68%
Bank of Communications Trustee Limited	Trustee (7)	152,000,000(L)	8.28%
Ms. Sze Tan Hung	Beneficial owner	164,514,000(L)	8.96%
Mr. Tung Ching Sai	Interest of spouse (8)	164,514,000(L)	8.96%

Notes:

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

(2) New Glory Fund L.P. is a wholly-owned subsidiary of New Glory Management Limited. New Glory Management Limited is taken to be interested in these shares by virtue of Part XV of the SFO.

(3) New Glory Management Limited is owned as to 50% by Bengbu Huajin Holdings Co., Ltd.* and 50% by United Strength Upward Limited. Bengbu Huajin Holdings Co., Ltd. and United Strength Upward Limited are taken to be interested in the shares held by New Glory Management Limited by virtue of Part XV of the SFO.

(4) United Strength Upward Limited is a wholly-owned subsidiary of Hony Capital Group Limited. Hony Capital Group Limited is taken to be interested in these shares by virtue of Part XV of the SFO.

(5) Hony Capital Group Limited is wholly-owned by Hony Group Management Limited. Hony Group Management Limited is owned as to 80% by Hony Managing Partners Limited. Hony Managing Partners Limited is wholly-owned by Exponential Fortune Group Limited. Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited are taken to be interested in the shares held by Hony Capital Group Limited by virtue of Part XV of the SFO.

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

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

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

(9) As at 31 December 2023, the total number of issued Shares is 1,836,218,258.

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

* *For identification purpose only*

SHARE OPTION SCHEME

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

(a) Who may join

The Board may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest (the "Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, the "Qualified Participants" and each, a "Qualified Participant").

(b) The purpose of the Share Option Scheme

The Share Option Scheme seeks to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its Shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(c) Subscription price

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

(d) Grant of option

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

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

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

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

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

(f) *Timing for exercise of options*

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

(g) *Life of the Share Option Scheme*

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

SHARE AWARD SCHEME

The Board approved the adoption of the share award scheme of the Company (the "Share Award Scheme") on 12 December 2011 (the "Adoption Date"). The Share Award Scheme would operate in parallel with the Share Option Scheme. The following is a summary of the principal terms of the rules of the Share Award Scheme:

(a) *Who may join*

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

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

The purposes of the Share Award Scheme are to recognise the contributions made by Selected Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(c) *Operation of the Share Award Scheme*

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

(d) *Life of the Share Award Scheme*

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

(e) *Grant of Awarded Shares*

Subject to the provisions of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any employee (including any employee (including without limitation any executive director) of any member of the Group, but other than any excluded employee pursuant to the Share Award Scheme) for participation in the Share Award Scheme as a selected employee, and grant such number of awarded Shares to any selected employee at no consideration on and subject to such terms and conditions as it may in its absolute discretion determine. The Board is entitled to impose any conditions (including a period of continued service within the Group after the award), as it deems appropriate in its absolute discretion with respect to the vesting of the awarded Shares on the selected employee. In addition to such vesting conditions as may be imposed by the Board, it is also a condition for the grant of awarded Shares that any selected employee shall not transfer or dispose of more than 50 per cent. of the awarded Shares during the period of one (1) year after the date of vesting of such awarded Shares.

(f) *Administration*

In connection with the implementation of the Share Award Scheme, the trustee of the Share Award Scheme will purchase the existing Shares on the market out of cash contributed by the Group and be held in trust for the selected employees until such Shares are vested with the relevant selected employees in accordance with the provisions of the Share Award Scheme.

(g) *Scheme Limit*

Pursuant to the Share Award Scheme, the Board shall not make any further award of awarded Shares which will result in the aggregate nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding ten (10) per cent. of the issued share capital of the Company at the time of such award. As at 31 December 2023 and the date of this report, the total number of issued Shares is 1,836,218,258, therefore, the limit on the grant of awarded Shares under the Share Award Scheme as at such dates are 183,621,825 Shares. The maximum aggregate nominal value of awarded Shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed two (2) per cent. of the issued share capital of the Company at the time of such award.

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 ten (10) years expiring on 12 December 2031, subject to any early termination as may be determined by the Board by a resolution of the Board. Save as the aforesaid, all other material terms of the Share Award Scheme remain unchanged and valid.

As at 1 January 2023 and 31 December 2023, there were no outstanding unvested awards granted to any Selected Employees under the Share Award Scheme. During the year ended 31 December 2023, no shares were awarded or vested to directors and employees of the Group under the Share Award Scheme. Further details of the awards granted under the Share Award Scheme are set out in Note 29(b) to the consolidated financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Director

Mr. Lyu Guo (呂國), aged 60, is the Executive Director, Chief Executive Officer and a Member of the Strategy Committee of the Company. Mr. Lyu is also the chairman, legal representative, director and general manager of certain subsidiaries of the Company. Mr. Lyu is a senior engineer at postgraduate level. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Materials Industry* (武漢建築材料工業學院) (now known as Wuhan University of Technology (武漢理工大學)), majoring in glass. Mr. Lyu joined the Group in August 1984. Mr. Lyu has worked as a vice president of the Company, head of branch factory of the Group's Jiangsu Glass Factory, deputy general manager of Jiangsu Glass Group Company Limited* (江蘇玻璃集團有限公司), general manager of Jiangsu SHD New Materials Company Limited* (江蘇蘇華達新材料有限公司)and Dongtai China Glass Special Glass Company Limited* (東台中玻特種玻璃有限公司), etc. Mr. Lyu is a bearer of National May 1 Labor Medal (全國「五一」勞動獎章獲得者), a Representative Figure of Reform and Opening up of Building Materials Industry in Jiangsu Province (江蘇省建材行業改革開放代表人物)and was awarded the title of 2018 Excellent Entrepreneur in National Building Materials Industry (2018年度全國建材行業優秀企業家). He has over 30 years of extensive experience in corporate management in the glass industry. Mr. Lyu currently serves as a vice president of the China Building Materials Federation.

Non-executive Directors

Mr. Peng Shou (彭壽), aged 63, is the Chairman, a Non-executive Director, the Chairman of the Strategy Committee, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Peng joined the Group since 13 February 2015. Mr. Peng obtained the Bachelor's Degree in Engineering from Wuhan Institute of Building Materials Industry (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree in Management from Wuhan University of Technology in 2001.

Mr. Peng is a member of Chinese Academy of Engineering, senior engineer at professor level, doctoral supervisor, a national engineering survey and design master, expert enjoying special allowance from the State Council, one of the first batch of national candidates for "New Century Hundred-Thousand and Ten-Thousand Talents Project", Deputy Supervisor of International Centre for Materials Technology Promotion of United Nations Industrial Development Organization, strategy scientist and adjunct professor of Wuhan University of Technology, member of the Academic Committee of State Key Laboratory of Silicate Materials for Architectures. He won Science and Technology Innovation Award awarded by the Ho Leung Ho Lee Foundation, Guanghua Engineering Science and Technology Prize, the Medal for Leadership in the Advancement of Ceramic Technology and the Innovation Leader Award of Silicate Technology awarded by The American Ceramic Society, Grishmanov Ivan Alexandrovich award of the Russian Academies of Engineering, the third "Central Enterprise Model", 2017 Excellent Entrepreneur in National Building Material Industry, National Model Worker, National Excellent Science and Technology Worker, and bearer of National May 1 Labor Medal. Mr. Peng led science and technology research team to the second prize of National Science & Technology Progress Award for three times. Mr. Peng has accumulated nearly 40 years of business and management experiences in the building material industry. He is an expert in inorganic non-metallic material research and development as well as engineering design and consultancy.

* *For identification purpose only*

Mr. Peng is the Chief Scientist of China National Building Materials Group Co., Ltd.* (中國建材集團有限公司) (an associate of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司)("Triumph Technology"), a substantial shareholder of the Company), the Chairman of the Board of China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司)("CNBM International", an associate of Triumph Technology), the Chairman of the Advisory Committee of International Commission on Glass, Secretary of Party Committee and President of CNBM Glass New Materials Research Institute, the Director of State Key Laboratory of Advanced Technology for Float Glass, the Vice Chairman of the Board of the Chinese Ceramic Society, the Vice President of China Architectural and Industrial Glass Association and the Vice President of China Building Materials Federation, etc.

Mr. Peng was a Non-executive Director, the President, Chief Engineer and Chief Scientist of China National Building Material Company Limited* (中國建材股份有限公司) (an associate of Triumph Technology, also a listed company on the Hong Kong Stock Exchange), the Secretary of Party Committee, Chairman of the Board and Legal Representative of Triumph Technology, the Legal Representative of CNBM International, the Chairman of the Board, Legal Representative, Secretary of Party Committee and General Manager of CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.* (an associate of Triumph Technology), the Standing Director of the Chinese Ceramic Society, and served as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016.

Mr. Zhao John Huan (趙令歡), aged 61, is a Non-executive Director and a member of the Strategy Committee of the Company. Mr. Zhao joined the Group in January 2005. Mr. Zhao obtained a Bachelor's Degree in Physics from Nanjing University, dual Master's Degrees in Electrical Engineering and Physics from Northern Illinois University in United States, and a Master's Degree in Business Administration from the Kellogg School of Management of Northwestern University in United States.

Mr. Zhao is currently the Chairman of Hony Capital. Mr. Zhao also serves as a Non-executive Director of Legend Holdings Corporation (a company listed on the Stock Exchange), a Non-executive Director of Lenovo Group Limited (a company listed on the Stock Exchange), the Chairman of the board and an Executive Director of Best Food Holding Company Limited (a company listed on the Stock Exchange), and the Chairman of the board and an Executive Director of Goldstream Investment Limited (a company listed on the Stock Exchange).

Mr. Zhao acted as the Chairman of the board and a Non-executive Director of Hospital Corporation of China Limited, and a Non-executive Director of Shanghai Jin Jiang International Hotels Co., Ltd., ENN Natural Gas Co., Ltd., Eros Media World PLC *(formerly known as Eros STX Global Corporation)*, Simcere Pharmaceutical Group Limited and Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司). All the companies mentioned above are listed companies.

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

* *For identification purpose only*

Mr. Zhang Jinshu (張勁舒), aged 42, is a Non-executive Director of the Company. Mr. Zhang joined the Group on 28 August 2018. Mr. Zhang holds a master's degree in electromagnetic field and microwave technology as well as a bachelor's degree in electronic engineering from Shanghai Jiao Tong University. He also holds a master of science degree in applied science and technology from University of California, Berkeley. Mr. Zhang has worked as the vice director of the development and investment department and the director of the securities department of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司)("Triumph Technology", a substantial shareholder of the Company). Mr. Zhang is the deputy chief economist of Triumph Technology and the vice president of China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司)(an associate of Triumph Technology). Mr. Zhang also a director of Olivotto Glass Technologies S.p.A. and Phu My Ultra Clear Float Glass Company Limited, and the supervisor of Triumph Junheng Co., Ltd.. Mr. Zhang worked for Ultralife Corporation (Ultralife China) as an assistant general manager, director of sales and liaison officer from May 2012 to June 2016.

Independent Non-executive Directors

Mr. Zhang Baiheng (張佰恒), aged 62, is an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in January 2005. Mr. Zhang is a university graduate and a senior engineer. He was a pilot and district chief in the Sixth Flight of the People's Liberation Army Air Force Command College of China from 1979 to 1981. From 1981 to 1985, he was a member and district chief at the Staff Officer Faculty of the People's Liberation Army Air Force Command College of China. From 1985 to 1996, he was a staff officer at the Training Department of the People's Liberation Army Air Force Command College of China. Mr. Zhang has extensive experience in the building material industry. He was the deputy director of China Building Materials Federation and the Independent Director of Hainan Development Holdings Nanhai Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Mr. Zhang currently serves as the Independent Director of Jiangsu Xiuqiang Glasswork Co., Ltd.* (江蘇秀強玻璃工藝股份有限公司) (a company listed on the Shenzhen Stock Exchange), the President of China Architectural and Industrial Glass Association, and Member of the Party Committee and Special Vice President of China Building Materials Federation.

Mr. Wang Yuzhong (王玉忠), aged 62, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee of the Company. He joined the Group on 22 June 2021. Mr. Wang obtained a PhD degree in Material Science from Sichuan University in China in 1994. He is currently a professor of the College of Chemistry at Sichuan University and has over 25 years of teaching experience. He specializes in the functionalization and high performance study of macromolecular materials as well as the development of environmentally friendly polymer materials. His major research interests include flame retardants; bio-based and biodegradable polymer materials and the recycling of polymer materials. Mr. Wang is an academician of the Chinese Academy of Engineering, the director of the National Engineering Laboratory for Eco-Friendly Polymeric Materials (Sichuan), the director of the National Engineering Research Center for Advanced Fire-Safety Materials Development and Applications (Shandong), and the director of the Collaborative Innovation Center for Eco-Friendly and Fire-Safety Polymeric Materials (Ministry of Education) (Sichuan), etc.

* *For identification purpose only*

Mr. Chen Huachen (陳華晨), aged 45, is an Independent Non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Chen joined the Group on 27 December 2012. Mr. Chen is a Chartered Financial Analyst. Mr. Chen graduated from the Capital University of Economics and Business in 2001 with a bachelor's degree in Accounting, and graduated from the Faculty of Business of the Hong Kong Polytechnic University in 2006 with a master's degree in Accounting. Mr. Chen also holds an MBA degree awarded by Columbia Business School in 2009. Mr. Chen was a senior staff member at the Department of Public Offering Supervision of the China Securities Regulatory Commission from 2003 to 2007. After graduating from Columbia University, Mr. Chen returned to China and worked for UBS Securities Co. Limited as a director in the Greater China Investment Banking Division from 2009 to 2011. Mr. Chen worked for Qiming Ventures Partners as a partner from 2011 to 2012. Mr. Chen has ample experience in the capital market and financial related matters.

Senior Management

Mr. He Wen (何文), aged 57, is the Vice President of the Company. Mr. He joined the Group on 1 November 2021. Mr. He is a Professorate Senior Engineer. He graduated from the department of Industrial Economics of the School of Economics at Shanghai University of Finance and Economies(SUFE)* (上海財經大學)and gained a Master of Business Administration (MBA) for Senior Management at SUFE. He is also the Australian Institute of Project Management (AIPM) Registered Project Manager, a Senior Engineering Project Manager certified by China Engineering and Consulting Association* (中國勘察設計協會), and a special invited expert of Shanghai Foreign Contract engineering, an expert advisor of Shanghai Municipal Commission of Commerce in "Going Global" and an expert of the Expert Committee of China Association of International Engineering. He is currently the vice president of China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司), and in charge of the company's international business department. Mr. He has extensive experience in marketing and technical management in the field of glass engineering.

Mr. Ye Zhihui (葉誌會), aged 53, is the Vice President of the Company and also the director of certain subsidiaries of the Company. Mr. Ye is a senior engineer. He graduated from Qiqihar Institute of Engineering in 1994 with a bachelor's degree in silicates. Mr. Ye joined the Weihai Glass Factory of the Group in July 1994, who has served as the general manager of certain subsidiaries of the Group and has over 20 years of extensive experience in corporate management in the glass industry. In 2008, Mr. Ye participated in the development of complete set of technology and equipment for float on-line low-emission and TiO_2 series of composite film glass, which was awarded the first prize in the advancement category of the Building Materials Science and Technology Award and was awarded the second prize of the National Building Materials Industry Technological Innovation Award in 2017. Mr. Ye is the 2013 National Model Worker in the building materials industry and the 2019 National Outstanding Entrepreneur in the building materials industry.

Mr. Cai Guo (蔡國), aged 51, is the Vice President of the Company. He also serves as the senior director of the Company's Overseas Business Department and the general manager of China Glass (Nigeria) FZE. Mr. Cai graduated with a bachelor's degree. Mr. Cai joined the Jiangsu Glass Factory of the Group in 1995 and has more than 20 years of working experience and more than 10 years of experience working abroad. He has been responsible for the Group's international trade and overseas operation management for a long time and possesses a profound understanding of and extensive experience in international market development and overseas project operation and management.

* *For identification purpose only*

Mr. Zhang Guan (章貫), aged 40, is the Chief Financial Officer of the Company. Mr. Zhang joined the Group on 1 January 2024. He is a Senior Accountant and a Certified Tax Agent. He graduated from Wuhan University of Technology* (武漢理工大學) with a double bachelor's degree in financial management and computer science and technology. Mr. Zhang is currently the deputy general manager and chief financial officer of Shenzhen Triumph Science & Technology Engineering Co., Ltd.* (深圳凱盛科技工程有限公司). Mr. Zhang was the chief financial officer of certain subsidiaries of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司)(a substantial shareholder of the Company) and has over 10 years of extensive experience in financial management in the glass industry.

Ms. Kuok Yew Lee (郭尤莉), aged 47, is the Company Secretary of the Company. Ms. Kuok has been appointed as the Company Secretary of the Company on 13 December 2017. Ms. Kuok is an Associate of both The Chartered Governance Institute (United Kingdom) and The Hong Kong Chartered Governance Institute ("HKCGI"), holding Chartered Secretary and Chartered Governance Professional dual designations. She is a holder of the Practitioner's Endorsement issued by HKCGI. She also holds a Master of Business Administration (MBA) with Merit in International Management from the University of London, United Kingdom, and a Master of Laws (LLM) with Distinction in International and Commercial Law from the University of Greenwich, United Kingdom. Ms. Kuok is a Doctor of Business Administration (DBA) candidate at the University of Wales Trinity Saint David, United Kingdom. Ms. Kuok has over 15 years of working experience in company secretarial field with multinational and privately held organisations, investment bank, various conglomerate groups listed in several jurisdictions, public accounting firm and international corporate secretarial & consultancy firm. Her main focus is on company secretarial affairs, regulatory compliance and corporate governance, including policy issues concerning corporate boards.

CONNECTED TRANSACTIONS

During the financial year ended 31 December 2023, the Group did not enter into any connected transaction which is subject to disclosure requirement pursuant to Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the financial year ended 31 December 2023, the Group had the following non-exempt continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules:

(1) Procurement framework agreement

As announced by the Company on 21 October 2022 (the "2022 Announcement"), China Glass Investment Limited* (中玻投資有限公司)("China Glass Investment", as the purchaser and an indirect wholly-owned subsidiary of the Company) entered into a procurement framework agreement (the "China Glass Procurement Framework Agreement") with CNBM Triumph Mineral Resources Group Co. Ltd.* (中建材凱盛礦產資源集團有限公司)("Triumph Mineral Resources", as the supplier), pursuant to which China Glass Investment engaged Triumph Mineral Resources to procure various types of raw and fuel materials which are commonly used and essential for the production of glass products, including but not limited to silica sand and soda ash (the "Raw and Fuel Materials") for the manufacturing of glass products carried out by the Group (the "Procurement Transactions").

* *For identification purpose only*

The service is for a term of three years, starting from 1 January 2023 to 31 December 2025. The China Glass Procurement Framework Agreement provides the pricing principles, procurement and payment mechanism and terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Triumph Mineral Resources. Individual purchase orders will be entered into between China Glass Investment and Triumph Mineral Resources for each individual purchase. Triumph Mineral Resources will procure Raw and Fuel Materials through tender and sell the Raw and Fuel Materials to China Glass Investment at cost price.

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

The aggregate prices (including related fees and taxes) of the transactions contemplated under the China Glass Procurement Framework Agreement are subject to the annual caps of RMB1,240 million, RMB1,200 million and RMB1,200 million for the year ended 31 December 2023, and for the year ending 31 December 2024 and 31 December 2025, respectively. During the year ended 31 December 2023, the Group purchased Raw and Fuel Materials amounting to approximately RMB983.15 million (including taxes) from Triumph Mineral Resources for the Procurement Transactions (the "2023 Procurement Transactions").

Raw and Fuel Materials, including but not limited to silica sand and soda ash are essential for the Group's production of glass products, and Triumph Mineral Resources also procures Raw and Fuel Materials in large scale. Whilst the Group has been able to lower its purchase prices due to large-scale procurement, by combining the procurement demand for Raw and Fuel Materials of the Group and Triumph Mineral Resources, the suppliers may potentially offer even more competitive raw material prices than those offered to the Group when the Group is purchasing alone. The Group has been continuously reviewing and exploring for methods to optimize its procurement strategy to manage its procurement costs and establishing a business relationship with Triumph Mineral Resources is one of the methods considered by the Group which became available after business discussions between Triumph Mineral Resources and the Group.

Triumph Science & Technology Group Co., Ltd.*（凱盛科技集團有限公司）("Triumph Group Company", a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Triumph Mineral Resources is an associate of Triumph Group Company under the Listing Rules. Accordingly, the China Glass Procurement Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

* *For identification purpose only*

(2) Supply framework agreement and engineering framework agreement

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

Pursuant to the Supply Framework Agreement dated 12 October 2021, members of the Group and Triumph Group will further enter into separate purchase orders or other confirmation documents for each order in accordance with the terms of the Supply Framework Agreement dated 12 October 2021, which should be valid until 30 September 2024. The annual caps for the Supply Framework Agreement dated 12 October 2021 are RMB50 million, RMB440 million, RMB240 million and RMB180 million for the period from 12 October 2021 to 31 December 2021, for the year ended 31 December 2022, for the year ended 31 December 2023, and for the period from 1 January 2024 to 30 September 2024 respectively. For the year ended 31 December 2023, the aggregate amount paid by members of Triumph Group to the Group in respect of glass supplies (the "2023 Glass Supplies") was approximately RMB32.41 million (including taxes).

Pursuant to the Engineering Framework Agreement dated 12 October 2021, members of the Group and Triumph Group will further enter into sub-agreements or other confirmation documents for each engineering project in accordance with the terms of the Engineering Framework Agreement dated 12 October 2021, which should be valid until 30 September 2024. The annual caps for the Engineering Framework Agreement dated 12 October 2021 are RMB581 million, RMB1,950 million, RMB1,850 million and RMB500 million for the period from 12 October 2021 to 31 December 2021, for the year ended 31 December 2022, for the year ended 31 December 2023, and for the period from 1 January 2024 to 30 September 2024 respectively. For the year ended 31 December 2023, the aggregate amount paid by members of the Group to Triumph Group in respect of engineering supplies (the "2023 Engineering Supplies") was approximately RMB204.74 million (including taxes).

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

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

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

The 2023 Procurement Transactions, 2023 Glass Supplies and 2023 Engineering Supplies (collectively, the “2023 Continuing Connected Transactions”) have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors of the Company have confirmed that the 2023 Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the Company’s shareholders as a whole.

The Company's auditor was engaged to report on the Group's 2023 Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its unqualified letter containing their findings and conclusions in respect of the 2023 Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company confirmed that nothing has come to their attention that causes them to believe that the 2023 Continuing Connected Transactions:

(1) had not been approved by the Board;

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

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

(4) had exceeded the relevant annual caps for 2023 as disclosed in the respective 2022 Announcement and 2021 Announcement.

Save as mentioned above, there was no other disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year ended 31 December 2023.

The material related party transactions are set out in Note 34 to the consolidated financial statements. Save as disclosed above, all the related party transactions did not fall within the scope of non-exempted connected transactions under Chapter 14A of the Listing Rules which are required to comply with the annual reporting, annual review, announcement or independent shareholders' approval requirements.

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Share Award Scheme as set out above, no equity-linked agreements were entered into by the Company, or existed during the year ended 31 December 2023.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

BUSINESS REVIEW

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

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 11 to 14 and the Group's Five Years Financial Summary on page 4 of this Annual Report.

Relationship with Employees

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

Relationship with Customers

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

Relationship with Suppliers

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

Environmental Policies and Performance

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

Details of the Group's environmental policies are contained in the section headed "Environmental, Social and Governance Report" on pages 38 to 54 of this Annual Report.

Compliance with Laws and Regulations

During the year ended on 31 December 2023 and up to the date of this report, as far as the Company is aware, there is no material non-compliance with the relevant laws and regulations applicable to the Group that has a significant impact on the business and operations of the Group.

The applicable laws and regulations which have a significant impact on the business and operations of the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 38 to 54 of this Annual Report.

MATERIAL ACQUISITIONS AND DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITIONS OF CAPITAL ASSETS

On 27 October 2023, China Glass Investment Limited* (中玻投資有限公司) (as purchaser and an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement to conditionally acquire an approximately 51.4706% equity interest in Gansu Kaisheng Daming Solar Energy Technology Co., Ltd.* (甘肅凱盛大明光能科技有限公司) ("Gansu Daming") for a consideration of RMB312,982,380. Gansu Daming is principally engaged in the production and distribution of float glass and photovoltaic glass products. Following the completion on 31 December 2023, Gansu Daming became a non wholly-owned subsidiary of the Company.

Save as disclosed, the Group did not have any material investments or acquisitions of capital assets, or material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2023, or had any significant investments as of 31 December 2023.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

In 2024, the glass industry will be further differentiated and adjusted as the process to cut excessive industrial capacity will continue further. The Group has taken a number of measures to address the uncertainties faced by the industry, for further details, please refer to the subsection headed "Work Plans for 2024" on pages 10 to 11 of this Annual Report.

The Group is also subject to other financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk, in the normal course of the Group's business. Particulars of financial risk management of the Group are set out in Note 36 to the consolidated financial statements.

INVESTOR RELATIONS AND COMMUNICATIONS

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

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2023 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
Peng Shou
Chairman

Hong Kong, 26 March 2024

* *For identification purpose only*

Environmental, Social and Governance Report

ABOUT THE REPORT

Introduction

The Group is a leading flat glass manufacturer and a major coated glass manufacturer in China, with its focus on research and development, production, and sales of a range of coated glass for the construction industry, and glass for energy conservation and new energy fields. Pursuant to the relevant requirements of Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited regarding "Environmental, Social and Governance Reporting Guide" (the "ESG Guide"), the Group will continue to disclose its Environmental, Social and Governance Report annually. In this Environmental, Social and Governance report (the "ESG Report"), the Group has complied with the disclosure requirements of the "comply or explain" provisions contained in the ESG Guide, and the most important contents that are closely related to the business of the Group are set out below:

Reporting Period and Scope

The information published in this ESG Report covers the period from 1 January 2023 to 31 December 2023. The ESG Report covers the relevant policies and performance of the businesses of the Group.

Reporting Standards

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

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

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

- Consistency: There is no significant adjustment on the methods or KPIs used as compared to the Environmental, Social and Governance Report in the Group's 2022 Annual Report. The Group will continue to use consistent methodologies to allow for meaningful comparisons of ESG data over time.

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

Governance Structure

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

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

Stakeholder Engagement and Materiality

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

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

I. WORK ENVIRONMENT

The Group adheres to the principle of "putting people first" and is committed to establishing a fair and impartial selection and evaluation mechanism. Through mechanisms such as multi-channel selection, multi-level appraisal, job competition, a broad development platform was built for employees. By implementing a job rotation system, employees are encouraged to engage in cross-departmental learning and collaboration, thus broadening their perspectives. In order to motivate employees to continuously enhance performance, the Group has implemented a performance-oriented incentive system, continually optimizing performance evaluation indicators to fully mobilise employees' initiative and proactivity. The Group remains vigilant to market changes, continuously adjusts and refines incentive mechanisms to foster mutual growth between employees and the Company. Simultaneously, the Group upholds the concept of "working as a team with mentoring the freshmen by the seniors", fostering mutual trust and cooperation among new and veteran employees. Grounded in medium and long-term strategic development objectives, the Group actively cultivates talent with market-oriented, international, and rejuvenate attributes, continually optimizing the age and educational structure of its workforce to ensure each team possesses rich expertise and innovative thinking to adapt to the ever-changing market environment.

(I) Employment

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

As of 31 December 2023, the Group had a total of 4,774 employees, of which 4,759 were full time employees under employment contracts and 15 were part-time or temporary employees. The age group of employees is mainly ranging from 30-49 years old, comprising those from production, sales, technology research and development and management teams. The increase in the number of employees of the Group in 2023 was mainly due to the operation of a new photovoltaic rolled glass production line and processing line at the Suqian base. In order to meet its production and operation requirements, a number of managerial and production staff were newly recruited; and on 31 December 2023, the Group incorporated Gansu Kaisheng Daming Solar Energy Technology Co., Ltd.* (甘肅凱盛大明光能科技有限公司) into its management system. The annual turnover rate of the Group was approximately 15% and the overall employee structure is stable.

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

		Age group				Geographical region						Gender	
Year	Total number of employees	Below 30	30–49	50–60	Above 60	Jiangsu	Shandong	Shaanxi	Inner Mongolia	Fujian	Others	Male	Female
2023	4,774	1,033	2,387	1,342	12	1,723	1,064	343	281	305	1,058	4,040	734
2022	4,162	615	2,139	1,387	21	1,219	1,077	408	288	322	848	3,492	670

(II) Health and Safety

The Group fully complies with relevant laws and regulations, including the Production Safety Law of the PRC, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, and the Regulations on Production Safety, thoroughly implements the policy of "putting safety first, carrying out prevention before treatment, and implementing treatment by comprehensive management measures", and develops internal corresponding management standards and safety management systems based on the Production Safety Standard Management System (GB/T33000-2016) and Occupational Health and Safety Management System (ISO45001-2018), setting out a series of safety measures required to be taken.

Through the establishment of a system with the "first responsible person for safety management", the Group clearly regulates that the main person in charge of each production base is fully responsible for the production safety of the base, and department heads are fully responsible for the production safety of their respective departments. Production must meet safety requirements to achieve safe production and civilized production. The implementation process is monitored by a committee designated by the senior management through regular inspections and spot checks to ensure the health and safety of employees in the production process.

Through organizing and carrying out a number of major safety inspections in 2023, the Group identified safety hazards of various types promptly. As of the end of this year, rectification had been fully completed. In 2023, the Group's incidence rate of work-related accidents was lower than the industry standard, and the total number of lost days due to work-related injuries was 185 days, which was significantly lower than that in 2022. There was no work-related fatalities of the Group in 2023 (one work-related fatality in 2022; no work-related fatalities in 2021).

In 2023, the Group's occupational health and safety measures are outlined as follows:

- Setting up occupational health and safety management organizations at the Group's headquarters and production bases
- Putting in place dedicated occupational health and safety management personnel
- Formulating and updating the Group's targets for occupational health and safety
- Ensuring investment of resources related to occupational health and production safety
- Strengthening training on the standardised technical operation and maintenance procedures for production equipment
- Reinforcing the management of production site and management and control of production process
- Establishing and improving the file management system for occupational health and employee health monitoring
- Setting up an emergency response agency and team
- Conducting emergency training and drills regularly

The Group puts great emphasis on the prevention and control of occupational diseases. In accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other relevant laws and regulations, the Group develops internal measures and methods for occupational health management, upholds the policy of "prevention first with treatment and cure combined", and combines categorization policy with comprehensive governance, strengthens and implements the responsibilities of each production and operation unit. In order to promote employees' awareness and importance of production safety and occupational health, regular occupational health training sessions are organised for employees. Additionally, the Employee Health Examination Management System has been optimised by the Group, integrating employees' occupational safety and health, as well as the prevention and control of occupational diseases, into the daily management of work safety. In 2023, the Group did not record any cases of occupational diseases among its employees.

(III) Development and Training

The Group prioritises the development and cultivation of talent with market-oriented, international, and rejuvenate attributes as key objectives, attaches great importance to the improvement of comprehensive quality and expertise of the employees. Relevant training is organized in a planned way and professionals are invited to hold training seminars. Employees are provided with:

(i) Orientation training for new employees;

(ii) Skills training for in-service and transferred employees;

(iii) Skills enhancement and technical backbone training for professional positions;

(iv) Internal trainer training;

(v) Specialized training for overseas staff;

(vi) Comprehensive skills training for senior management and middle-level managers; and

(vii) Academic seminars and expatriate training for outstanding employees, and other learning and exchange opportunities.

In 2023, the Group continued to adhere to the training program of "master mentoring apprentices", and provided systematic training tailored to the specific professions for new employees in each base in a target-oriented way, to effectively strengthen the safety awareness and basic theoretical level on the positions of new employees, achieving the expected results. In order to expedite the development of production skills among local staff at the Group's overseas bases, during this year, the Group actively promoted the localisation of employees in overseas companies, continuously optimised the personnel structure at overseas bases, focusing on promoting the implementation of the Localisation Training Management Measures for Employees at overseas companies. The Group intensified efforts to train and utilise local staff, receiving high praise from local government agencies in overseas countries.

In 2023, the average training hours per male and female employee were equivalent, with a wide coverage of employee categories receiving training. The training completion status of each employee within the year, divided by employee category and gender, is detailed as follows:

	By employee category			By gender	
	Senior management	Middle management	General staff	Male	Female
Number of employees	154	524	4,096	4,040	734
Average number of trainees	129	430	3,513	3,424	648
Percentage of employees trained	83.8%	82.1%	85.8%	84.8%	88.3%
Average hours of training	4.3	19.2	78.4	69.6	71.0

(IV) Employee Care

In 2023, the Group further strengthened the management of performance tracking and assessment, to give full play to the role of performance incentives. Through the implementation of the performance incentive scheme, the enthusiasm and income level of employees has been increased effectively. Simultaneously, the Group continues to enhance corporate culture management. While prioritising safety, the Group encouraged all bases to proactively carry out healthy, positive and content-rich cultural and sports competitions and activities during holidays, so as to enhance the physical and mental health of employees, and foster a lively atmosphere. Overseas bases attach great importance to local cultural traditions and community development. Through the organising of "Open Factory Day" events, Kazakhstan base invited local employees' families to visit the factories, effectively enhancing their understanding of the company. This initiative further strengthens the sense of belonging and identity of local employees towards the enterprise. Furthermore, in line with the concept of green development, the Group promotes the optimisation of the appearance of each base for the purpose of improving enterprise appearance and enhancing the corporate civilized image while providing employees with a comfortable working environment.

(V) Labour Standards

The Group strictly complies with the Labour Law of the People's Republic of China and the Labour Contract Law of the PRC for its 85% China-based staff and its overseas staff also strictly complies with the relevant applicable laws and regulations. The Group also strictly complies with the relevant requirements of national laws and regulations in staff recruitment and clarifies the relationship of work allocation between the enterprise and employees from the perspective of systems and mechanisms to safeguard employees' legal rights and interests. The Group conducts comprehensive self-examination on staff recruitment from time to time to prevent and timely remedy potential violations, and adheres to the following guidelines:

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

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

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

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

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

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

In 2023, the Group had no cases in violation of the relevant laws, regulations and standards above.

II. ENVIRONMENTAL PROTECTION

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

(I) Environmental Management System

The Group resolutely implements the government's laws, regulations, standards, and policies on environmental protection. Each base has formulated environmental management system guidelines, Environmental Protection Management Systems and Hazardous Waste Management Measures and other documents in line with its own condition. The Group proactively carries out the ISO14001 environmental management system certification to improve the environmental management level. Each base of the Group has passed the ISO14001 environmental management system certification.

The Group has a sound environmental protection system and each base has established an environmental management system. The Production Technology Department of the Group has a dedicated environmental protection and energy-saving management team who is responsible for environmental protection supervision at the Group level. In each base, there is responsible staff who specialized in environmental protection and energy saving to take responsibility for the operation and management of environmental protection and energy conservation facilities along with other tasks in each base. Smoke and waste gas online monitoring systems installed in each base is connected to the Environmental Protection Department's network, establishing an online system for real-time environmental monitoring to ensure that the emissions are below the national and local emission standards. The environmental management system of each base is audited by the Group internally and third-party organizations every year, and improvement measures are proposed and implemented based on the audit results.

(II) Environmental Protection Objectives

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

(III) Emission Management on Exhaust and Wastewater

The Group has formulated the Environmental Protection Management System in accordance with the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations. Based on the actual situation of each base, the policy of "prevention first with treatment and cure combined and comprehensive treatment" was implemented. Through continuous optimization and improvement of environmental protection facilities and processes, it constantly improves the environmental protection policy and system. It also promotes clean production and resource recycling through continuous implementation of waste gas emission reduction, waste water utilization and other measures, to achieve and strive to exceed the goals of various emission standards and realize the unity of economic benefits, social benefits and environmental benefits.

The Group has adopted policies and measures on various emissions arising from the production of flat glass, including but not limited to the construction of environmental protection facilities for desulphurization, denitrification and dedusting of flue gas from glass melting furnaces. In 2023, the Group's operating costs and upgrading and renovation costs for environmental protection facilities amounted to approximately RMB120 million.

1. *Exhaust Emission:*

During the glass production process, the fuel is burned in the glass melting furnaces, generating nitrogen oxides at high temperatures, as well as sulphur dioxide from fuel and raw materials, so the flue gas contains nitrogen oxides, sulphur dioxide, smoke and other pollutants. Each base of the Group has built a flue gas treatment system, and the flue gas is discharged up to standard after desulphurization, denitrification and dedusting.

In 2023, the bases complied with the following exhaust emission standards:

Base	Enforcement standard for exhaust emission	Discharge standards Unit: mg/m^3 Particulate matter	Sulphur dioxide	Nitrogen oxides
Suqian	Emission Standard of Air Pollutants for Flat Glass Industry (GB26453-2011)/Emission Standard of Air Pollutants for Electronic Glass Industry (GB26495-2013)/Reporting Industry Standards for Suqian "Green Benchmarking" Demonstration Enterprises (S. W. F. Z. [2021] No. 2)	50/50/15	400/400/50	700/700/200
Dongtai	Emission Standard of Air Pollutants for Glass Industry (GB26453-2022) Work Plan for Ultra-Low Emission Reform of Key Industries and Facilities in Yancheng City	30	200	350
Weihai	Emission Standard of Air Pollutants for Building Materials Industry (DB37/2373-2018)	20	100	200
Linyi	Emission Standard of Air Pollutants for Building Materials Industry (DB37/2373-2018)	10	50	100
Shaanxi	Emission Standard of Air Pollutants for Key Industries in Central Shaanxi Region (DB61/941-2018)	20	100	500
Wuhai	Emission Standard of Air Pollutants for Flat Glass Industry (GB26453-2011)	50	400	700
Longyan	Emission Standard of Air Pollutants for Flat Glass Industry (GB26453-2011)	50	400	700

The Group adopted advanced processes and technologies, and strengthened the control over the melting process, achieving remarkable results in flue gas treatment. In 2023, on the basis of a year-on-year increase of approximately 8% in production scale, the total emission of sulphur dioxide of the Group decreased by 23% year-on-year, the total emission of nitrogen oxides decreased by 10% year-on-year, and the total emission of particulate matter increased slightly by 7% year-on-year.

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

(Unit: tonne)

		2023								
No.	**Name of emissions**	**Suqian Base**	**Dongtai Base**	**Weihai Base**	**Linyi Base**	**Shaanxi base**	**Wuhai Base**	**Longyan Base**	**2023 Total**	**2022 Total**
1	Sulphur dioxide	21.9	38.5	61.5	4.7	12.4	58.8	28.0	226	293
2	Nitrogen oxides	24.3	138.9	197.7	64.6	280.4	263.8	16.0	986	1092
3	Particulate matter	1.4	8.3	7.4	6.5	6.4	14.1	2.0	46	43

2. *Wastewater Discharge:*

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

3. *Hazardous Wastes:*

In 2023, the Group generated an aggregate of approximately 62 tonnes of denitration waste catalysts, all of which were entrusted to qualified third parties for disposal. The waste catalysts in each base were recycled after recovery in the catalyst recovery unit according to national management requirements for hazardous wastes. The legal disposal rate of hazardous wastes is 100%.

4. *Non-Hazardous Waste:*

In 2023, the Group generated a total of approximately 31,500 tonnes of non-hazardous waste, mainly including desulphurization waste slag, furnace ash and domestic garbage, which were entrusted to qualified units for recycling or sent to garbage treatment plants for disposal in accordance with local environmental protection requirements.

(IV) Greenhouse Gas Emission Management

Greenhouse gas emissions from the glass production process include fossil fuel combustion, toner oxidation in raw materials, carbonate decomposition of raw materials, net electricity purchase and other production processes, etc. In accordance with the requirements of the Annex 12 – the Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrade in the Flat Glass Industry to the Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrade in Key Fields of High Energy Consumption Industries (2022 Edition) and other relevant laws and regulations, the Group strictly controls the up-to-standard emission of greenhouse gases, which achieves and strives to exceed the goals of emission standards and prompts the Group to optimize the energy structure and reduce energy consumption.

In accordance with the Requirements of the Greenhouse Gas Emission Accounting and Reporting – Part 7: Flat Glass Enterprise (GB/T321517.7-2015) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC, the statistics of greenhouse gas emissions arising from the glass production process in each base in 2023 are as follows:

Unit: tCO_2	Emission from fossil fuel combustion	Emission from toner oxidation in raw materials	Emission from carbonate decomposition of raw materials	Emission from net electricity purchase	Total annual carbon dioxide emissions of enterprises
Suqian Base	251,520	253	87,882	43,993	383,648
Dongtai Base	97,724	255	48,448	7,867	154,294
Weihai Base	251,792	–	49,923	25,422	327,137
Linyi Base	91,418	–	36,906	6,696	135,020
Shaanxi base	135,088	130	40,845	22,464	198,527
Wuhai Base	127,206	–	43,925	13,528	184,658
Longyan Base	88,644	207	40,280	21,491	150,623

The statistics of total greenhouse gas emissions in each base from 2021 to 2023 are as follows:

	2023	2022	2021
Suqian Base	383,648	241,321	88,689
Dongtai Base	154,294	97,426	332,464
Weihai Base	327,137	350,462	521,825
Linyi Base	135,020	135,298	117,973
Shaanxi Base	198,527	224,213	174,284
Wuhai Base	184,658	190,767	205,816
Longyan Base	150,623	163,820	82,607
Total	1,533,912	1,403,308	1,523,658
Density (tCO_2/t)	0.65	0.70	0.77

(V) Low Carbon Operation and Sustainable Development

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

The Group has formulated and optimized the Energy Conservation Management Measures of the Group and each base in accordance with the Energy Conservation Law of the People's Republic of China, the Measures for the Administration of Energy Conservation of Major Energy-Consuming Entities (2018 Revision), the Energy Consumption Limit Per Unit Product of Glass and Cast Stone (GB 21340–2019), the Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrading in Key Fields of High Energy Consumption Industries (2022 Revision) and other relevant laws and regulations.

1. *Energy Use*

In order to further reduce energy consumption and save manufacturing cost, the Group vigorously carries out the policy of cost reduction and efficiency enhancement. Employees are encouraged to put forward rational suggestions on corporate energy conservation and emission reduction. The Group has further strengthened the assessment of resource consumption indicators. In 2023, the total rate of finished products was 92.65% and the unit comprehensive energy consumption was 11.38 kg standard coal/weight case, representing a decrease of 6% year-on-year.

		Total energy consumption of the Group from 2021 to 2023		
Name of energy	**Unit**	**2023 total**	**2022 total**	**2021 total**
Coke oven gas	10,000 M^3	12,781	13,117	12,602
Petroleum coke powder	Tonne	70,953	61,081	91,618
Fuel oil	Tonne	1,893	66,347	115,711
Natural gas	10,000 M^3	32,676	17,331	9,478
Electricity	10,000 kWh	28,222	24,361	23,023
Nitrogen	10,000 M^3	19,876	5,459	8,721
Coal	Tonne	24,307	57,289	55,311

2. *Environment and Natural Resources*

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

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

		Statistics of water consumption in each base in 2023							
Name of energy	**Unit**	**Suqian Base**	**Dongtai Base**	**Weihai Base**	**Linyi Base**	**Shaanxi base**	**Wuhai Base**	**Longyan Base**	**Total**
Water	10,000 tonnes	**47.00**	**53.36**	**63.69**	**28.17**	**55.38**	**21.79**	**56.28**	**325.67**

3. *Climate Change*

Climate change is globally recognized as a long-term systemic risk to all of humanity. A number of departments of the Chinese government jointly issued the Implementation Plan for Carbon Emission Peak in the Industrial Sector, proposing that during the "14th Five-Year Plan" period, positive progress has been made in optimizing the industrial structure and energy use structure, the efficiency of energy and resources utilization has been greatly improved, a number of green factories and green industrial parks have been built, and a number of low-carbon, zero-carbon and carbon-negative technologies and equipment products have been developed, demonstrated and promoted, thus laying a solid foundation for carbon emission peak in the industrial sector. During the "15th Five-Year Plan" period, the layout of the industrial structure will be further optimised, and the intensity of industrial energy consumption and carbon dioxide emissions will continue to decline. Efforts will be made to reach the peak and cut the peak, and the capacity of "carbon neutrality" will be strengthened on the basis of realising the "peak carbon dioxide emissions" in the industrial sector, so as to basically establish a modern industrial system featuring high efficiency, greenness, recycling and low carbon and ensure that carbon dioxide emissions in the industrial sector will reach the peak before 2030.

In order to help the country achieve the goal of "double carbon", the Group is committed to the solution of low carbon economy, ensuring that the company's development is always based on environmental protection. It has set up functional departments for rigorous assessment of compliance with limits of carbon emission and indexes of reduction rate per unit product, and comprehensively adjusted product and energy structure by using clean energy and renewable resources and formulating energy saving measures for energy saving, consumption reduction plan, and emission reduction as well as extensively applying of low-carbon technologies, so as to reduce the Group's impact on global climate change to a minimum.

III. CORPORATE GOVERNANCE

(I) Product Responsibility

1. *Product Quality and Assurance*

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

In 2023, all the Group's bases passed the annual audit by the national product certification agency, and no sold products were recalled due to safety and health reasons.

2. *Product Development and Innovation*

In recent years, the Group has been comprehensively adjusting its product mix, integrating and improving its green industry chain, and expanding into the fields of energy-saving glass and renewable energy. It is devoted to the research and development of high-end energy saving products, and possesses dozens of self-developed national and international patents on glass products. The Group has established a technology research and development department at the headquarters to enhance the Group's ability to conduct research, development and innovation of core technologies along with further enhancement on the Group's independent research and development and fully independent intellectual property rights. Also, it has formulated a strict core technology management system to centrally manage relevant technical personnel and technical documents and keep technologies confidentially, and uses patent applications and other legal weapons to protect core technologies as necessary.

The Group continuously increases the investment in the R&D of energy saving products such as online Low-E coated glass, online Sun-EⓉ energy saving coated glass, TCO coated glass, and photovoltaic glass, and increases the output proportion of special energy saving glass products such as online net color Low-E glass, online Low-E CNG blue, and online Sun-EⓉ energy saving coated glass. It develops and equips with insulated, energy-saving, defogging and deicing Low-E glass for home appliances and conducive glass, as well as online and offline coated glass products for automobile glass to improve the energy saving and sun shading of automobile glass and help upgrade the functions of automobile glass.

Production quantity of energy saving glass and high value-added glass in 2023

Product	Unit	Dongtai Base	Weihai Base	Suqian Base	Total
Online Low-E Coating	10,000 tonnes	0.04	0.05		0.09
Online SUN-E® Energy Saving Coating	10,000 tonnes	2.76	4.57		7.33
Photovoltaic Backplane/Panel Glass	10,000 tonnes			24.70	24.70
Automobile/Car Mirror/ Home Appliances/ TCO Coated Conductive Glass	10,000 tonnes	0.04		11.65	11.69

(II) Supply Chain Management

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

As of 31 December 2023, the Company procured raw materials, fuel and production line equipment from over 310 suppliers, of which over 160 suppliers supplied raw materials, nearly 20 suppliers supplied fuel, and 136 suppliers supplied production line equipment. The above suppliers are all independent third parties and have been evaluated as qualified suppliers, of which 269 are located in China, 25 are located in Nigeria and 22 are located in Kazakhstan. Considering transportation costs and ease of procurement control, domestic suppliers are mostly concentrated in North China, Northwest China and Southeast China. The Group procures raw materials, fuel and spare parts for its equipment from various alternative suppliers, and does not rely on any specific suppliers.

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

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

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

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

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

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

(4) When selecting supplier's products, in addition to avoiding the use of disposable products, focus is placed on products that meet the following conditions:

   (i) more suitable for recycling and reusing, made with more recycled materials, less packaging and more durable;

   (ii) compliance with higher energy efficiency requirements;

   (iii) use environment friendly technologies and/or low-polluting fuels;

   (iv) much less water consumption;

   (v) less emissions irritating or toxic substances during installation or use, or produce or contain less toxic substances during disposal.

(III) Pre-sales and After-sales Services

1. *Customer services*

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

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

   (3) Customer information protection: The Confidentiality Management System of the Group sets out perfect regulations on the protection of all customers' information and privacy. All the information and data of customers are subject to standardized management by specially-assigned personnel, so as to protect the safe storage of related data to prevent loss and leakage. The personnel in connection with the relevant information and files must receive professional knowledge training and sign confidentiality agreements corresponding to their positions. The compliance supervision department of the Group has a routine supervision and review process for the management of customer information to safeguard customers' information.

2. *Customer satisfaction survey*

   The Group has always been guided by customer needs and focused on customer concerns, and proactively carries out various customer service work. In 2023, from four major perspectives (product, delivery, service, and others), the Group conducted a multi-level and multi-dimensional survey of customers' perceptions of the Company's overall cognition, business cooperation and product quality feedback, and solved the problems reported by customers one by one. Customer satisfaction remained high throughout the year.

3. *After-sales services*

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

   In 2023, the Group received a total of 545 quality complaints. The quality assurance department and other departments of each base responded quickly and promptly to quality complaints raised by customers. After joint investigation and responsibility analysis by multiple departments, all quality complaints from customers were properly handled, and there were no major product quality claims. The compliance supervision department supervises and examines the handling process and results of customers' quality complaints to ensure the fairness and justice in handling customer complaints.

(IV) Anti-corruption

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

In accordance with the Group's rules and regulations such as the Whistle-blowing Management System and the Accountability System, in 2023, the Group organized two meetings to call on all cadres, employees and business partners to jointly supervise violations of laws and regulations, set an informant box at each base, and announced the "large-scale and multi-form" whistle-blowing channels. Besides, the Group actively organized all cadres to repeatedly watch anti-corruption propaganda films for them to learn from the cases, which serves as a strong reminder to cadres at all levels to uphold integrity and diligence, further embedding a culture of integrity within the Group.

IV. COMMUNITY CONTRIBUTION

Based on its own resources and capabilities and in fully combination with the needs of the local community, the Group made voluntary donations to local people with disabilities, and provided point-to-point assistance to local villages, through which it gave back to the society and actively engaged in public welfare undertakings. In 2023, the Group donated funds and materials accumulatively amounting to approximately RMB80,000.

Each base attaches great importance to the impact on local ecological and community environment, practically increased investment in environmental protection, and carried out environmental protection and flue gas treatment and plant greening transformation, continuously strived to build a resource-saving and environment-friendly enterprise. At the same time, through satisfaction surveys of the surrounding communities and follow-ups and feedbacks on an ongoing basis, and actively improving projects unsatisfactory to the communities, the harmonious relationship between enterprises and the communities were promoted. In 2023, Suqian Base was awarded the title of "Excellent Enterprise for Harmonious Labor Relations in Jiangsu Province".

Overseas bases have practically implemented the balanced concept of environmental, social and corporate governance and actively contributed to the local social and economic development. As the Group's first overseas production base, Nigeria Base, while ensuring the stability of its production and operation, has joined hands with the industrial park in which it is located to actively participate in the social activities of the local community by assisting in construction and donating goods and materials, dredging roads, and donating funds for construction of schools, wells and solar power generation facilities, which has been highly recognized by the local community and Chinese Consulate-General in Lagos. The Kazakhstan base operates the first float glass production line in Kazakhstan, and combines its own development with the development of the local glass industry, upstream and downstream industries, as well as the local socio-economic development. By strengthening local employee training and the recruitment of more local employees, it provides nearly 200 job opportunities for the local area; by integrating resource supply chains upwards, extending to glass deep processing products downwards to meet local demand, it collaborated with upstream and downstream enterprises and resources in the industry; by organizing community activities such as "Factory Open Day", it improved local community's understanding of glass manufacturing, promoting positive interaction between enterprises and communities, enhancing CNG's influence in the local area, and laying a solid foundation for building a high-quality development ecosystem for the domestic flat glass industry in Kazakhstan.

Corporate Governance Report

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2023, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviation set out in the CG Code C.2.7.

CG Code provision C.2.7 requires the chairman of the Board (the "Chairman") to at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year 2023, all major decisions of the Company were made by the entire Board, and there were no special circumstances requiring independent discussions with the independent non-executive Directors in the absence of other Directors as the entire Board demonstrates a diversity of skills, expertise, experience and qualifications for the requirements of the Company's business which necessary to enhance the effectiveness of the Board and the quality of its performance, and to maintain high standards of corporate governance. Therefore, no such meeting with the independent non-executive Directors was held. Notwithstanding that, the Company has internal policies and arrangements to allow all Directors (including the non-executive Directors) to express their views and raise their concerns in relation to the business and corporate governance of the Company with the Chairman; and the company secretary of the Company (the "Company Secretary") plays an important role in supporting the independent non-executive Directors by ensuring good information flow between the independent non-executive Directors and the Chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Upon specific enquiries, confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2023.

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

THE BOARD OF DIRECTORS

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

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

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 December 2023, a total of 4 Board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. Board minutes/resolutions are kept by the Company Secretary and are available for inspection by the Directors.

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

Corporate Governance Functions

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

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

- to oversee the Company's risk management and internal control systems on an ongoing basis;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Chairman and Chief Executive Officer

The Chairman and the chief executive officer of the Company (the "CEO") are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. During the year 2023, the Chairman, Mr. Peng Shou, provided leadership to the Board so that the Board worked effectively and discharged its responsibilities, and that all major issues were discussed by the Board in a timely manner. On the other hand, the CEO, Mr. Lyu Guo, who is an executive Director, has executive responsibilities over the business directions and operational decisions of the management.

Board Composition

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

The Board members have no financial, business, family or other material relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 26 to 29 of this Annual Report, which demonstrates a diversity of knowledges, skills, expertise, experience and qualifications for the requirements of the Company's business and alignment with the Company's strategic objectives. The Board possess glass industry knowledge/experience, materials science, strategic planning and risk management, business management, financial reporting/management, and legal/regulatory diverse skills set, as well as extensive experience in diversified business, which contribute to the critical functions of the Board and the Company's succession planning; and ensures that the Directors devote sufficient time and make contributions to the Company that are commensurate with their roles and Board's responsibilities.

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

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

Appointments, Re-election and Removal of Directors

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

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

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

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

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

Responsibilities, Accountabilities and Contributions of Directors

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

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

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

Delegation by the Board

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

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

Supply of and Access to Information

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

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

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

Monthly updates had been provided to all Directors for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties (including but not limited to their duties set out under Rule 3.08 and Chapter 13 of the Listing Rules).

Continuous Professional Development of Directors

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and ensure that they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Group. The Company has arranged inhouse trainings for Directors in the form of seminar, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company Secretary would provide relevant reading materials to the Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills. Set out below is a summary of training received by Directors for the year ended 31 December 2023. The Company has devised a training record to arrange the Directors to record and monitor the training they have undertaken on an annual basis.

During 2023, the Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

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

A: attending seminars and/or conferences and/or forums on subjects relating to, inter alia, in depth analysis and insight sharing of the Guidelines on the Implementation of the Policy on Additional Deduction of Research and Development Expenses (Version 2.0), regulatory updates of the Stock Exchange in 2023, and management and case analysis of overseas reputation risks.

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

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

BOARD COMMITTEES

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

Audit Committee

Members:

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

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

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

Full minutes of Audit Committee meetings are kept by the Company Secretary. For the year ended 31 December 2023, the Audit Committee met twice with the external auditors to discuss and review areas of concerns and risk management and internal control systems of the Group for the financial year ended 31 December 2022 and held interim review for the six months ended 30 June 2023. Details of the committee members' attendance at the Audit Committee meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. The Audit Committee reviewed the independence of the external auditors and their re-appointment, as well as the announcement of annual results and annual report of the Group for the financial year ended 31 December 2022, and the announcement of interim results and interim report of the Group for the six months ended 30 June 2023 before submission to the Board for adoption and publication. The committee not only focused on the impact of the changes in accounting policies and practices but also on the compliance with accounting and financial reporting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports, and the AC's terms of reference and rules of procedures.

The Audit Committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing (including audit matters of the Group and reviewed their findings, recommendations and representations) and external auditors' audit plan and strategy for the financial year ended 31 December 2023, as well as the Company's operational, risk management and internal control, and financial reporting matters and systems of the Group. The committee has also reviewed with the Company's management on the major internal audit issues for 2022 and for the six months ended 30 June 2023, the internal audit plan for 2023, the effectiveness of the Group's internal audit function, and the report on Group's ethics and compliance supervision. The discussion also includes, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. In summary, the Audit Committee has reviewed the Group's risk management (including but not limited to material risks related to environment, social and governance) and internal control systems (covering all material control areas, including but not limited to financial control, operational control and compliance control), and is of the view that both the risk management and internal control systems of the Group are effective and sufficient and the internal audit function is still effective.

Nomination Committee

Members:

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

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

The primary duties of Nomination Committee include examining the structure, size and composition of the Board, identifying suitable individual qualified to become Board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by Nomination Committee and agree any appointment of its members and recommend appropriate person for election by shareholders of the Company (the "Shareholders" and each a "Shareholder") at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the year ended 31 December 2023, the Nomination Committee met once to assess the independence of independent non-executive Directors; review the structure, size, composition, diversity aspects and skills matrix of the Board, as well as the effectiveness of the board diversity policy (the "Board Diversity Policy") and the policy for board succession planning (the "Policy for Board Succession Planning") of which except for appointing at least one female director to the Board by no later than 31 December 2024, the Nomination Committee satisfied that such policies are effective; and make recommendation to the Board on the re-election of retiring Directors at the forthcoming annual general meeting of the Company (the "2023 AGM"). Pursuant to the Policy for Board Succession Planning, the Nomination Committee should periodically review and monitor the term limits and/or planned retirement of each Director and CEO. The Nomination Committee took note of the recommended arrangement for retirement plan of Mr. Lyu Guo (as CEO). Details of the committee members' attendance at the Nomination Committee meeting are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

Pursuant to bye-law 99 of the Bye-Laws, Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng (who has been serving as independent non-executive Director for more than 9 years) should retire by rotation at the 2023 AGM and being eligible, have offered themselves for re-election at the 2023 AGM.

The Nomination Committee, having reviewed the Board's structure, size and composition, noted that pursuant to the Bye-Laws and the nomination policy of the Board (the "Nomination Policy") and took into account the various diversity aspects as set out in the Board Diversity Policy, Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng are eligible for nomination, and recommended Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng to the Board for the Board to recommend to the Shareholders for re-election at the 2023 AGM. Mr. Zhang Baiheng abstained from voting on his nomination. The nominations were made in accordance with the Bye-Laws and the Nomination Policy and took into account the various diversity aspects as set out in the Board Diversity Policy, Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng's vast and diverse business background and experience, and their contributions to the Board. The Nomination Committee was satisfied with Mr. Zhang Beiheng's independence with reference to the criteria as set out in Rule 3.13 of the Listing Rules. The Nomination Committee considered that Mr. Zhang Baiheng will continue to bring valuable contribution, business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board accepted the Nomination Committee's recommendations and recommended Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng to stand for re-election by Shareholders under separate resolutions at the 2023 AGM. The Board is of the view that Mr. Lyu Guo and Mr. Zhang Jinshu would bring to the Board their own perspectives, skills and experiences, and Mr. Zhang Baiheng would bring to the Board his own perspectives independent of management or other fellow Directors, diverse and invaluable knowledge, skills and experiences, as well as continually provide constructive challenge for management and other Directors; and resolved to recommend Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng to be re-elected as Directors at the 2023 AGM. The Board considered the re-election of Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng as Directors is in the best interest of the Company and Shareholders as a whole. Mr. Lyu Guo, Mr. Zhang Jinshu and Mr. Zhang Baiheng abstained from voting on each of their respective nominations.

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

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

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

Board Diversity Policy

1 *Purpose*

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

2 *Policy Statement*

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

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

3 *Measureable Objectives*

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

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

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

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

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

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

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

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

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

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

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

4 *Monitoring and Reporting*

The Nomination Committee will monitor the implementation of the Policy.

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

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

5 *Review of the Policy*

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

Nomination Policy

1 *Purpose*

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

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

2 Selection Criteria

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

(a) reputation for integrity;

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

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

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

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

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

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

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

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

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

3 *Nomination Procedures*

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

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

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

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

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

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

4 *Confidentiality*

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

Remuneration Committee

Members:

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

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

The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure for all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration package of the executive Director and make recommendations to the Board of the remuneration of non-executive Directors, by reference to the Board's corporate goals and objectives. During the year ended 31 December 2023, the Remuneration Committee met once to assess the performance of executive Director; to review the annual performance appraisal and remuneration packages of the Group's senior management (including executive Director, who also acts as the CEO), particularly the performance-related pay; and to review the RC's terms of reference and rules of procedures with amendments which are in line with the amended CG Code and Chapter 17 (Share Schemes) of the Listing Rules before submission to the Board for adoption and publication. The emoluments of executive Director have been determined with reference to the duties, responsibilities and involvement in the Group's affairs, his performance, the Group's performance and prevailing market conditions during that particular year(s). The Remuneration Committee also reviewed the non-executive and independent non-executive Directors' fees, which were determined by reference to their duties, responsibilities and involvement in the Company's affairs, and skills, knowledge and performance, taking into account the Company's performance and profitability, and prevailing market situation for similar appointment; and confirmed that no adjustment to such Directors' fees.

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2023 are set out in Notes 8 and 34(d) to the consolidated financial statements. A formal and transparent policy is in place to determine the remuneration packages of the Company's individual Directors and employees (including senior management). The Remuneration Committee took note of the management report that there would be no salary adjustment and annual performance bonus from 2022 to 2023.

Remuneration Policy

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

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

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

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

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

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

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

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

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

The remuneration paid to the members of senior management[1] in 2023 by bands is set out below:

Remuneration Bands	Number of Individuals
RMB0 to RMB500,000	2
RMB500,001 to RMB1,000,000	1
Over RMB1,000,000	3

Note 1: Senior management is referred to persons who are required by paragraph 12 of Appendix D2 to the Listing Rules to provide their brief biographical details in the Company's annual report each year.

Strategy Committee

Members:

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

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

ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS, AND GENERAL MEETINGS

Name of Directors	Meetings Attended/Held During the Year Ended 31 December 2023					
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting[1]	Special General Meetings[1]
Executive Director						
Mr. Lyu Guo *(CEO)*	4/4	–	–	–	1/1	2/2
Non-executive Directors						
Mr. Peng Shou *(Chairman)*	3/4	2/2	1/1	1/1	0/1[2]	1/2[2]
Mr. Zhao John Huan	0/4	–	–	–	0/1[2]	0/2[2]
Mr. Zhang Jinshu	4/4	–	–	–	1/1	2/2
Independent Non-executive Directors						
Mr. Zhang Baiheng	4/4	2/2	1/1	1/1	1/1	1/2[2]
Mr. Wang Yuzhong	4/4	2/2	1/1	1/1	1/1	2/2
Mr. Chen Huachen	3/4	2/2	–	–	1/1	2/2

Notes:

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

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

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Accountability and Financial Reporting

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

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the financial year ended 31 December 2023, confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review, and consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards. The Directors aim to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in all shareholder communications. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore, the Board continues to adopt the going concern approach in preparing the financial statements.

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

Auditors' Remuneration

The financial statements for the year ended 31 December 2023 were audited by KPMG of which the term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that KPMG be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 97 to 104 of this Annual Report.

During the year under review, the total fee payable to KPMG for annual audit services and interim review is RMB9.22 million; and the fee payable to KPMG for non-audit service(s) is RMB0.25 million. The Audit Committee has undertaken a review of the non-audit service(s) provided by the auditors and confirmed that, based on the Audit Committee's opinion, such service(s) would not affect the independence of the auditors.

Risk Management and Internal Control

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

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

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

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

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

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management, internal control systems and internal audit function. The Board has delegated to the Audit Committee the responsibilities of reviewing the effectiveness of the Group's risk management and internal control systems and the Audit Committee has conducted a review on the effectiveness of the Group's risk management, internal control systems and internal audit function for the year ended 31 December 2023. The review has covered all material controls, including financial, operational and compliance controls with an aim of minimising the overall business and operational risks of the Group.

During the year under review, the Board's reviews included, inter alia, the major areas of concerns and risk management and internal control systems of the Group for the financial year ended 31 December 2022 and interim review for the six months ended 30 June 2023; the work scope and quality of management's ongoing control of risks (including environmental, social and governance risks) and of the internal control systems; major internal audit issues and works of internal audit function for 2022 and for the six months ended 30 June 2023; and was aware that, after the last review, the Company had not encountered significant risks (including environmental, social and governance risks) and the Company's ability to respond to changes in business and environment had been further enhanced, and the Company's processes for financial reporting and Listing Rules compliance are still effective. Such reviews would enable the Board to oversee, evaluate and determine the effectiveness of the Company's processes for financial reporting and regulatory compliance.

The Board is also aware that in 2023, the Company has primarily undertaken the following tasks in terms of ethics and compliance supervision.

The management strengthened the construction of the Company's risk management and internal control systems:

1. In terms of safety production management, each subsidiary strictly implemented national and corporate safety production management systems, achieving normalized safety production management, while internal inspections were carried out with greater intensity than required by the system. Throughout the year, each subsidiary cooperated with law enforcement departments for more than 60 inspections, and more than 300 safety hazards were identified, all of which have been rectified. Currently, the safety risk is under control.

2. In terms of environmental protection management, each subsidiary strictly implemented national and local government systems relating to environmental protection management, ensuring compliance with emission standards. There was an environmental responsibility incident in Shaanxi Base where particulate matter emissions exceeded acceptable levels, resulting in penalties from the Environmental Protection Department, and it was classified as a typical case in Shaanxi Province. The Company attached great importance to the environmental incident of excessive emissions in Shaanxi Base, promptly convened the executive officer expansion meeting, and established a specialized group to investigate and handle the situation. In accordance with the Company's accountability management system, the Compliance and Supervision Department imposed penalties such as demotion, salary reduction, and job transfer on the key individuals and relevant personnel involved in this incident, and notified each subsidiary as a cautionary measure. Currently, the environmental risk is under control.

3. In terms of product quality management, in response to the requirements of the new national product quality standard of the flat glass GB11614-2022, which came into effect in August 2023, the Company proactively formulated internal standards that exceed the national standards. The Production Technology Department organized the learning and promotion of the new standards, which were implemented on a trial basis from January. Meanwhile, the base supervisor conducted monthly tracking inspections of the quality control of incoming raw materials as well as acceptance and warehousing of finished products. The product quality management is in compliance with the requirements of the system.

   In terms of after-sales services of product quality, there was a year-on-year increase in small-scale quality complaints and compensation, mainly attributed to the clearance of old inventory and the initial stage of production in Kazakhstan Base. Through amicable negotiations between the Production Technology Department, Marketing Department, Quality Control Department and Sales Department of each subsidiary, and the customers, all issues have been satisfactorily resolved. Meanwhile, the Company continuously improved the management system for after-sales services of product quality, and intensified assessment and supervision efforts, effectively enhancing the subsidiaries' awareness of after-sales service for product quality. Each base company was able to promptly formulate preventive and corrective measures for existing product quality issues. There was no significant product quality compensation incident throughout the year.

4. In terms of occupational health management, each subsidiary strictly implemented the employee occupational health management system, adopted preventive and control measures to avoid and reduce occupational hazards, and organized occupational health examinations for employees in critical positions according to the requirements of the system. Additionally, in order to prevent heatstroke among employees during the hot summer, each subsidiary distributed heatstroke prevention supplies as well as various cooling beverages. The occupational health management is in compliance with the requirements of the system.

5. In terms of taxpaying management and control, the Financial Management Department of the Company strictly implemented the national relevant standards, accounting system, relevant regulations of listed companies and declared and settled taxes in time in accordance with the requirements of tax laws and regulations. Through the inspection by the national taxation authorities and audit conducted by the engaged external audit firm, no tax-related violations were found.

6. In terms of legal risk management and control, the Legal Management Department of the Company effectively dealt with litigation disputes, reducing economic losses and safeguarding the Company's legal rights and interests. Throughout the year, a total of over 96 complex cases, non-litigation disputes and controversies from the past were resolved, 85 legal opinions were issued, and 4 lawyer's letters were sent in coordination with lawyers, effectively mitigating legal risks.

7. In terms of contract risk management, the Company fully utilized the role of legal affairs management in safeguarding the company's operations. In order to prevent contract disputes, the legal specialist strengthened contract management and the review of significant contracts, effectively communicated and collaborated with engaged external lawyers, with the review of total of 597 important contracts of subsidiaries completed and 1,365 different types of review comments provided throughout the year, mitigating risks that could potentially lead to losses for the Company from the source to the fulfillment of contracts.

Carrying out the Company's internal audit function and effectiveness:

1. In terms of system learning: During the year, the Compliance and Supervision Department and the Administration and Human Resources Department organized two sessions for newly promoted cadres to learn important systems such as the whistleblowing management system and the accountability system and the cadres signed the integrity undertaking for lawful operation by officers on site. In addition, the Compliance and Supervision Department organized supervisors from each subsidiary to learn important management systems such as the tender management system, the contract management system and the internal audit management system. Through these initiatives, it has played a significant role in promoting the correct performance of duties by cadres at all levels and fostering the concept of lawful operations.

2. Tendering management work: The Company fully utilizes the role of supervisors to comprehensively track and supervise the tendering process. Throughout the year, each subsidiary collectively arranged more than 120 tendering projects, of which two were halted and required rectification by supervisory authorities due to inadequate tendering procedures and others were executed in accordance with the tender management system and the investment management system.

3. System inspection work: the Compliance and Supervision Department conducted inspections in accordance with the Company's regulations on the implementation of various related systems, such as the entry, measurement and testing of raw and fuel materials at each base as well as the standards for the storage of outdoor products and provided rectification opinions for any non-compliance with the management system requirements. Based on the inspection results, the implementation of systems such as the entry, measurement, testing of raw and fuel materials of each subsidiary and warehousing and storage of finished products was effective.

4. Audit work: During the year, the Company conducted off-office auditing for departing general managers from three bases, and conducted compliance audit for engineering projects and equipment maintenance projects from 2021 to 2022 in seven domestic subsidiaries. For the issues found during the audit, such as non-standard fixed asset investment filing information, blind spots in construction supervision processes, and delays in project acceptance, rectification notices had been issued and the rectification process was supervised. For the issues identified in the audit of three expense items of subsidiaries in 2022, communication with general managers and chief financial officers from individual subsidiaries was conducted through video conferences, rectification suggestions were provided for non-compliant matters, and corrections were made in accordance with the system requirements. The audit system has been effectively implemented.

Strengthening the construction of corporate culture of the Company:

The Company attaches great importance to the construction of corporate culture, the Administration and Human Resources Department is responsible for the daily management of the construction of corporate culture. Through Guandan competition, staff walking event, red education visits and learning and other activities organized by the Company and each subsidiary as specified in this report, the sense of responsibility and mission of employees in the corporate has been enhanced, and the cohesion for the development of the Company has been increased, all of which would support the organisation values of acting lawfully, ethically and responsibly, as well as the Company's business objectives.

Enhancing corporate governance functions of the Company:

1. Management and control of procurement system: Each subsidiary is able to diligently implement relevant systems for procurement system management. Monthly price management committee meeting shall be convened to determine and approve purchase prices and quantities based on the purchase plans reported by the Procurement Department and recent market information provided by information researchers as reference. The Procurement Department carries out procurement work based on the resolutions made at the meetings, and the Production Department supervises and conducts acceptance and warehousing according to the quality requirements, effectively avoiding various kinds of risks that may occur in aspects such as procurement prices and procurement quality.

2. Management and control of sales system: Each subsidiary is able to diligently implement relevant systems for sales management. Monthly price management committee meeting shall be convened to discuss, determine and approve the unit price of products based on the market price reported by the Sales Department and the sales market information provided by information researchers as reference. The Marketing Department carries out work according to the meeting requirements, effectively avoiding various risks in terms of sales price and collection of payments.

3. Investment management and control: The Company controls investment projects in accordance with the investment management system. Investment projects submitted by each subsidiary are preliminarily reviewed by the Investment Management Department, which then organizes the investment management committee of the Company to discuss and review the investment projects in a timely manner, and make collective decisions based on the background and necessity of construction in the feasibility study report, as well as indicators such as the rate of return on investment, etc. A total of 35 investment projects were approved throughout the year, with a total investment of RMB259 million. According to regulations, major investment projects shall be reported to the Board or general meeting for approval. The risk of investment projects is controllable.

4. Management and control of working capital: Each subsidiary is able to diligently implement relevant systems for funds management. The fund management committee meeting is held monthly, and the fund management committee strictly reviews the funds income and expenditure plans submitted by each subsidiary and department, ensuring the safety of daily operating funds and project funds. The Financial Management Department conducts unified control and tracking of the Company's capital activities. While standardizing the approval process and payment control, financial inspection is intensified to ensure the effective management and control of fund operations.

5. Production management, and management and control of R&D: The production management of the Company is strictly executed in accordance with the production technology management system, from the quality control of raw and fuel materials to the operation process indicators and product warehousing, etc., all of which are supervised and evaluated by the Production Technology Department. The Company's product research and development is mainly market-oriented, and during the year, products such as online TCO glass, ultra-white photovoltaic backplane glass, and ultra-white architectural glass have been developed. The technology committee is responsible for the establishment and approval of technological R&D projects and the timely evaluation and assessment of scientific research results; R&D expenditures and patent fees shall be considered and approved in accordance with the system. The implementation of production management and R&D control systems is effective.

6. Data platform monitoring: In order to promptly and effectively grasp data related to production, supply, sales, investment, etc. in each base, the Company has invested in the construction of a digital management platform system in its headquarter office in Shanghai, providing convenient means for monitoring various business sectors.

Promoting and implementing the whistleblowing policy in good order:

During the year, two meetings were organized to study the Company's whistleblowing system and the integrity undertaking for lawful operation by officers, and called on all cadres and employees and business partners to participate in the supervision of illegal and irregular matters. Whistle-blowing boxes have been set up in each subsidiary, and whistleblowing channels have been widely and publicly announced in various forms. Upon receipt of reports, dedicated personnel will be arranged to conduct on-site investigations in a timely manner, the persons involved will be held accountable according to the investigation results, and the results will be fed back to whistleblowers. During the year, two cases were accepted, one of which was a tender-related report that was found to be unsubstantiated and the relevant results have been fed back to the whistleblower. The reported facts of the other case could not be confirmed due to insufficient evidence.

Anti-corruption and integrity tasks:

During the year, two anti-fraud meetings were organized to enhance the awareness of cadres of not willing to and not daring to corrupt. Senior management of domestic and overseas subsidiaries studied the anti-corruption series of propaganda films "alarm bells ringing", "forever on the road" and "guarding the first time" respectively, drawing lessons from previous cases, which served as a good warning to the cadres at all levels of integrity and diligence, and promoted the Company's "deep-rooted" culture of integrity.

In 2023, under the correct leadership of the Board, the management attached great importance to the work of ethics and compliance supervision, and through measures such as institutional learning and watching promotional and educational films, the management effectively reinforced the work style of integrity and self-discipline within the Group, and organized various production and operation activities in accordance with laws and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (INCLUDING INTERNAL AUDIT MANAGEMENT AND CONTROL) OF THE COMPANY IN 2023

Scope of Social Responsibility Management Control System

Regarding the management and control of the Company's social responsibilities in terms of production safety, environmental governance, product quality and service, occupational health and taxation, etc., the Company fully complies with requirements of the relevant systems of the People's Republic of China (the "PRC"). According to the actual situation of the Company, a detailed management system has been formulated, and the social responsibility is divided into three levels of management. The relevant departments of the Company take the lead in organizing the subsidiary of each base to promote the implementation of the management model of responsibility assessment of individuals, which can effectively achieve the purpose of social responsibility and internal audit management and control.

Management and control of production safety: Each subsidiary organizes production activities in strict accordance with the national production safety law and the management requirements of the local government. Every month, each subsidiary will organize a major inspection in respect of production safety according to the system requirements to identify hidden hazards and conduct timely rectification. During the year, the Production Technology Department of the Company organized more than ten comprehensive major inspections, and required each subsidiary to promptly conduct rectification for the hidden safety hazards identified. The production safety system of the Company was operated effectively.

Management and control of environmental protection indexes and emissions: The Company strictly implements the environmental protection law and organized environmental protection work in accordance with the management requirements of the local government. At present, each subsidiary is fully equipped with the environmental protection facilities, the flue gas desulphurization, denitrification and dust removal system are operated normally, with main environmental indexes meeting emission standards. During the year, an environmental responsibility accident occurred at the Shaanxi Base due to excessive emissions of particulate matter. The Company, in accordance with its accountability system, imposed penalties such as demotion, reduction in salary and job transfer on the main and relevant responsible persons involved in this accident. The Production Technology Department of the Company is responsible for the supervision and inspection of the environmental protection work. At present, the environmental protection facilities are in normal operation with robust and effective control mechanisms in place.

Management and control of product quality: The Company strictly follows the requirements of the ISO9000 quality management system to provide customers with satisfactory products and services. The Company actively implements "three refined managements" and carries out internal audits and continuous improvement work according to plan. The Company conscientiously implements the new corporate internal control quality standards, and there has been a significant improvement in product quality and after-sales service. The quality complaints occurred during the year have been satisfactorily resolved through effective communication among the Quality Control Department, Sales Department and customers. All subsidiaries have passed the annual verification by the national product quality certification agencies. The product quality management and control mechanism is effective.

Management and control of occupational health: The Company strictly implements the employee occupational health management system, taking preventive and control measures to avoid and reduce occupational hazards. The labor union organizes and supervises employee labor protection benefits; distributes heatstroke prevention and cooling supplies during the summer; each subsidiary organizes physical examinations for employees in critical positions according to the requirements of the system to ensure the health of the employees. The occupational health management system is effectively implemented.

Taxpaying management and control: The Company strictly implements the relevant regulations of the national accounting system, standards, and the Listing Rules, and has declared and settled taxes on time in accordance with tax regulations. During the year, through inspections by the national tax authorities and audit by the engaged external audit firm, there were no violations in terms of tax of the Company. Taxpaying management and control mechanism is effective.

Internal Audit Function and Effective Management

The Company has set up the price management committee, the fund management committee, the investment management committee, and the production technology committee to scrutinize procurement and sales management, fund management, investment management, and technology research and development management, respectively. Matters approved by the committees are organized and implemented by each subsidiary and department, and supervised by the Compliance and Supervision Department and other relevant departments. The Company has a robust organised internal audit mechanism, and the internal audit and internal control systems are operated effectively.

Information management system: The Company has a perfect information management system to complete the collection of procurement and sales information through multiple channels, including (i) subscription to product pricing information from relevant consulting firms; (ii) the Compliance and Supervision Department has a dedicated information management staff responsible for the compilation of procurement and sales market information as well as market research and development activities; and (iii) information collected by the Strategic Procurement Department and the Marketing Department through various channels. Price information from no less than three channels is reported to the price management committee for decision-making to ensure the reasonableness and accuracy of the pricing of material purchases and product sales. The information management system is operating effectively.

Management and control of procurement system: The Company has formulated procurement management and other related systems, and convenes monthly price management committee meetings to determine the purchase price and quantity based on the bulk raw material purchase plan submitted by the Procurement Department and recent market information provided by the information researchers. The Procurement Department carries out procurement work according to the resolutions of meetings, avoiding various risks in procurement prices, quality, etc.; the Quality Control Department carries out storage inspections according to the quality standard; and the functional departments track the implementation process according to the requirements of the system. The procurement system monitoring mechanism operates effectively.

Management and control of sales system: The Company has formulated related systems for marketing management and convenes monthly price management committee meetings to determine the sales prices and volumes based on the sales prices and volumes submitted by the Sales Department and recent market information provided by the information researchers. The Sales Department carries out sales work according to the requirements of the meeting, avoiding various risks in the sales and collection process. The Finance Department supervises the implementation of sales price, credit business, accounts receivable, etc., and the functional departments track the implementation process in accordance with the requirements of the system. The sales system monitoring mechanism operates effectively.

Investment management and control: The Company has formulated a management system for investment projects, whereby the Investment Management Department conducts detailed analysis on the project background, necessity of construction and rate of return on investment submitted by each subsidiary, and timely convenes meetings of the investment management committee for collective decision-making and approval. In 2023, a total of 35 investment projects were approved, with a total investment budget of RMB259 million. During the implementation of investment projects, in accordance with the requirements of the Company's relevant management system, the supervisory commissioner supervises the entire tendering process of construction projects to prevent non-compliance in the tendering process, and the Financial Management Department is responsible for the engagement of an external audit agency to audit the final accounts. The investment control system operates effectively.

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

Production management and technical R&D: The Company is guided by market demands. In strict accordance with the production technology management system and other relevant documents, the Production Technology Department is responsible for supervision and assessment of the quality control for raw materials and fuels and the specification of operation process indicators, and the products fully meet the quality and quantity requirements of the market. The Company's technological R&D projects are controlled through the approval of projects, and the technology committee is responsible for the establishment, approval and incorporation of relevant projects in work plans and assessment system. The R&D budget shall be controlled according to the approval process, and research results shall be evaluated and patents shall be applied for in a timely manner. The production technology R&D system and research results control are effective.

Inventories management and control: The Company makes full use of the ERP Enterprise Resource Planning system to standardize the inventory entry and exit procedures and inspection process control. The Financial Management Department organizes regular counts of the inventories of each subsidiary every year to find out the reasons for inventory shortage and surplus. Any losses caused by human factors are assessed according to the requirements of the system. Through the annual audit by KPMG, who is an external audit firm, there are no major management and control vulnerabilities in respect of inventories. The inventory management system operates effectively.

Management and control of fixed assets: The Company strictly implements the provisions of the fixed assets management system, including the business processes of procurement, acceptance, transfer, repair and scrapping, etc. The Finance Management Department is responsible for overseeing the annual asset inventory of each subsidiary, and cleaning up idle and scrapped assets in accordance with the requirements of the system, which effectively avoids the idleness of fixed assets and realizes the objectives of preservation of the value of the Company's fixed assets and value-added management. The fixed assets management system operates effectively. On 20 December 2023, Weihai experienced the largest snowfall in a century, with an average snowfall depth of 80 centimeters. This amount of snowfall was greater than the snow load of the original plant design, resulting in the collapse of a warehouse with approximately 40,000 square meters in the Weihai Base. 90% of the losses in plant and products caused by this incident were covered by the incident insurance company, and there was no significant risk of impairment for the plant and finished products.

Management and control of contract audit: Through the formulation of the contract management system, the Company has formulated templates for major categories of contracts, led by the legal director of the Compliance and Supervision Department and with the assistance of the legal adviser engaged by the Company, to standardize the contents of contract signing, changes and default clauses in respect of the contracts submitted by subsidiaries. During the year, 1,365 rectification suggestions were made as a result of the audit of the subsidiaries' contracts. The management and control of contract risks is effective.

Scope of Internal Audit Supervision and Management

For engineering category, an external audit firm is engaged to conduct audit; for financial statements, KPMG, an external audit firm, is engaged to be responsible for the annual audit; the Compliance Department is responsible for internal system audit. The Company has completed rectification for all the issues identified during the audit process.

Audit of financial reports: The Company has established a unified accounting system in accordance with the scope and requirements of the accounting standards for business enterprises and the application guidelines for the accounting standards for business enterprises, regularly issues accounting statements and financial analysis reports, and submits the same to the Board for decision-making. At the end of the year, an audit report issued by the engaged external accounting firm will be submitted to the Board and announced to the public through the websites of the Stock Exchange and the Company, and there are no false reports or material omissions.

Management and control of internal supervision, audit and inspection: The Compliance and Supervision Department of the Company strictly implements the internal audit system and communicated with the general managers and chief financial officers of the bases about the issues found through the off-office auditing of the general managers of the three bases for the current year as well as the compliance audit of the domestic engineering projects and equipment repair projects for the period from 2021 to 2022. The existing issues were sorted out and rectified in accordance with the requirements of the system. Internal audit and supervision are implemented effectively.

Audit of project completion: In accordance with the requirements of the system, each subsidiary has regulated all aspects of the budget, establishment, tendering, construction and acceptance of engineering projects, which are supervised and completed by the Compliance and Supervision Department. Internal audit will be organized by the engineering department of subsidiary upon completion of the project. According to the contract, the budget limit for the region is selected, and the Financial Management Department and the engineering department of the subsidiary are responsible for the engagement of an external audit agency to conduct settlement audit on the project, effectively preventing cost risks. Engineering audit monitoring is effective.

Data information management platform: In order to strengthen supervision and management efforts and improve management efficiency, the Company has invested in the construction of a digital management platform system. The system is able to accurately and timely reflect the information on production, operation and investment of each subsidiary, providing more favorable conditions for various management work.

Effective Management of Anti-fraud Mechanism

In 2023, the Company organized two video conferences for all cadres to learn by watching anti-corruption propaganda films; promulgated the whistle-blowing management system; called on employees to participate in the supervision of violations of laws and regulations; whistle-blowing boxes and whistle-blowing telephone numbers have been set up in each base company; and the Compliance and Supervision Department accepted and handled various kinds of whistleblowing cases in a timely manner. Two cases were accepted this year in which one case was a tender-related whistleblowing report, and the investigation results have been fed back to the whistleblower; the reported facts of the other case could not be confirmed due to insufficient evidence. The whistleblowing mechanism is smooth and effective.

Scope of Human Resource Management Assurance

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

Human Resource Management: With changes in the domestic human resource market and affected by external environmental factors, corporates also at risk of insufficient human resources. The Company continuously expands its channels for the introduction of talents through campus recruitment, talent markets, internal employee recommendations, school-enterprise partnerships and salary adjustments, ensuring timely fulfillment of the Company’s human resource needs.

Incentive mechanism: Every year, the Company organizes the relevant departments to prepare the budgets of its subsidiaries and sign performance contracts in accordance with the Company’s development strategy and annual production and operation planning, annual key work plan and in accordance with the requirements of the comprehensive budget management system. On a monthly basis, performance appraisals are conducted on a hierarchical basis (superiors to subordinates) based on the fulfillment of the monthly performance contracts, and the results of the appraisals are linked to the monthly variable pay. At the end of the year, a comprehensive analysis of the annual budget implementation results is conducted, and the Administration and Human Resources Department conducts annual performance appraisals for each department and subsidiary based on the fulfillment of performance contracts and the results are linked to the annual performance bonuses, which effectively enhances the motivation of the majority of cadres and employees. The incentive mechanism is effective.

Scope of the Company’s Cultural Construction

The Company attaches great importance to the construction of corporate culture. The Board of the Company is the highest authority for corporate culture management, and the Administration and Human Resources Department is responsible for construction of corporate culture and daily management. Through training and education, organizing collective entertainment competitions, red education visits, internal video learning and other activities organized by the Company and each subsidiary as specified in this report, the sense of responsibility and sense of mission of employees in the corporate are continuously enhanced and cohesion for the development of the Company is increased, all of which would support the organisation values of acting lawfully, ethically and responsibly, as well as the Company's business objectives.

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

Company culture construction: During the year, the Administration and Human Resources Department promoted the Company's development vision, core values and other company cultures to domestic and overseas newly commissioned production lines by means of videos and meetings, effectively accomplishing the unification of the Company's cultures and enabling the sustainable and healthy development of the Company's culture construction.

Continuous Improvement in Internal Evaluation

Centralized procurement and tendering: Through annual review, the coverage rate of tendering projects in 2023 has been greatly improved compared to the previous year. The majority of the Company's purchases of bulk raw and fuel materials are procured through centralized procurement and tendering, while other materials are procured by each base using price comparison and price inquiry. Disposal of idle assets and scrap materials is carried out through auctions on the internet platform, achieving fairness, justice, and increased profits.

Improvement suggestions: Continue to expand the scope of centralized procurement and tendering to reduce procurement costs.

Improvement in product quality: During the year, the Group's product quality control was significantly improved compared with that of the previous year, and with the promulgation and implementation of a new corporate standard on the basis of the new national standard, the standard of product quality was further raised.

Improvement suggestions: Insufficient promotion of the Company's "CNG" brand and specialty varieties, further efforts are needed.

Conclusion

In 2023, the Company carried out its production and operation work in accordance with a scientific and complete internal management and monitoring system. Issues identified in the audit during the year were rectified and improved one by one by adopting effective preventive measures, the management system was implemented in a robust manner, and the supervisory and audit functions were effectively implemented.

The management has provided a confirmation to the Board on the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2023. The Board acknowledges its responsibility for the risk management and internal control systems, and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board and the Audit Committee considered the risk management and internal control systems to be effective and adequate. They also considered the adequacy of resources, staff qualifications and experience, training and budget of the Company in terms of accounting, internal audit and financial reporting functions, as well as those relating to the Company's environment, social and government (ESG) performance and reporting. No significant areas of concern that might affect our stakeholders, including the Shareholders, were identified during the year under review.

COMPANY SECRETARY

During 2023, Ms. Kuok Yew Lee ("Ms. Kuok"), a full-time employee of the Company, is the Company Secretary who reports to the CEO and the CFO of the Company, and is responsible for advising the Board on regulatory compliance and corporate governance matters, ensuring the Board procedures are duly followed and Board activities are efficiently and effectively conducted, and facilitating induction and continuous professional development of Directors. All Directors have access to the advices and services of Ms. Kuok on regulatory compliance, corporate governance and Board practices matters. Ms. Kuok confirmed that she has taken 39 hours of enhanced continuous professional development training for the financial year ended 31 December 2023. The biography of Ms. Kuok is set out on page 30 of this Annual Report.

SHAREHOLDERS' RIGHTS

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

(A) *Right to convene SGM*

Bye-Laws

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

Companies Act

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

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

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

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

(B) Right to put forward proposals at General Meetings

Companies Act

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

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

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

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

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

(b) not less than one hundred Shareholders.

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

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

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

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

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

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

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

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

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

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

Procedures to send Enquiries to the Board

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

Dividend Policy

1 *Purpose*

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

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

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

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

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

2 *Factors for Consideration*

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

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

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

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

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

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

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

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

3 *Procedures for Declaration and Payment of Dividends*

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

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

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

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

4 *Reporting*

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

5 *Review of the Dividend Policy*

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

Shareholders Engagement

The Company recognises the importance, and takes high priority, on communication with its Shareholders. The general meetings provide a channel for communication and good opportunity for exchange view between the Board and the Shareholders. The Board has adopted a shareholders' communication policy. The policy is subject to review on a regular basis to ensure its effectiveness. The Board conducted a review of the implementation and effectiveness of the shareholders' communication policy. Having considered the multiple channels of communication and engagement in place (as well as the arrangements set out in this report and policy), the Board is satisfied that the policy has been properly implemented during 2023 and is effective.

The Board has adopted the revised shareholders' communication policy in March 2024 (the "Revised Shareholders' Communication Policy") with amendments for compliance with the expanded paperless listing regime and electronic dissemination of corporate communications as set out in the amended Rule 2.07A of the Listing Rules that came into effect on 31 December 2023.

Revised Shareholders' Communication Policy

1. *Purpose*

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

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

2. *General Policy*

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

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

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

3. *Communication with the Shareholders*

Corporate Communications

3.1 Corporate Communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, the directors' report and annual accounts together with a copy of the auditor's report, the interim report, a notice of meeting, a circular and a proxy form (including any "corporate communication" as defined in the Listing Rules).

3.2 Corporate communications will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders may change their choice of language (either English and/or Chinese) or means of receipt of the Corporate Communications (in hard copy or through electronic means).

3.3 For communication efficiency and environmental protection, electronic dissemination of Corporate Communications is, to the extent permitted by applicable laws and regulations, adopted by (i) sending Corporate Communications to the Shareholders by electronic means; and (ii) making Corporate Communications available on the websites of the Company (www.chinaglassholdings.com) and the Stock Exchange (www.hkexnews.hk), unless hard copy is otherwise requested. Shareholders will receive a notice of publication of the website version of Corporate Communications by post or through email in accordance with their indicated preference.

Notwithstanding the above, actionable corporate communications (refer to any corporate communication that seeks instructions from the Company's securities holders on how they wish to exercise their rights or make an election as the Company's securities holder) will be sent to Shareholders (i) individually in electronic form; or (ii) in hard copy form (for those Shareholders who did not provide their functional electronic contact details), in addition to being made available electronically on the websites of the Company and the Stock Exchange.

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

Corporate Website

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

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

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

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

Shareholders' Meetings

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

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

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

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

Investment Market Communications

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

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

4. *Communication with the Company*

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

The Company Secretary of the Company

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

The Share Registrar of the Company

4.3 Shareholders should direct any questions about their registered shareholdings by mail to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or visit https://www.computershare.com/hk/en/online_feedback, who has been appointed by the Company to assist the Shareholders with share registration and related matters.

5. *Shareholder Privacy*

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

6. *Publication of the Policy*

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

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

The Board and senior management maintain a continuing dialogue with the Company's Shareholders and investors through various channels including the Company's general meetings. In 2023, the Directors (including the chairman and/or members of the respective Board Committees) and the Company's external auditors attended the 2023 AGM and were available to answer questions. For special general meeting held on 31 July 2023 by mean of an online virtual meeting for approving the reduction of share premium; the accumulated losses set off; and the distribution out of contributed surplus account, the Directors (including the chairman and members of the respective Board Committees) attended the meeting and were available to answer questions. For special general meeting held on 18 December 2023 by mean of an online virtual meeting for approving the finance lease arrangements, the Directors (including the chairman and/or members of the respective Board Committees) and the Company's external auditors attended the meeting and were available to answer questions. Both registered and non-registered Shareholders participated in such online virtual meetings had been counted towards the quorum and be able to cast their votes and submit questions relevant to the proposed resolution(s) through the online platform. For supporting the Shareholders to speak at the meetings, the Company had arranged a telephone facility facilitating them to call in during question and answer session. Details of the Directors' attendance at the general meetings held in 2023 are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. The 2024 annual general meeting ("2024 AGM") will be held on 19 June 2024. The notice of 2024 AGM will be published and issued to Shareholders (in the manner as required by the Listing Rules) at least 21 clear days before the 2024 AGM.

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

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

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

EMPLOYEES DIVERSITY

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

In order to meet the development needs of companies by the Group, the companies has established the recruitment management system. In line with the principles of objectivity and fairness, equal competition, and internal promotion before external recruitment, the companies emphasize the moral integrity of candidates and gives priority to morality and the best candidates are recruited as employees based on the nature of positions and job descriptions. The companies strictly abides by laws and regulations including the labor law of the PRC, the employment promotion law, the law on the protection of women's rights and interests and the special provisions on labor protection for female employees, as well as laws and regulations of foreign countries ensures equal employment rights for female employees, and special protection is given to female employees and no gender discrimination occured.

In order to achieve the basic goal of gender non-discrimination, according to the whistleblowing system, the Compliance and Supervision Department will file a case to deal with gender discrimination and other behaviors that damage the legitimate rights and interests of employees, to proactively encourage employees to protect their own legitimate rights and interests. No related cases were reported to the Company in 2023.

As at 31 December 2023 and 31 December 2022, the gender ratio of all employees (including senior management) of the Group is as follows:

Gender ratio of all employees of the Group			
	Total*	**Male**	**Female**
As at 31 December 2023			
Number of employees	4,774	4,040	734
Proportion		84.63%	15.37%
As at 31 December 2022			
Number of employees	4,162	3,492	670
Proportion		84%	16%

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

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

By nature of employment			
	Total	**Full-time**	**Part-time** (Note)
As at 31 December 2023			
Number of employees	4,774	4,759	15
Proportion		99.69%	0.31%
As at 31 December 2022			
Number of employees	4,162	4,151	11
Proportion		99.74%	0.26%

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

By gender			
	Total*	Male	Female
As at 31 December 2023			
Number of employees	4,759	4,028	731
Proportion		84.64%	15.36%
As at 31 December 2022			
Number of employees	4,151	3,487	664
Proportion		84%	16%

* *Only full-time employees are counted*

The Group is mainly engaged in glass manufacturing. Based on the industry characteristics of the manufacturing industry, in order to fulfill the demands of production and operation, the employees of the Group are mainly male. Although the increase in the number of employees of the Group as at 31 December 2023 as compared to that as at 31 December 2022 is a natural consequence of the growth in mergers and acquisitions and the increase in the business, the overall male to female ratio of the Group's employees is maintained at a similar level. There is no circumstance which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

By category of employees					
	Gender		Senior management	Managers	General employees
As at 31 December 2023	Male	Number of employees	134	446	3,448
		Proportion	87.01%	85.11%	84.49%
	Female	Number of employees	20	78	633
		Proportion	12.99%	14.89%	15.51%
	Total number of employees*		154	524	4,081
As at 31 December 2022	Male	Number of employees	110	345	3,032
		Proportion	89%	84%	84%
	Female	Number of employees	13	64	587
		Proportion	11%	16%	16%
	Total number of employees*		123	409	3,619

* *Only full-time employees are counted*

According to statistics, the ratio of male to female in each category of employees is consistent with the overall male to female ratio of the Group, and the proportion of female senior management has certainly increased as compared to 2022. The Group has established the recruitment management system to provide open and fair opportunities for promotion to numerous employees based on the principles of objectivity and fairness, equal competition, merit-based recruitment, and internal promotion before external recruitment. The internal recruitment announcements for employees are notified within the companies and posted on the bulletin board to ensure that they are conveyed to every employee. The internal recruitment review team organized by the Human Resources Department conducts internal review, and the review results come into effect after approval by the president.

By age					
	Gender		Under 30	30 to 49	50 and above
As at 31 December 2023	Male	Number of employees	882	1,834	1,312
		Proportion	85.47%	77.09%	97.33%
	Female	Number of employees	150	545	36
		Proportion	14.53%	22.91%	2.67%
	Total number of employees*		1,032	2,379	1,348
As at 31 December 2022	Male	Number of employees	508	1,594	1,385
		Proportion	84%	75%	98%
	Female	Number of employees	98	543	23
		Proportion	16%	25%	2%
	Total number of employees*		606	2,137	1,408

* *Only full-time employees are counted*

By geographical region							
	Gender		China (including Hong Kong)	Kazakhstan	Nigeria	Italy	Turkey
As at 31 December 2023	Male	Number of employees	3,515	244	179	80	10
		Proportion	83.49%	92.08%	95.21%	94.12%	90.91%
	Female	Number of employees	695	21	9	5	1
		Proportion	16.51%	7.92%	4.79%	5.88%	9.09%
	Total number of employees*		4,210	265	188	85	11
As at 31 December 2022	Male	Number of employees	3,042	178	189	64	14
		Proportion	83%	97%	96%	86%	93%
	Female	Number of employees	640	6	7	10	1
		Proportion	17%	3%	4%	14%	7%
	Total number of employees*		3,682	184	196	74	15

* *Only full-time employees are counted*

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

OPINION

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 212, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

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

The Key Audit Matter	How the matter was addressed in our audit
For the year ended 31 December 2023, the Group had net loss of RMB487,408,000. As at 31 December 2023, the Group had net current liabilities of RMB6,096,247,000. Note 2(b) to the consolidated financial statements explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group. The directors of the Company made their assessment of the Group's ability to continue as a going concern by preparing a cash flow forecast in which certain key assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and necessary capital expenditure for glass products and the availability of banking and other financing facilities as well as financial assistance from the largest shareholder of the Company, namely Triumph Science Technology Group Co., Ltd.* (the "Triumph Group"), which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd., a central state-owned enterprise. Based on the assessment, the directors concluded that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. We identified going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Group which are inherently uncertain.	Our audit procedures in respect of the directors' assessment of the Group's ability to continue as a going concern included the following: • assessing and challenging the key assumptions used by management in the cash flow forecast (including forecasted sales volumes, average selling prices, raw materials costs and necessary capital expenditure for glass products) and evaluating whether there were any indicators of management bias by comparing the key assumptions, where possible, to budgets reviewed by management and market and other externally available information; • comparing the cash flow forecast prepared in the prior year with the current year's performance of the Group to assess how accurate the prior year's cash flow forecast was and making enquiries of management as to the reasons for any significant variations identified; • assessing the availability of banking and other financing facilities during the forecast period by inspecting relevant underlying documentation in relation to banking and other financing facilities and evaluating whether the financing facilities were sufficient to meet the Group's needs in the context of the cash flow forecast, taking into the account any breach of loan covenants which may trigger early repayment of loans;

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

KEY AUDIT MATTERS (continued)

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

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

KEY AUDIT MATTERS (continued)

Potential impairment of property, plant and equipment

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

The Key Audit Matter

As at 31 December 2023, the Group's property, plant and equipment in the consolidated statement of financial position mainly comprises plant, buildings, machinery and equipment used in the Group's glass production lines, had a total carrying value of RMB9,935,816,000.

The Group's property, plant and equipment is allocated to relevant cash generating units ("CGUs") for the purpose of assessing if there is any impairment at the end of the reporting period.

In accordance with the prevailing accounting standards, management performed assessment at the end of the reporting period to determine whether there was any indication that these properties, plant and equipment may be impaired. An asset is impaired when its recoverable amount, or the recoverable amount of the cash generated unit to which it belongs, is less than its carrying amount.

Management considered that there were indicators of potential impairment of property, plant and equipment at 31 December 2023 because certain CGUs have sustained losses, consequently, management prepared impairment assessments of the loss-making CGUs by assessing their recoverable amounts using value in use calculations based on discounted cash flow forecasts.

The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating future production and sales volumes and future unit selling prices and unit costs for the relevant CGUs in different locations and in determining the discount rates applied, all of which may be inherently uncertain.

We identified assessing potential impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment included the following:

- assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards;
- engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards;
- challenging the key assumptions adopted in the discounted cash flow forecasts, including future production and sales volumes and future unit selling prices and unit costs by comparing these inputs with the historical results of each CGU and economic and industry forecasts;
- evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry;
- performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias in the process; and
- assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of property, plant and equipment with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing potential goodwill impairment

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

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2023, goodwill of the Group amounted to RMB305,679,000 in total was allocated to operations in design and installation service and operations in glass production and sales. Goodwill is assessed annually for potential impairment by management based on discounted cash flow forecasts of the future performance of the operations in design and installation service and operations in glass production and sales acquired. This involves significant management judgement and estimation including future revenue growth rate, profit margins and the discount rate applied. We identified assessing potential goodwill impairment as a key audit matter because of the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess the potential impairment of goodwill in relation to the acquisition included the following: • assessing management's identification of CGUs and the allocation of assets and liabilities to the CGUs with reference to the requirements of the prevailing accounting standards; • engaging our internal valuation specialists to assist us in evaluating management's valuation methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards; • evaluating management's cash flow forecasts for the CGUs, comparing these with board approved business plans; challenging the key assumptions, which included revenue growth rate and profit margins, by comparing these forecasts with the historical performance of the CGUs and industry information; • evaluating the discount rate used in the cash flow forecast by benchmarking against other similar companies in the same industry; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts, including the discount rate, revenue growth rate and forecast profit margins, and considering the resulting impact on management's conclusion in respect of the impairment assessment and whether there were any indicators of management bias; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including, the key assumptions and sensitivities, with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

26 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	**5,307,924**	4,327,196
Cost of sales		**(5,008,413)**	(3,689,007)
Gross profit	4	**299,511**	638,189
Other income	5	**188,604**	170,638
Distribution costs		**(114,049)**	(101,166)
Administrative expenses		**(394,344)**	(330,717)
Impairment losses on receivables and contract assets	36(a)	**(953)**	(23,853)
Other operating expenses	6(c)	**(141,875)**	–
(Loss)/profit from operations		**(163,106)**	353,091
Finance costs	6(a)	**(389,964)**	(267,713)
Net gain on acquisition of interests in a joint venture		**33,628**	–
Net gain on disposal of interests in a joint venture		**98**	–
Share of losses of joint ventures		**(31,280)**	(60)
(Loss)/profit before taxation	6	**(550,624)**	85,318
Income tax	7	**63,216**	16,457
(Loss)/profit for the year		**(487,408)**	101,775
Attributable to:			
Equity shareholders of the Company		**(409,756)**	116,168
Non-controlling interests		**(77,652)**	(14,393)
(Loss)/profit for the year		**(487,408)**	101,775
(Loss)/earnings per share (RMB cent)			
Basic	11(a)	**(24.3292)**	6.9029
Diluted	11(b)	**(24.3292)**	6.9022

The notes on pages 113 to 212 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 31(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
(Loss)/profit for the year		**(487,408)**	101,775
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Item that will not be reclassified to profit or loss:			
– equity securities at fair value through other comprehensive income (FVOCI) – net movement in fair value reserve (non-recycling)		**(948)**	(75)
Item that may be reclassified subsequently to profit or loss:			
– exchange differences on translation		**(628,475)**	(112,687)
Total comprehensive income for the year		**(1,116,831)**	(10,987)
Attributable to:			
Equity shareholders of the Company		**(1,039,121)**	3,411
Non-controlling interests		**(77,710)**	(14,398)
Total comprehensive income for the year		**(1,116,831)**	(10,987)

The notes on pages 113 to 212 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	12	**9,935,816**	8,517,228
Investment property	13	**33,944**	36,808
Right-of-use assets	14	**616,615**	510,028
Intangible assets	16	**203,668**	52,500
Other non-current assets	12	**151,936**	131,640
Goodwill	17	**305,679**	129,755
Interests in joint ventures	18	**51,718**	6,161
Equity securities designated at FVOCI		**247**	1,510
Deferred tax assets	30(b)	**323,068**	233,201
		11,622,691	9,618,831
Current assets			
Inventories	19	**982,623**	1,078,882
Contract assets	20(a)	**26,428**	27,697
Trade and bills receivables	21	**416,257**	527,452
Other receivables	22	**499,537**	416,009
Prepayments	23	**197,739**	262,616
Prepaid income tax	30(a)	**4,122**	4,020
Cash on hand and at bank	24(a)	**1,210,846**	1,349,796
		3,337,552	3,666,472
Current liabilities			
Trade and bills payables	25	**622,186**	435,896
Accrued charges and other payables	26	**2,034,611**	1,026,266
Contract liabilities	20(b)	**321,221**	284,627
Bank loans and other borrowings	27(a)	**6,311,498**	4,599,755
Lease liabilities	28	**13,356**	10,397
Income tax payable	30(a)	**130,927**	132,076
		9,433,799	6,489,017
Net current liabilities		**(6,096,247)**	(2,822,545)
Total assets less current liabilities		**5,526,444**	6,796,286

The notes on pages 113 to 212 form part of these consolidated financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank loans and other borrowings	27(b)	**3,111,152**	3,338,673
Lease liabilities	28	**73,090**	65,354
Deferred tax liabilities	30(b)	**107,335**	92,647
Other non-current liabilities		**10,263**	8,713
		3,301,840	3,505,387
NET ASSETS		**2,224,604**	3,290,899
CAPITAL AND RESERVES	31		
Share capital		**85,951**	85,951
Reserves		**1,432,375**	2,499,427
Total equity attributable to equity shareholders of the Company		**1,518,326**	2,585,378
Non-controlling interests		**706,278**	705,521
TOTAL EQUITY		**2,224,604**	3,290,899

Approved and authorised for issue by the board of directors on 26 March 2024.

Peng Shou
Chairman

Lyu Guo
Director

The notes on pages 113 to 212 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in RMB)

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

The notes on pages 113 to 212 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 31 (c))	Share premium RMB'000 (Note 31 (d)(i))	Shares held under share award scheme RMB'000 (Note 31 (d)(ii))	Capital reserve RMB'000 (Note 31 (d)(iii))	Statutory reserve RMB'000 (Note 31 (d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 31 (d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 31 (d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	**85,951**	**1,608,232**	**(69,189)**	**20,769**	**40,785**	**(438,578)**	**(162,952)**	**125**	**1,500,235**	**2,585,378**	**705,521**	**3,290,899**
Loss for the year	–	–	–	–	–	–	–	–	(409,756)	(409,756)	(77,652)	(487,408)
Other comprehensive income	–	–	–	–	–	–	(628,475)	(890)	–	(629,365)	(58)	(629,423)
Total comprehensive income	–	–	–	–	–	–	(628,475)	(890)	(409,756)	(1,039,121)	(77,710)	(1,116,831)
Acquisition of non-controlling interests ("NCI") of a subsidiary (Note 33)	–	–	–	–	–	–	–	–	–	–	(55,904)	(55,904)
Acquisition of a subsidiary (Note 32)	–	–	–	–	–	–	–	–	–	–	134,371	134,371
Reduction of share premium and accumulated losses set off of the Company	–	(84,330)	–	–	–	–	–	–	84,330	–	–	–
Distributions approved in respect of the current year (Note 31(b)(iii))	–	(30,408)	2,477	–	–	–	–	–	–	(27,931)	–	(27,931)
	–	(114,738)	2,477	–	–	–	–	–	84,330	(27,931)	78,467	50,536
Balance at 31 December 2023	**85,951**	**1,493,494**	**(66,712)**	**20,769**	**40,785**	**(438,578)**	**(791,427)**	**(765)**	**1,174,809**	**1,518,326**	**706,278**	**2,224,604**

The notes on pages 113 to 212 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in RMB)

	Note	**2023** **RMB'000**	2022 RMB'000
Operating activities			
(Loss)/profit before taxation		**(550,624)**	85,318
Adjustments for:			
Depreciation and amortisation	6(d)	**498,394**	389,892
Net gain on disposal of property, plant and equipment	5	**(3,147)**	(3,558)
Net gain on acquisition of interests in a joint venture		**(33,628)**	–
Net gain on disposal of interests in a joint venture		**(98)**	–
Impairment losses on property, plant and equipment	6(c)	**141,875**	–
Impairment losses on receivables and contract assets	36(a)	**953**	23,853
Interest income	5	**(25,192)**	(17,306)
Compensation income		**–**	(54,678)
Insurance claims income		**(58,935)**	–
Interest expenses and other finance costs	6(a)	**387,228**	278,020
Share of losses of joint ventures		**31,280**	60
Changes in working capital:			
Decrease/(increase) in inventories		**148,551**	(245,974)
Decrease in contract assets		**1,269**	7,493
Decrease/(increase) in trade and bills receivables		**165,761**	(337,858)
Decrease in other receivables and prepayments		**41,220**	50,126
Increase in trade and bills payables		**179,510**	426,180
Decrease in accrued charges and other payables		**(350,949)**	(90,986)
Increase in contract liabilities		**17,039**	79,701
Cash generated from operations		**590,507**	590,283
Income tax paid	30(a)	**(34,121)**	(148,354)
Net cash generated from operating activities		**556,386**	441,929
Investing activities			
Payment for the purchase of property, plant and equipment		**(657,516)**	(1,575,282)
Payment for the purchase of right-of-use assets		**(79,924)**	(14,618)
Proceeds from relocation of production plants and disposals of property, subsidiaries plant and equipment and land use rights		**54,995**	18,162
Proceeds from disposal of interests in a joint venture		**6,259**	–
Payment for acquisition of subsidiaries, net off cash acquired		**(9,270)**	(290,201)
Payment for acquisition of interests in a joint venture		**(39,548)**	–
Payment for development of intangible assets		**(5,572)**	(4,384)
Net increase in time deposits	24(a)	**(198,013)**	(112,182)
Interest received		**25,192**	17,306
Net cash used in investing activities		**(903,397)**	(1,961,199)

The notes on pages 113 to 212 form part of these consolidated financial statements.

	Note	2023 RMB'000	2022 RMB'000
Financing activities			
Capital element of lease rentals paid	24(b)	**(7,418)**	(6,299)
Interest element of lease rentals paid	24(b)	**(5,357)**	(5,769)
Proceeds from bank loans and other borrowings	24(b)	**5,523,261**	6,338,263
Repayment of bank loans and other borrowings	24(b)	**(4,900,838)**	(3,906,697)
Distributions paid to ordinary equity shareholders of the Company		**(27,931)**	(72,017)
Dividends paid to ordinary equity owners of subsidiaries		**–**	(5,987)
Proceeds from shares issued under share option scheme		**–**	6,200
Borrowing costs paid	24(b)	**(431,524)**	(309,587)
Net cash generated from financing activities		**150,193**	2,038,107
Net (decrease)/increase in cash and cash equivalents		**(196,818)**	518,837
Cash and cash equivalents at 1 January	24(a)	**1,110,656**	565,977
Effect of foreign exchange rate changes		**(140,145)**	25,842
Cash and cash equivalents at 31 December	24(a)	**773,693**	1,110,656

The notes on pages 113 to 212 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2023 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in joint ventures. The Group is principally involved in the production, marketing and distribution of glass and glass products, designing and installation of production lines of pharmaceutical glass, and the development of glass production technology.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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"). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for equity securities (see Note 2(g)) which are stated at their fair value.

2 MATERIAL ACCOUNTING POLICIES (continued)

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

For the year ended 31 December 2023, the Group had net loss of RMB487,408,000 (2022: net profit of RMB101,775,000). As at 31 December 2023, the Group had net current liabilities of RMB6,096,247,000 (31 December 2022: RMB2,822,545,000).

Notwithstanding the above conditions, 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. Management of the Group had prepared a cash flow forecast of the Group for at least the next twelve months from 31 December 2023, which has taken into account the following:

- Included in the current liabilities, there is an amount of RMB1,496.6 million which was a syndicated loan with the original contractual repayment dates beyond 31 December 2024 as the Group did not fulfill all of the financial covenants as required by the agreement of the syndicated loan as at 31 December 2023; as at the date of issue of these financial statements, the Group has successfully obtained waiver from the lenders with amount of RMB1,218.9 million to waive the requirement from compliance with the relevant financial covenant for the year ended 31 December 2023, based on the agreement of the syndicated loan, the directors of the Company consider that the waiver for the entire syndicated loan has been substantially obtained and will reclassify these amounts to the non-current liabilities after the date of issue of these financial statements;

- the Group has unutilised bank facilities of RMB568.5 million as at 31 December 2023;

- the Group has newly financed and refinanced bank loans and other borrowings and facilities of RMB840.0 million after 31 December 2023;

- 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 RMB873.4 million, and the directors of the Company are of the opinion that renewal of bank loans or facilities is likely to be obtained during the twelve months ending 31 December 2024; and

- the Group has obtained financial assistance from its largest shareholder, namely Triumph Science Technology Group Co., Ltd.[1] ("凱盛科技集團有限公司", the "Triumph Group"), a wholly-owned subsidiary of China National Building Material Group Co., Ltd., which is a central state-owned enterprise, of RMB1,298.6 million as at 31 December 2023, and has the amounts due to Triumph Group and its related parties of RMB1,216.7 million as at 31 December 2023. The directors of the Company are of the opinion that such assistance will continue to be available and the amounts due to Triumph Group and its related parties will not be requested to be repaid on demand upon the Group's demand based on the discussion with the Triumph Group.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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.

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

(c) Changes in accounting policies

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Except for Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction,* 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.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 30(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2 MATERIAL ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(e) Joint ventures

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 36(e). These investments are subsequently accounted for as follows, depending on their classification.

2 MATERIAL ACCOUNTING POLICIES (continued)

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

(i) Investments other than equity investments

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

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

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

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

(ii) Equity investments

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Investment property

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

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

(i) Property, plant and equipment

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Intangible assets (other than goodwill)

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

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

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

	Estimated useful lives
Technologies	5 – 20 years
Non-competition agreement	5 years
Customer relationship	10 years
Float glass production capacity	10 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

(i) As a lessee

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

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

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

(ii) As a lessor

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

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

(l) Trade and other receivables

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

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

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment;
- investment property;
- right-of-use assets;
- intangible assets;
- goodwill;
- investments in joint ventures; and
- investments in subsidiaries in the Company's statement of financial position.

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

- *Calculation of recoverable amount*

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(n) Inventories

(i) Inventories

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

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

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

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

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

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

(o) Contract assets and contract liabilities

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(p) Cash and cash equivalents

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

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to profit or loss when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or cost of construction in progress not yet transferred to property, plant and equipment.

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) Share-based payments

– *Share options granted to employees under the share option scheme*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) Share-based payments (continued)

– *Shares granted to employees under the share award scheme*

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from equity.

For shares granted under the share award scheme, the fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured based on the closing price of the Company's shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest with a corresponding adjustment to the capital reserve.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to "Shares held under share award scheme", and the grant date fair value of the awarded shares vested are debited to the capital reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 MATERIAL ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 MATERIAL ACCOUNTING POLICIES (continued)

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(b) Service contract

(i) Design, purchasing and installation service

When the outcome of a service contract can be reasonably measured, revenue from the contract is recognised progressively over time during the construction process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to date to the estimated total costs to provide a faithful depiction of the transfer of those services.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(ii) Upgrading and transformation service

The Group provides upgrading and transformation service to customers. Such revenue is recognised when the upgrading and transformation service is completed and payment of the related service is due immediately at the point from when the service is completed.

The Group's service contracts include payment schedules which require stage payments over the service period once milestones are reached. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist. Otherwise, the Group has taken advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(m)(i).

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit- impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(m)(i)).

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(d) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

2 MATERIAL ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on a consolidation of foreign operation acquired after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 MATERIAL ACCOUNTING POLICIES (continued)

(y) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(z) Non-current assets held for sale and discontinued operations

Non-current assets, or disposal group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

2 MATERIAL ACCOUNTING POLICIES (continued)

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 MATERIAL ACCOUNTING POLICIES (continued)

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products, or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Going concern

Note 2(b) contains information about the judgements made in concluding that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(ii) Determine whether an arrangement contains a lease

The Group enters into a series of finance lease agreements pursuant to which the Group sells certain machineries to the lessors and lease them back from the lessors over the lease period simultaneously. The lease period of such lease arrangements usually exceed one year. After the lease period, the Group has a right to purchase those machineries back from lessors with a minimum nominal value. The risk and awards incident to owning those machineries are not substantially changed before and after the finance lease agreement, and the substance of those finance lease agreements is to obtain loans from the lessors secured by those machineries. As a result, the Group recognises the consideration from sales of machineries as secured loans and does not derecognise those machineries from its consolidated financial statements.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 17 and 36 contain information about the assumptions and their risk factors relating to impairment of goodwill and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of receivables and contract assets

The management maintains an allowance for trade receivables, other receivables and contract assets for expected credit losses resulting from the expected credit risk of the customers and debtors to make the required payments. The management bases the expected credit losses on the ageing of the individual receivable balance, customer and debtor credit-worthiness and historical write-off experience. If the financial condition of the customers or debtors were to deteriorate, actual write-offs would be higher than estimated.

(ii) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(m)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iii) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production, marketing and distribution of glass and glass products, the development of glass production technology, the service related to designing and installation of glass production lines. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

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

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	**4,950,767**	3,963,952
– Revenue from service contracts	**292,377**	326,686
– Sales of spare parts	**64,780**	36,558
	5,307,924	4,327,196

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 4(b)(i) and 4(b)(ii) respectively.

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2023 (2022: Nil). Details of concentrations of credit risk arising from customers are set out in Note 36(a).

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

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR54.6 million (2022: EUR61.3 million). This amount represents revenue expected to be recognised in the future from designing and installation service contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 24 months.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by products and services. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Clear glass products: this segment produces, markets and distributes clear glass products.
- Painted glass products: this segment produces, markets and distributes painted glass products.
- Coated glass products: this segment produces, markets and distributes coated glass products.
- Energy saving and new energy glass products: this segment produces, processes, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass, photovoltaic glass and photovoltaic battery module products.
- Design and installation related service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines and upgrading and transformation services of glass production process.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the years ended 31 December 2023 and 2022. 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 2023 and 2022 is set out below.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Design and installation related service		Total	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Disaggregated by timing of revenue recognition												
– Point in time	**2,819,703**	2,002,711	**604,071**	567,142	**823,632**	1,130,858	**703,361**	263,241	**64,780**	56,888	**5,015,547**	4,020,840
– Over time	**-**	-	**-**	-	**-**	-	**-**	-	**292,377**	306,356	**292,377**	306,356
Revenue from external customers and reportable segment revenue	**2,819,703**	2,002,711	**604,071**	567,142	**823,632**	1,130,858	**703,361**	263,241	**357,157**	363,244	**5,307,924**	4,327,196
Reportable segment gross profit	**4,988**	25,382	**51,847**	109,948	**154,973**	382,656	**4,116**	22,132	**83,587**	98,071	**299,511**	638,189

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment property, right-of-use assets, intangible assets, other non-current assets, goodwill and interest in joint ventures (together as the "specified non-current assets"). The geographical location of customers is determined based on the location at which the goods and services were delivered. The geographical location of the specified non-current assets is determined based on the physical location of the assets, in the case of property, plant and equipment, investment property, right-of-use assets and other non-current assets, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in joint ventures.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographic information (continued)

	Revenue from external customers		Specified non-current assets	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
The Mainland China and Hong Kong (place of domicile)	**3,940,790**	2,940,876	**9,709,574**	7,511,458
Nigeria	**402,420**	561,813	**303,768**	628,554
Middle East	**181,336**	250,551	**–**	–
Italy	**–**	–	**184,688**	187,190
Kazakhstan	**92,585**	6,489	**1,101,346**	1,050,757
Other countries	**690,793**	567,467	**–**	6,161
	1,367,134	1,386,320	**1,589,802**	1,872,662
	5,307,924	4,327,196	**11,299,376**	9,384,120

5 OTHER INCOME

	2023	2022
	RMB'000	RMB'000
Government grants	**91,147**	75,433
Insurance claims income (Note)	**58,935**	–
Interest income	**25,192**	17,306
Net gain from sale of raw and scrap materials	**4,555**	11,423
Net gain on disposal of property, plant and equipment	**3,147**	3,558
Rental income from investment property	**1,956**	825
Compensation income	**–**	54,678
Others	**3,672**	7,415
	188,604	170,638

Note: Insurance claims income represents the compensation for the losses on the destroyed warehouse by snow in 2023 of a subsidiary of the Group. The related losses on the property, equipment and inventories have been charged into respective costs or expenses.

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2023	2022
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**317,025**	232,751
Interest on lease liabilities (Note 24(b))	**5,357**	5,769
Bank charges and other finance costs	**88,787**	82,170
Total borrowing costs	**411,169**	320,690
Less: amounts capitalised into property, plant and equipment* (Note 24(b))	**(23,941)**	(42,670)
Net borrowing costs	**387,228**	278,020
Net foreign exchange losses/(gain)	**2,736**	(10,307)
	389,964	267,713

* The borrowing costs have been capitalised at 4.13% per annum for the year ended 31 December 2023 (2022: 4.73% per annum).

6 (LOSS)/PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	**525,980**	441,410
Contributions to defined contribution retirement plans	**45,026**	35,558
	571,006	476,968

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of Hong Kong dollar ("HK$") 30,000.

The employees of the subsidiaries of the Group established outside of the PRC participate in defined contribution retirement benefit schemes managed by the respective local government authorities, whereby these subsidiaries are required to contribute to the respective schemes at rates stipulated by the relevant rules and regulations of the respective jurisdictions.

Contributions to these scheme vest immediately. There are no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no further significant obligation for payment of other retirement benefits beyond the above annual contributions.

6 (LOSS)/PROFIT BEFORE TAXATION (continued)

(c) Other operating expenses

	2023 **RMB'000**	2022 RMB'000
Impairment losses on property, plant and equipment (Note 12)	**141,875**	–

(d) Other items:

	2023 **RMB'000**	2022 RMB'000
Cost of inventories# (Note 19)	**4,941,447**	3,660,645
Auditors' remuneration	**9,220**	9,132
Depreciation and amortisation charge# (Notes 12, 13, 14 and 16)		
– property, plant and equipment and intangible assets	**469,176**	363,700
– investment property	**2,864**	1,314
– right-of-use assets	**26,354**	24,878
Research and development costs (other than capitalised costs and related amortisation)	**30,476**	48,819

Cost of inventories includes RMB769.1 million (2022: RMB623.6 million) for the year ended 31 December 2023, relating to staff costs, research and development costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 RMB'000	2022 RMB'000
Current taxation (Note 30(a))		
– Provision for the year	**33,360**	58,499
– PRC Withholding Tax	**–**	15,566
– (Over)/under-provision in respect of prior years	**(490)**	322
	32,870	74,387
Deferred taxation (Note 30(b))		
– Origination and reversal of temporary differences	**(96,086)**	(90,844)
	(63,216)	(16,457)

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

	2023 RMB'000	2022 RMB'000
(Loss)/profit before taxation	**(550,624)**	85,318
Expected tax on (loss)/profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (v), (vii) and (viii))	**(93,005)**	48,358
Tax effect of non-deductible expenses	**38,616**	17,731
Tax effect of non-taxable income	**(10,963)**	–
Tax effect of unused tax losses and temporary differences not recognised	**14,500**	7,903
Derecognition of tax losses previously recognised	**23,201**	19,743
Tax concessions (Notes (vi), (viii) and (ix))	**(44,958)**	(127,815)
Tax effect on change of tax rate	**9,883**	1,735
Tax effect of PRC Withholding Tax	**–**	15,566
(Over)/under-provision in respect of prior years	**(490)**	322
Income tax	**(63,216)**	(16,457)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2022: 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% (2022: 25%).

(iv) Two subsidiaries 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 and 2023 respectively 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% (2022: 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% (2022: 27.9%).

(viii) A subsidiary of the Group established in the Republic of Kazakhstan is subject to Kazakhstan Corporate Income Tax rate of 20%. And an investment preference was granted by Kazakhstan's government to the subsidiary of exempting its corporate income tax until 31 December 2024.

(ix) Three 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 2023 (2022: two subsidiaries of the Group with an additional tax deductible allowance amounted to 100% of the qualified research and development costs).

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director					
Mr. Lyu Guo	–	1,151	2,395	58	3,604
Non-executive directors					
Mr. Peng Shou	1	–	–	–	1
Mr. Zhao John Huan	–	–	–	–	–
Mr. Zhang Jinshu	1	–	–	–	1
Independent non-executive directors					
Mr. Zhang Baiheng	225	–	–	–	225
Mr. Chen Huachen	225	–	–	–	225
Mr. Wang Yuzhong	225	–	–	–	225
	677	1,151	2,395	58	4,281

	2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director					
Mr. Lyu Guo	–	1,101	–	58	1,159
Non-executive directors					
Mr. Peng Shou	1	–	–	–	1
Mr. Zhao John Huan	–	–	–	–	–
Mr. Zhang Jinshu	1	–	–	–	1
Independent non-executive directors					
Mr. Zhang Baiheng	214	–	–	–	214
Mr. Chen Huachen	214	–	–	–	214
Mr. Wang Yuzhong	214	–	–	–	214
	644	1,101	–	58	1,803

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2022: four) individuals is as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**2,949**	2,796
Discretionary bonuses	**8,122**	56
Retirement scheme contributions	**109**	73
	11,180	2,925

The emoluments of all of the four employees who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

HK$	**2023 Number of individuals**	2022 Number of individuals
Nil – 1,000,000	**–**	4
2,000,001 – 2,500,000	**2**	–
2,500,001 – 3,000,000	**1**	–
5,000,001 – 5,500,000	**1**	–

10 OTHER COMPREHENSIVE INCOME

	2023			2022		
	Before tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Equity securities designated at FVOCI – net movement in fair value reserve (non-recycling)	**(1,263)**	**315**	**(948)**	(100)	25	(75)
Exchange differences on translation (Note)	**(628,475)**	**–**	**(628,475)**	(112,687)	–	(112,687)
Other comprehensive income	**(629,738)**	**315**	**(629,423)**	(112,787)	25	(112,762)

10 OTHER COMPREHENSIVE INCOME (CONTINUED)

Note:

Exchange differences on translation for the year ended 31 December 2023 is mainly from the Group's subsidiaries operating in Nigeria with the Nigerian Naira as the functional currency. The Nigerian Naira was devalued by approximately 97% against RMB from 1 January 2023 to 31 December 2023 as a result from the exchange rate reform implemented by the local government of Nigeria.

Fluctuation of exchange rates may have impacts on the Group's financial performance and net investment from the overseas operation in Nigeria. The Group has been monitoring recent fluctuation of foreign exchange rates and the impact on the financial statements, and considered to implement contingency measures.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss attributable to ordinary equity shareholders of the Company of RMB409,756,000 (2022: the profit attributable to ordinary equity shareholders of RMB116,168,000) and the weighted average of 1,684,218,000 ordinary shares (2022: 1,682,896,000 ordinary shares) in issue during the year ended 31 December 2023, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
	'000	'000
Issued ordinary shares at 1 January	**1,684,218**	1,678,288
Effect of share options exercised	**–**	4,608
Weighted average number of ordinary shares at 31 December	**1,684,218**	1,682,896

(b) Diluted (loss)/earnings per share

There are no dilutive potential shares outstanding during the year ended 31 December 2023. Hence, the diluted loss per share is the same as basic loss per share for the year ended 31 December 2023. 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 and the weighted average number of ordinary shares (diluted) of 1,683,060,000.

12 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2022	2,610,073	4,657,121	25,839	1,643,927	8,936,960
Additions	59,941	47,897	8,115	1,957,993	2,073,946
Transfer in/(out)	132,198	(477,865)	–	(18,190)	(363,857)
Reclassification from right-of-use assets (Note 14)	–	26,880	–	–	26,880
Disposals	–	(47,261)	(671)	–	(47,932)
Exchange adjustments	1,713	3,133	320	21,176	26,342
At 31 December 2022 and 1 January 2023	2,803,925	4,209,905	33,603	3,604,906	10,652,339
Additions	13,484	120,347	2,636	426,599	563,066
Addition through acquisition of subsidiaries (Note 32)	288,923	606,664	347	822,960	1,718,894
Transfer in/(out)	919,879	1,653,402	2,826	(2,790,411)	(214,304)
Disposals	–	(34,629)	(1,490)	–	(36,119)
Exchange adjustments	(138,752)	(183,652)	797	13,548	(308,059)
At 31 December 2023	3,887,459	6,372,037	38,719	2,077,602	12,375,817
Accumulated depreciation and impairment losses:					
At 1 January 2022	554,749	1,576,741	16,068	39,260	2,186,818
Charge for the year	75,435	266,019	2,381	–	343,835
Transfer out	–	(363,857)	–	–	(363,857)
Reclassification from right-of-use assets (Note 14)	–	5,010	–	–	5,010
Written back on disposals	–	(37,532)	(494)	–	(38,026)
Exchange adjustments	132	1,012	187	–	1,331
At 31 December 2022 and 1 January 2023	630,316	1,447,393	18,142	39,260	2,135,111
Charge for the year	90,657	356,152	4,536	–	451,345
Transfer out	(5,602)	(208,702)	–	–	(214,304)
Written back on disposals	–	(12,895)	(1,191)	–	(14,086)
Impairment loss	130,310	11,565	–	–	141,875
Exchange adjustments	(13,923)	(47,007)	990	–	(59,940)
At 31 December 2023	831,758	1,546,506	22,477	39,260	2,440,001
Net book value:					
At 31 December 2022	2,173,609	2,762,512	15,461	3,565,646	8,517,228
At 31 December 2023	3,055,701	4,825,531	16,242	2,038,342	9,935,816

At 31 December 2023, property certificates of certain properties with an aggregate net book value of RMB949.5 million (31 December 2022: RMB901.3 million) are yet to be obtained.

Prepayments for property, plant and equipment are presented as "other non-current assets" in the consolidated statement of financial position.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

As a result of financial performance of certain glass production lines being short of expectations, management identified certain glass production lines related property, plant and equipment having impairment indications. Management performed impairment assessments of these assets as at 31 December 2023 using value-in-use calculations by measuring recoverable amount of these production lines based on discounted cash flow analysis using a pre-tax discount rate of 14.01%. Based on the assessments, management concluded that an impairment provision of RMB109.0 million was recognised for the product lines of a subsidiary of the Group in "Other operating expenses" based on the corresponding recoverable amount of RMB404.9 million.

In 2023, certain properties of a subsidiary of the Group located in Shandong province were physically damaged by snow. The Group assessed the recoverable amounts of those properties as nil and an impairment loss of RMB32.9 million was recognised in "Other operating expenses".

13 INVESTMENT PROPERTY

	RMB'000
Cost	
At 1 January 2022	35,512
Additions	16,882
At 31 December 2022, 1 January 2023 and 31 December 2023	52,394
Accumulated depreciation:	
At 1 January 2022	14,272
Charge for the year	1,314
At 31 December 2022 and 1 January 2023	15,586
Charge for the year	2,864
At 31 December 2023	18,450
Net book value	
At 31 December 2022	36,808
At 31 December 2023	33,944

13 INVESTMENT PROPERTY (continued)

The Group holds investment properties under operating leases to earn rental income or for capital appreciation. The existing leases typically run for an initial period of 5 to 7 years. Lease payments are usually increased every 2 years to reflect market rentals. None of the existing leases includes variable lease payments.

According to the property valuation reports issued by independent qualified valuers, the fair value of investment properties located in the PRC are determined using market value approach and the fair value of the Group's investment properties at 31 December 2023 is RMB103.1 million (2022: RMB99.2 million).

Undiscounted lease payments under operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**1,814**	1,792
After 1 year but within 5 years	**4,488**	6,302
	6,302	8,094

14 RIGHT-OF-USE ASSETS

The reconciliation and analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Leasehold land held for own use RMB'000	Plant, machinery and equipment RMB'000	Other properties leased for own use RMB'000	Total RMB'000
Cost:				
At 1 January 2022	536,920	106,852	30,459	674,231
Additions	755	–	1,861	2,616
Disposals	–	–	(17,613)	(17,613)
Reclassification to property, plant and equipment	–	(26,880)	–	(26,880)
Exchange adjustments	951	–	328	1,279
At 31 December 2022 and 1 January 2023	538,626	79,972	15,035	633,633
Additions	93,794	–	10,254	104,048
Addition through acquisition of subsidiaries (Note 32)	21,551	–	8,967	30,518
Disposals	–	–	(443)	(443)
Exchange adjustments	(5,542)	–	303	(5,239)
At 31 December 2023	648,429	79,972	34,116	762,517
Accumulated depreciation:				
At 1 January 2022	90,343	9,516	13,795	113,654
Charge for the year	16,411	5,633	2,834	24,878
Written back on disposals	–	–	(10,633)	(10,633)
Reclassification to property, plant and equipment	–	(5,010)	–	(5,010)
Exchange adjustments	477	–	239	716
At 31 December 2022 and 1 January 2023	107,231	10,139	6,235	123,605
Charge for the year	17,043	5,634	3,677	26,354
Written back on disposals	–	–	(443)	(443)
Exchange adjustments	(3,713)	–	99	(3,614)
At 31 December 2023	120,561	15,773	9,568	145,902
Net book value:				
At 31 December 2022	431,395	69,833	8,800	510,028
At 31 December 2023	527,868	64,199	24,548	616,615

14 RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Notes	**2023 RMB'000**	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
– Leasehold land held for own use	(i)	**17,043**	16,411
– Plant, machinery and equipment	(ii)	**5,634**	5,633
– Other properties leased for own use	(ii)	**3,677**	2,834
		26,354	24,878
Interest on lease liabilities (Note 6(a))		**5,357**	5,769
Expense relating to short-term leases		**4,929**	561

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 24(c) and 28, respectively. There is no lease that is not yet commenced as at 31 December 2023.

(i) Leasehold land held for own use

Leasehold land held for own use represented land use right premiums paid by the Group for land situated in the PRC and Nigeria. The remaining lease terms falls within the ranges of 15 years to 57 years. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities. At 31 December 2023, land use right certificates of certain land use rights with an aggregate carrying value of RMB6.6 million (31 December 2022: RMB6.8 million) are yet to be obtained.

(ii) Other leases

The Group leases production plant, machinery and office equipment under leases expiring from 1 to 13 years. Some leases include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary.

Name of company	Place of establishment/ incorporation and business	Particulars of registered/ issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
China Glass Investment Limited* (ii) 中玻投資有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Investment holding
CNG Glass (Nigeria) FZE	The Federal Republic of Nigeria	Registered and paid-up capital of United States dollar ("USD") 38,500,000	100%	–	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* (i) 東台中玻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Production, marketing and distribution of glass and glass products
Fujian Longtai Industrial Company Limited* ("Fujian Longtai") (i) 福建龍泰實業有限公司	The PRC	Registered and paid-up capital of RMB600,000,000	55%	–	Production, marketing and distribution of glass and glass products
Jiangsu SHD New Materials Company Limited* (i) 江蘇蘇華達新材料有限公司	The PRC	Registered and paid-up capital of RMB582,813,823	100%	–	Production, marketing and distribution of glass and glass products
Linyi CNG New Materials Technology Company Limited* (i) 中玻(臨沂)新材料科技有限公司	The PRC	Registered and paid-up capital of RMB206,800,000	73.64%	–	Production, marketing and distribution of glass and glass products
Olivotto Glass Technologies S.p.A	The Italy	Registered and paid-up capital of EUR1,408,000	–	100%	Design and construction of production lines of pharmaceutical glass

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/ issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Orda Glass Ltd LLP	The Republic of Kazakhstan	Registered and paid-up capital of Kazakhstan Tenge 8,413,876,000	100%	–	Design and construction of production lines of pharmaceutical glass
Shaanxi CNG New Technology Limited* (i) 中玻(陜西)新技術有限公司	The PRC	Registered and paid-up capital of RMB132,500,000	92.49%	–	Production, marketing and distribution of glass and glass products
Suqian CNG New Energy Company Limited* (i) 宿遷中玻新能源有限公司	The PRC	Registered capital of RMB500,000,000 and paid-up capital of RMB234,999,920	71%	–	Production, marketing and distribution of glass and glass products
Weihai CNG Coated Glass Company Limited* ("Weihai CNG") (i) 威海中玻鍍膜玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB143,941,848	89.80%	–	Production, marketing and distribution of glass and glass products
Wuhai CNG Special Glass Company Limited* ("Wuhai CNG") (i) 烏海中玻特種玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	93.84%	–	Production, marketing and distribution of glass and glass products
Gansu Kaisheng Daming Solar Energy Technology Co., Ltd.* (Gansu Daming) (i) 甘肅凱盛大明光能科技有限公司	The PRC	Registered and paid-up capital of RMB408,000,000	51.47%	–	Production, marketing and distribution of glass and glass products

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

(i) These companies are limited liability companies established in the mainland China.

(ii) These companies are wholly foreign-owned enterprises established in the mainland China.

15 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the combined financial information of Fujian Longtai and its subsidiary (collectively referred to as the "Fujian Longtai Group"), Weihai CNG and its subsidiaries, Wuhai CNG and Gansu Daming and its subsidiaries (collectively referred to as the "Gansu Daming Group") from 31 December 2023, four sub-groups within the Group which have material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2023	2022
	RMB'000	RMB'000
Revenue	**2,172,332**	1,740,354
Loss for the year	**(112,932)**	(39,582)
Attributable to NCI	**(58,511)**	(14,224)
Acquisition of subsidiaries with NCI (Note 32)	**134,371**	–
Acquisition of NCI of a subsidiary (Note 33)	**(55,904)**	–
Dividends approved to NCI	**–**	(6,222)
Non-current assets	**5,513,178**	3,706,990
Current assets	**2,690,564**	2,162,812
Current liabilities	**(4,086,003)**	(2,744,059)
Non-current liabilities	**(1,529,421)**	(625,041)
Net assets	**2,588,318**	2,500,702
Carrying amount of NCI	**682,239**	662,283
Cash flows (used in)/generated from operating activities	**(100,896)**	58,095
Cash flows used in investing activities	**(139,340)**	(396,247)
Cash flows generated from financing activities	**268,781**	370,333

16 INTANGIBLE ASSETS

	Non-competition agreement RMB'000	Technologies RMB'000	Customer relationship RMB'000	Float glass production capacity RMB'000	Total
Cost:					
At 1 January 2022	72,981	201,552	2,362	–	276,895
Additions	–	4,384	–	–	4,384
Exchange adjustments	2,051	1,034	66	–	3,151
At 31 December 2022 and 1 January 2023	75,032	206,970	2,428	–	284,430
Additions	–	5,572	–	–	5,572
Addition through acquisition of subsidiaries (Note 32)	–	89,183	–	71,651	160,834
Exchange adjustments	4,410	2,663	143	–	7,216
At 31 December 2023	79,442	304,388	2,571	71,651	458,052
Accumulated amortisation and impairment losses:					
At 1 January 2022	46,220	163,165	748	–	210,133
Charge for the year	14,801	4,825	239	–	19,865
Exchange adjustments	1,506	402	24	–	1,932
At 31 December 2022 and 1 January 2023	62,527	168,392	1,011	–	231,930
Charge for the year	12,873	4,708	250	–	17,831
Exchange adjustments	4,042	514	67	–	4,623
At 31 December 2023	79,442	173,614	1,328	–	254,384
Net book value:					
At 31 December 2022	12,505	38,578	1,417	–	52,500
At 31 December 2023	–	130,774	1,243	71,651	203,668

The amortisation change for the year is included in "cost of sales" in the consolidated statement of profit or loss.

17 GOODWILL

	2023 RMB'000	2022 RMB'000
At 1 January	**129,755**	127,215
Addition through acquisition of subsidiaries (Note 32)	**170,468**	–
Exchange adjustments	**5,456**	2,540
At 31 December	**305,679**	129,755

(a) Impairment tests for cash-generating units ("CGU") containing goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment as follows:

	2023 RMB'000	2022 RMB'000
Design and installation service (i)	**98,276**	92,820
Fujian glass production and sales (ii)	**36,935**	36,935
Gansu glass production and sales (iii)	**170,468**	–

(i) Design and installation service

On 30 October 2018, the Group acquired the 100% equity interests of OGT and its subsidiaries (collectively referred to as the "OGT Group") for a cash consideration of EUR21,445,000. The excess of the cost of the purchase over the net fair value of the identifiable net assets of the OGT Group of EUR12,500,000 was recorded as goodwill and allocated to the OGT Group's business of designing and installation pharmaceutical glass production lines (the "OGT design and installation service CGU").

The recoverable amount of the OGT design and installation service CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual revenue growth rates around 5% during the first three years and around 2% during the next two years (2022: 13% during the first three years and around 2% during the next two years), which are based on OGT Group's historical experience and the Group's forecast of reaching maximum business scale before 2023 and adjusted for other factors that are specific to the OGT design and installation service CGU. Cash flows beyond the five-year period are extrapolated using a 2.00% (2022: 2.00% beyond the five-year period) long-term growth rate, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 20.26% (2022: 17.84%). The discount rates used are pre-tax and reflect specific risks relating to the OGT design and installation service CGU.

17 GOODWILL (continued)

(a) Impairment tests for cash-generating units ("CGU") containing goodwill (continued)

(ii) Fujian glass production and sales

On 16 July 2021, the Group acquired the 55% equity interests of Fujian Longtai Group with a total consideration of RMB444,180,000. The excess of the cost of the purchase over the proportionate interest of 55% in the recognised amounts of the identifiable net assets of the Fujian Longtai Group acquired of RMB407,245,000 was recorded as goodwill and allocated to the Fujian Longtai Group's business of production, marketing and distribution of glass products (the "Fujian glass production and sales CGU"). As at 31 December 2023, Fujian Longtai Group has one production line in operation, and the other production line under construction is expected to start operation in second quarter of 2024.

The recoverable amount of the Fujian Longtai glass products CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Based on current operation status and future plan of the two production lines, these cash flow projections adopted annual revenue growth rates around 71% in the first year (2022: 141% in the first year) and around 6% during the next four years (2022: 9% during the next four years), which are based on the Group's historical experience and expectations of glass markets. Cash flows per year beyond the five-year period are extrapolated to be in the same situation as the fifth year, based on prudent relevant industry growth forecasts. The cash flows are discounted using a discount rate of 13.52% (2022: 14.16%). The discount rates used are pre-tax and reflect specific risks relating to the Fujian glass production and sales CGU.

(iii) Gansu glass production and sales

The Group's goodwill arising from acquisition of subsidiaries in Gansu province is described in Note 32, which is allocated to Gansu Daming Group's business of production, marketing and distribution of glass products (the "Gansu glass production and sales CGU"). As at 31 December 2023, Gansu Daming Group has one production line in operation, and the other production line under construction is expected to start operation in second quarter of 2024.

The recoverable amount of the Gansu glass production and sales CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Based on current operation status and future plan of the two production lines, these cash flow projections adopted annual revenue growth rates around 182% in the first year and around 8% during the next four years, which are based on the Group's historical experience and expectations of glass markets. Cash flows per year beyond the five-year period are extrapolated to be in the same situation as the fifth year, based on prudent relevant industry growth forecasts. The cash flows are discounted using a discount rate of 12.13%. The discount rates used are pre-tax and reflect specific risks relating to the Gansu glass production and sales CGU.

18 INTERESTS IN JOINT VENTURES

The joint ventures in which the Group participates, are not material to the consolidated financial statements, and are unlisted corporate entities whose quoted market price are not available.

Details of the Group's interests in a major joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of establishment/ incorporation and business	Particulars of registered and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Qinhuangdao Honghua Special Glass Co., Ltd* (Honghua Glass) 秦皇島弘華特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB65,740,000	40.00%	–	Marketing and distribution of glass and glass products

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

On 31 March 2023, the Group acquired 40% equity interests in Qinhuangdao Honghua Special Glass Co., Ltd* ("秦皇島弘華特種玻璃有限公司", "Honghua Glass") from a related party of a director of the Company for a consideration of RMB39,548,000. Upon completion of the above acquisition, Honghua Glass was jointly controlled by the Group and two other parties and the Group's interests in Honghua Glass was accounted for as a joint venture using the equity method.

The fair value of the acquired interests in Honghua Glass at the acquisition date is RMB73,176,000 based on the appraisal of the market value, and the Group recognised a gain on bargain purchase of RMB33,628,000 which is the difference between the cost of acquisition and the fair value of the joint venture as at the date of initial recognition.

19 INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**420,439**	351,380
Work in progress and finished goods	**502,300**	697,848
Racks, spare parts and consumables	**107,975**	63,456
	1,030,714	1,112,684
Less: write-down of inventories	**(48,091)**	(33,802)
	982,623	1,078,882

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold/used in service contract	**4,941,447**	3,660,645
Write-down of inventories	**66,966**	28,362
	5,008,413	3,689,007

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

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets		
Arising from performance under service contracts	**26,428**	27,697

Typical payment terms which impact on the amount of contract assets recognised arising from service contracts are as follows:

The Group's service contracts include payment schedules which require stage payments over the period of rendering service once milestones are reached, these payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a 1 to 2 years retention period, this amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing retention period.

All contract assets are expected to be recovered within one year.

(b) Contract liabilities

	2023 RMB'000	2022 RMB'000
Contract liabilities		
Sales of glass products		
– Billings in advance of sales	**162,375**	110,917
Service contracts		
– Billings in advance of performance	**158,846**	173,710
	321,221	284,627

All of the contract liabilities are expected to be recognised as revenue within one year.

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

When the Group receives a deposit before rendering services commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities (continued)

When the Group receives a deposit before operation leases term commences this will give rise to contract liabilities at the start of an operation lease, until the rental income recognised in equal instalments over the periods.

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**284,627**	204,926
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(159,196)**	(110,553)
Increase as a result of acquisition of subsidiaries (Note 32)	**19,555**	–
Increase in contract liabilities as a result of billing in advance of rendering services and sales of goods	**4,821,889**	3,741,520
Decrease in contract liabilities as a result of recognising revenue	**(4,655,158)**	(3,555,326)
Exchange adjustments	**9,504**	4,060
Balance at 31 December	**321,221**	284,627

21 TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables from:		
– third parties	**380,572**	423,193
– Triumph Group's related parties	**6,188**	9,497
	386,760	432,690
Less: loss allowance (Note 36(a))	**(131,805)**	(131,126)
Financial assets measured at amortised cost	**254,955**	301,564
Bills receivable	**161,302**	225,888
	416,257	527,452

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:

	2023 RMB'000	2022 RMB'000
Within 1 month	**198,517**	254,457
More than 1 month but less than 3 months	**143,008**	151,703
More than 3 months but less than 6 months	**43,869**	91,406
More than 6 months but less than 1 year	**5,688**	26,488
Over 1 year	**25,175**	3,398
	416,257	527,452

Further details on the Group's credit policy are set out in Note 36(a).

22 OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Amounts due from related companies:		
– an equity shareholder of the Company (Note (i))	**14**	13
– non-controlling equity owners of a subsidiary (Note (ii))	**113,493**	112,754
– a joint venture	**6,850**	–
	120,357	112,767
Deposits and other debtors		
– receivable for relocation of production plants and government grants (Note (iii))	**109,087**	169,309
– advances to third parties	**200,119**	141,175
– others	**108,119**	62,424
	417,325	372,908
Less: loss allowance (Note 36(a))	**(186,031)**	(184,073)
	231,294	188,835
Financial assets measured at amortised cost	**351,651**	301,602
Value added tax refundable	**147,886**	114,407
	499,537	416,009

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2023, the amount is from a non-controlling equity owner of a subsidiary of the Group related to the compensation receivable and advance payment, which are secured by its owned equity interests in this subsidiary.

(iii) As at 31 December 2023, the amount of RMB57.0 million (2022: RMB87.0 million) is the remaining receivables from the local government authority for relocation of production plants.

All of the other receivables are expected to be recovered or recognised as expenses within one year.

23 PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Prepayments for the purchase of inventories and services		
– Triumph Group's related parties	23	63,004
– third parties	197,716	199,612
	197,739	262,616

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION

(a) Cash on hand and at bank comprise:

	2023 RMB'000	2022 RMB'000
Cash on hand and at bank	773,693	1,110,656
Time deposits and restricted deposits with banks	437,153	239,140
Cash on hand and at bank in the consolidated statement of financial position	1,210,846	1,349,796
Less: time deposits and restricted deposits with banks	(437,153)	(239,140)
Cash and cash equivalents in the consolidated cash flow statement	773,693	1,110,656

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans and other borrowings RMB'000 (Note 27)	Lease liabilities RMB'000 (Note 28)	Interest payables RMB'000 (Note 26)	Total RMB'000
At 1 January 2023	7,938,428	75,751	25,712	8,039,891
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	5,523,261	–	–	5,523,261
Repayment of bank loans and other borrowings	(4,900,838)	–	–	(4,900,838)
Capital element of lease rentals paid	–	(7,418)	–	(7,418)
Interest element of lease rentals paid	–	(5,357)	–	(5,357)
Other borrowing costs paid	–	–	(431,524)	(431,524)
Total changes from financing cash flows	622,423	(12,775)	(431,524)	178,124
Exchange adjustments	41,216	(85)	–	41,131
Other changes:				
Additions through acquisition of subsidiaries (Note 32)	998,713	7,944	–	1,006,657
Increase in lease liabilities from entering into new leases during the year	–	10,254	–	10,254
Bank acceptance bills received for the factoring loan	(178,130)	–	–	(178,130)
Interest on lease liabilities (Note 6(a))	–	5,357	–	5,357
Interest expenses and other finance costs	–	–	381,871	381,871
Capitalised borrowing costs (Note 6(a))	–	–	23,941	23,941
Total other changes	820,583	23,555	405,812	1,249,950
At 31 December 2023	9,422,650	86,446	–	9,509,096

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans and other borrowings RMB'000 (Note 27)	Lease liabilities RMB'000 (Note 28)	Interest payables RMB'000 (Note 26)	Total RMB'000
At 1 January 2022	4,842,558	87,623	20,378	4,950,559
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	6,338,263	–	–	6,338,263
Repayment of bank loans and other borrowings	(3,906,697)	–	–	(3,906,697)
Capital element of lease rentals paid	–	(6,299)	–	(6,299)
Interest element of lease rentals paid	–	(5,769)	–	(5,769)
Other borrowing costs paid	–	–	(309,587)	(309,587)
Total changes from financing cash flows	2,431,566	(12,068)	(309,587)	2,109,911
Exchange adjustments	121,948	(460)	–	121,488
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	1,861	–	1,861
Early termination of lease contracts	–	(6,974)	–	(6,974)
Bank acceptance bills received for the factoring loan	542,356	–	–	542,356
Interest on lease liabilities (Note 6(a))	–	5,769	–	5,769
Interest expenses and other finance costs	–	–	272,251	272,251
Capitalised borrowing costs (Note 6(a))	–	–	42,670	42,670
Total other changes	542,356	656	314,921	857,933
At 31 December 2022	7,938,428	75,751	25,712	8,039,891

24 CASH ON HAND AND AT BANK AND OTHER CASH FLOW INFORMATION (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023	2022
	RMB'000	RMB'000
Within operating cash flows	**4,929**	561
Within investing cash flows	**79,924**	14,618
Within financing cash flows	**12,775**	12,068
	97,628	27,247

These amounts relate to the following:

	2023	2022
	RMB'000	RMB'000
Lease rentals paid	**17,704**	12,629
Purchase of leasehold assets	**79,924**	14,618
	97,628	27,247

25 TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables to:		
– third parties	**361,360**	306,951
– Triumph Group's related parties	**112,650**	2,370
Bills payable	**148,176**	126,575
	622,186	435,896

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

	2023 RMB'000	2022 RMB'000
Due within 1 month or on demand	**476,808**	309,321
Due after 1 month but within 6 months	**144,878**	25,575
Due after 6 months	**500**	101,000
	622,186	435,896

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

26 ACCRUED CHARGES AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Amounts due to related parties:		
– Triumph Group and its related parties (Note)	**1,216,721**	468,245
– a non-controlling equity owner of a subsidiary	**56,428**	486
	1,273,149	468,731
Accrued charges and other payables:		
– payables for construction and purchase of property, plant and equipment, land use rights and other non-current assets	**219,934**	297,267
– payables for staff related costs	**73,096**	61,247
– payables for acquisitions considerations and dividends to non-controlling interests in subsidiaries	**292,168**	9,574
– payables for transportation expenses	**6,979**	7,175
– advances from third parties	**54,783**	42,431
– interest payables	**–**	25,712
– others	**57,293**	48,171
	704,253	491,577
Financial liabilities measured at amortised cost	**1,977,402**	960,308
Payables for miscellaneous taxes	**54,812**	58,604
Provision for legal claims	**2,397**	7,354
	2,034,611	1,026,266

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

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

27 BANK LOANS AND OTHER BORROWINGS

(a) Short-term bank loans and other borrowings

	2023 RMB'000	2022 RMB'000
Bank loans	**1,838,203**	1,514,308
Loans from financial institutions	**–**	347,475
Loan from Triumph Group	**1,298,555**	1,998,226
	3,136,758	3,860,009
Add: current portion of long-term bank loans and other borrowings (Note 27(b))	**3,174,740**	739,746
	6,311,498	4,599,755

At 31 December 2023, the Group's short-term bank loans and other borrowings (excluding current portion of long-term bank loans and other borrowings) are secured as follows:

	2023 RMB'000	2022 RMB'000
Bank loans:		
– pledged by bank bills	**488,500**	203,000
– secured and/or guaranteed (Note (i))	**903,367**	1,166,308
– unguaranteed and unsecured	**446,336**	145,000
	1,838,203	1,514,308
Loans from financial institutions:		
– secured and guaranteed (Note (i))	**–**	347,475
Other borrowings:		
– financial assistance from Triumph Group		
– secured (Notes (i) and (iii))	**–**	96,637
– unguaranteed and unsecured (Notes (ii) and (iii))	**1,298,555**	1,901,589
	1,298,555	1,998,226
	3,136,758	3,860,009

27 BANK LOANS AND OTHER BORROWINGS (continued)

(a) Short-term bank loans and other borrowings (continued)

Notes:

(i) These loans and borrowings are secured by the Group's property, plant and equipment, right-of-use assets, inventories, trade receivables and/or guaranteed by Triumph Group, a director of the Company or a key management personnel of a subsidiary of the Group.

(ii) The amounts are unsecured, with fixed interest rate from 2.50% to 3.30% (2022: 2.00% to 4.35%), and repayable within one year.

(iii) These borrowings are financial assistance through which the Group obtain financing from certain banks under the financing facilities Triumph Group owned in these banks.

At 31 December 2023, the aggregate carrying value of the secured property, plant and equipment and right-of-use assets for the Group's short-term bank loans is RMB1,150.3 million (31 December 2022: RMB590.6 million).

At 31 December 2023, RMB10.0 million of the Group's short-term bank loans is secured by inventories (31 December 2022: none).

At 31 December 2023, none of the Group's short-term bank loans and other borrowings is pledged by trade receivables (including inter-company balance) (31 December 2022: RMB106.4 million).

(b) Long-term bank loans and other borrowings

	2023	2022
	RMB'000	RMB'000
Bank loans	**4,044,948**	2,900,498
Loans from financial institutions	**2,240,944**	1,177,921
	6,285,892	4,078,419
Less: current portion of long-term bank loans and other borrowings (Note 27(a))	**(3,174,740)**	(739,746)
	3,111,152	3,338,673

27 BANK LOANS AND OTHER BORROWINGS (continued)

(b) Long-term bank loans and other borrowings (continued)

The Group's long-term bank loans and other borrowings are repayable as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 year or on demand	**3,174,740**	739,746
After 1 year but within 2 years	**1,300,112**	1,017,538
After 2 years but within 5 years	**1,613,737**	2,220,194
After 5 years	**197,303**	100,941
	6,285,892	4,078,419

At 31 December 2023, the Group's long-term bank loans and other borrowings are secured as follows:

	2023	2022
	RMB'000	RMB'000
Bank loans:		
– secured and/or guaranteed (Note)	**2,175,154**	1,144,781
– unguaranteed and unsecured	**1,869,794**	1,755,717
	4,044,948	2,900,498
Loans from financial institutions:		
– secured and/or guaranteed (Note)	**2,240,734**	1,145,497
– unguaranteed and unsecured	**210**	32,424
	2,240,944	1,177,921
	6,285,892	4,078,419

Note: These loans are secured by the Group's property, plant and equipment, right-of-use assets and/or guaranteed by Triumph Group.

27 BANK LOANS AND OTHER BORROWINGS (continued)

(b) Long-term bank loans and other borrowings (continued)

At 31 December 2023, the aggregate carrying value of the secured property, plant and equipment and right-of-use assets for the Group's long-term bank loans and other borrowings is RMB3,044.3 million (31 December 2022: RMB1,294.4 million).

All of the non-current interest-bearing borrowings are carried at amortised cost and are not expected to be settled within one year.

At 31 December 2023, the Group's banking facilities amounted to RMB5,150.5 million (31 December 2022: RMB4,832.5 million) were utilised to the extent of RMB4,582.0 million (31 December 2022: RMB4,531.4 million).

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants.

As set out in Note 2(b), as at 31 December 2023, the Group did not fulfill all of the financial covenants as required by the agreement of the syndicated loan and the non-current portion of the syndicated loan amounting to RMB1,496.6 million with the original contractual repayment dates beyond 31 December 2024 was reclassified as current liabilities. Up to the date of issue of these financial statements, the directors of the Company consider that the waiver has been substantially obtained and will reclassify these amounts to the non-current liabilities after the date of issue of these financial statements.

Except loans mentioned as above, none of the covenants relating to the bank and other loans had been breached.

28 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	2023	2022
	RMB'000	RMB'000
Within 1 year	**13,356**	10,397
After 1 year but within 2 years	**11,290**	8,815
After 2 years but within 5 years	**25,639**	19,992
After 5 years	**36,161**	36,547
	73,090	65,354
	86,446	75,751

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 30 May 2005 whereby the directors of the Company are authorised, at their discretion, to invite (i) any executive director or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity, to take up share options at HK$1.00 as consideration to subscribe for shares in the Company.

The 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 which will be expired on 19 February 2026. No share options were granted to the directors or employees of the Group under the New Share Option Scheme during the year ended 31 December 2023 and 2022.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Share award scheme

On 12 December 2011 (the "Adoption Date"), the directors of the Company adopted a share award scheme (the "Share Award Scheme") as a mean of rewarding and retaining employees of the Group and to attract suitable personnel for further development with the Group. A trust (the "Trust") has been set up for the purpose of administering the Share Award Scheme.

Pursuant to the Share Award Scheme, the trust may purchase shares of the Company from the Stock Exchange with cash contributed by the Group, and to hold such shares until they are vested.

The directors of the Company may, from time to time, at its discretion select any employee of the Group for participation in the Share Award Scheme and grant such number of awarded shares to any selected employee of the Group at nil consideration. The directors of the Company are entitled to impose any conditions (including a period of continued service within the Group after the award) with respect to the vesting of the awarded shares. In addition, the selected employee shall not transfer or dispose of more than 50% of the awarded shares during the period of one year after the date of vesting of such awarded shares.

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

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the twentieth anniversary date of the Adoption Date (the tenth anniversary date of the Adoption Date before the Extension); and (ii) such date of early termination as determined by the directors of the Company.

Details of the shares held under the Share Award Scheme are set out below:

	No. of shares held
	'000
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	152,000

No ordinary shares were purchased for the Share Award Scheme during years 2022 and 2023. No shares have been awarded to any selected employee as at the date of these financial statements.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements in current taxation in the consolidated statement of financial position are as follows:

	2023 RMB'000	2022 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**128,056**	202,023
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**33,360**	74,065
(Over)/under-provision in respect of prior years (Note 7(a))	**(490)**	322
Income tax paid	**(34,121)**	(148,354)
Balance of income tax payable (net of prepaid income tax) at 31 December	**126,805**	128,056
Represented by:		
Income tax payable	**130,927**	132,076
Prepaid income tax	**(4,122)**	(4,020)
	126,805	128,056

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets							Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write-down of inventories RMB'000	Loss allowance RMB'000	Lease liabilities RMB'000	Right-of-use assets RMB'000	Depreciation expenses in excess of related tax allowances, impairment losses on property, plant and equipment and government grants and fair value adjustments of investments RMB'000	Total RMB'000	Fair value adjustments on intangible assets, property, plant and equipment, equity securities, right-of-use assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 31 December 2021	43,803	1,838	50,024	–	–	91,807	187,472	(137,583)	49,889
Effect of adoption of amendment to HKAS 12	–	–	–	20,991	(20,991)	–	–	–	–
At 1 January 2022	43,803	1,838	50,024	20,991	(20,991)	91,807	187,472	(137,583)	49,889
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	38,459	5,773	4,067	(1,084)	1,084	(2,711)	45,588	45,256	90,844
Credited to reserves	–	–	–	–	–	–	–	25	25
Exchange adjustments	–	49	57	–	–	35	141	(345)	(204)
At 31 December 2022	**82,262**	**7,660**	**54,148**	**19,907**	**(19,907)**	**89,131**	**233,201**	**(92,647)**	**140,554**
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	**44,422**	**2,418**	**607**	**(1,371)**	**2,603**	**40,565**	**89,244**	**6,842**	**96,086**
Additions through acquisition of subsidiaries (Note 32)	**–**	**–**	**366**	**1,192**	**(1,192)**	**–**	**366**	**(21,320)**	**(20,954)**
Credited to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**315**	**315**
Exchange adjustments	**–**	**139**	**53**	**–**	**–**	**65**	**257**	**(525)**	**(268)**
At 31 December 2023	**126,684**	**10,217**	**55,174**	**19,728**	**(18,496)**	**129,761**	**323,068**	**(107,335)**	**215,733**

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB771.3 million (31 December 2022: RMB388.2 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB41.1 million which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2023 will expire on or before 31 December 2028.

(d) Deferred tax liabilities not recognised

At 31 December 2023, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB571.2 million (31 December 2022: RMB674.7 million). Deferred tax liabilities of RMB50.5 million (31 December 2022: RMB58.9 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 31 (c))	Share premium RMB'000 (Note 31 (d)(i))	Shares held under share award scheme RMB'000 (Note 31 (d)(ii))	Capital reserve RMB'000 (Note 31 (d)(iii))	Exchange reserve RMB'000 (Note 31 (d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	85,703	1,599,435	(75,689)	23,614	(121,443)	(47,005)	1,464,615
Changes in equity for 2022:							
Profit for the year	–	–	–	–	–	40,806	40,806
Other comprehensive income	–	–	–	–	138,456	–	138,456
Total comprehensive income for the year	–	–	–	–	138,456	40,806	179,262
Shares issued under share option scheme (Note 31(c)(i))	248	8,797	–	(2,845)	–	–	6,200
Dividends approved in respect of the previous year (Note 31(b))	–	–	6,500	–	–	(78,517)	(72,017)
	248	8,797	6,500	(2,845)	–	(78,517)	(65,817)
At 31 December 2022 and 1 January 2023	85,951	1,608,232	(69,189)	20,769	17,013	(84,716)	1,578,060
Changes in equity for 2023:							
Loss for the year	–	–	–	–	–	(148,298)	(148,298)
Other comprehensive income	–	–	–	–	22,803	–	22,803
Total comprehensive income for the year	–	–	–	–	22,803	(148,298)	(125,495)
Reduction of share premium and accumulated losses set off of the Company	–	(84,330)	–	–	–	84,330	–
Distributions approved in respect of the current year (Note 31(b)(iii))	–	(30,408)	2,477	–	–	–	(27,931)
At 31 December 2023	85,951	1,493,494	(66,712)	20,769	39,816	(148,684)	1,424,634

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(b) Dividends/distributions

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

The Directors of the Company do not propose final dividends after 31 December 2023 (2022: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 RMB'000	2022 RMB'000
No final dividends in respect of the previous financial year has been approved during the year (2022: HK$0.05 per ordinary share)	–	78,517

(iii) Distributions approved and paid during the year

	2023 RMB'000	2022 RMB'000
Interim distributions approved and paid of HK$0.018 per ordinary share (2022: HK$Nil per ordinary share)	30,408	–

(c) Share capital

(i) Authorised and issued share capital

	2023		2022	
	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:				
At 1 January and 31 December, at HK$0.05 each	3,600,000,000	180,000	3,600,000,000	180,000

	2023		2022	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	1,836,218,258	85,951	1,830,288,258	85,703
Shares issued under share option scheme	–	–	5,930,000	248
At 31 December	1,836,218,258	85,951	1,836,218,258	85,951

(ii) At 31 December 2023, 152,000,000 ordinary shares are held by the Company under the Share Award Scheme (31 December 2022: 152,000,000) (see Note 29(b)).

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Shares held under share award scheme

The shares held under share award scheme represents the weighted average acquisition cost for unvested shares acquired under the Share Award Scheme that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

(iii) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

(iv) Statutory reserves

In accordance with the articles of association of the subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which have a functional currency other than RMB into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(w). The further details of the movement of the exchange reserve for the year ended 31 December 2023 are set on Note 10.

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(e) Distributable reserves

At 31 December 2023, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval) available for distribution to equity shareholders of the Company was RMB1,493.5 million (31 December 2022: RMB1,608.2 million). The directors of the Company approved the payment of an interim distribution of HK$0.018 per ordinary share for the six months ended 30 June 2023 (2022: Nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt-to-asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2023 and 2022 was 85% and 75%, respectively. The increase of the debt-to-asset ratio is mainly due to the increase in the Group's capitalised expenditure in recent years, and the Group will monitor and further reduce the debt-to-asset ratio by better operating these new production lines and construction in progress in the future.

The directors of the Company will continue to monitor and improve the Group's capital structure.

31 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(f) Capital management (continued)

The Group's debt-to-asset ratio at the end of the current and previous reporting periods was as follows:

	2023	2022
	RMB'000	RMB'000
Current liabilities:		
Trade and bills payables	**622,186**	435,896
Accrued charges and other payables	**2,034,611**	1,026,266
Contract liabilities	**321,221**	284,627
Bank loans and other borrowings	**6,311,498**	4,599,755
Lease liabilities	**13,356**	10,397
Income tax payable	**130,927**	132,076
	9,433,799	6,489,017
Non-current liabilities:		
Bank loans and other borrowings	**3,111,152**	3,338,673
Lease liabilities	**73,090**	65,354
Deferred tax liabilities	**107,335**	92,647
Other non-current liabilities	**10,263**	8,713
	3,301,840	3,505,387
Total debt	**12,735,639**	9,994,404
Total asset	**14,960,243**	13,285,303
Debt-to-asset ratio	**85%**	75%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 ACQUISITION OF SUBSIDIARIES

On 27 October 2023, China Glass Investment Limited* ("中玻投資有限公司", the "Purchaser"), a PRC subsidiary of the Group, entered into an equity transfer agreement with Huzhou Haosheng Industry Investment L.P* ("湖州浩昇實業投資合夥企業(有限合夥)", "Huzhou Haosheng", the "Seller") and Zhejiang Kaigao Solar Energy Technology Co., Ltd.* ("浙江凱高光能科技有限公司", "Zhejiang Kaigao"), both are independent third parties, pursuant to which the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell approximately 51.4706% equity interests in Gansu Daming Group with a total consideration of RMB313.0 million in cash. The consideration shall be paid by the Purchaser after the Purchaser and Zhejiang Kaigao entering into an equity pledge agreement of the approximately 48.5294% equity interest in Gansu Daming Group held by Zhejiang Kaigao in favor of the Purchaser. Zhejiang Kaigao guarantees to the Purchaser that the aggregate net profit of the Gansu Daming Group for the three years ended 31 December 2026 (the "Guaranteed Period") shall be not less than RMB210.0 million (the "Guaranteed Amount"). If the aggregate net profit of the Gansu Daming Group for the Guarantee Period is less than the Guaranteed Amount, Zhejiang Kaigao shall compensate the shortfall to the Purchaser between the aggregate net profit of Gansu Daming Group and the Guaranteed Amount either by cash or its equity interest in Gansu Daming Group.

Gansu Daming was incorporated in the PRC on 23 January 2018 as a limited liability company under the laws of the PRC. Gansu Daming Group are principally engaged in the production, marketing and distribution of glass and glass products.

Upon completion of the above acquisition on 31 December 2023, the Group recorded a goodwill of RMB170.5 million, which is calculated as below:

	RMB'000
Fair value of identifiable net assets acquired (Note (i))	276,885
Less: non-controlling interests, based on their proportionate interest of 48.5294% in the recognised amounts of the identifiable assets acquired and liabilities assumed	134,371
	142,514
Satisfied by:	
Cash consideration (Note (ii))	312,982
Goodwill (Note (vi)	170,468

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

32 ACQUISITION OF SUBSIDIARIES (continued)

Notes:

(i) Fair value of identifiable assets acquired and liabilities assumed at 31 December 2023

	RMB'000
Property, plant and equipment (Note 12)	1,718,894
Right-of-use assets (Note 14)	30,518
Intangible assets (Note 16)	160,834
Deferred tax assets (Note 30(b))	366
Interests in joint ventures	9,822
Other non-current assets	12,598
Trade receivables	58,416
Prepayments	36,969
Other receivables	70,199
Inventories	92,716
Cash on hand and at bank	20,730
Trade payables	(71,560)
Accrued charges and other payables	(816,085)
Bank loans and other borrowings (Note 24(b))	(998,713)
Contract liabilities (Note 20(b))	(19,555)
Lease liabilities (Note 28(b))	(7,944)
Deferred tax liabilities (Note 30(b))	(21,320)
	276,885

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

(ii) As at 31 December 2023, RMB30.0 million cash consideration has been paid to the Seller. Up to the date of issue of these financial statements, the remaining consideration has been paid up.

32 ACQUISITION OF SUBSIDIARIES (continued)

Notes: (continued)

(iii) Since the acquisition date is 31 December 2023, the above acquisition did not contribute revenue and net profit to the Group for the year ended 31 December 2023. Had the above acquisition been completed on 1 January 2023, the directors of the Company estimated the contributed revenue and net loss for the year ended 31 December 2023 would have been RMB469.9 million and RMB242.6 million, respectively.

(iv) Net cash outflow arising on acquisition

	RMB'000
Cash consideration	312,982
Less: cash consideration that had not been paid to the seller as at 31 December 2023	282,982
cash on hand and at bank acquired	20,730
Total net cash outflow	9,270

(v) Acquisition-related cost

The Group incurred acquisition-related costs of RMB1.12 million relating to external legal fees, due diligence costs, valuation and audit costs. These costs have been included in "Administrative expenses" in the consolidated statements of profit or loss during the year ended 31 December 2023.

(vi) Goodwill

The goodwill is attributable mainly to the synergies expected to be realised to the Group as part of the Group's strategic expansion plan, and the potential growth and prospects of the markets of photothermal glass, photovoltaic glass, energy-saving and new energy glass in the northwestern region of the PRC. None of the goodwill recognised is expected to be deductible for tax purposes.

33 ACQUISITION OF NCI OF A SUBSIDIARY

During the year ended 31 December 2023, the Group entered into an equity transfer agreement with a non-controlling equity owner of a subsidiary, pursuant to which the Group agreed to acquire 5% equity interests for the same cash consideration as the fair value of the equity interests as at the completion date. The acquisition has been completed on 23 March 2023.

34 MATERIAL RELATED PARTY TRANSACTIONS

At 31 December 2023, the directors of the Company consider that the Company did not have immediate and ultimate holding company.

In addition to those disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with Triumph Group and its related parties

	2023 **RMB'000**	2022 RMB'000
Purchase of raw materials	**883,796**	455,032
Engineering services received	**190,776**	1,170,395
Sales of glass products	**28,683**	18,716
Service provided	**73,801**	32,019
Net decrease in guarantees received for the Group's loans	**(712,612)**	(133,084)
Net (decrease)/increase in loan's principal from Triumph Group and its related parties	**(699,671)**	444,737
Interest and financial charges in relation to Group's interest-bearing borrowings	**69,355**	68,560

(b) Transactions with a director of the Company

	2023 **RMB'000**	2022 RMB'000
Net increase/(decrease) in guarantees received for the Group's bank loans and other borrowings	**10,000**	(40,000)

(c) Transactions with a related party of a director of the Company

	2023 **RMB'000**	2022 RMB'000
Purchase of equity interests in Honghua Glass	**39,548**	–

34 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employees as disclosed in Note 9, is as follows:

	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**11,486**	4,690
Contributions to defined contribution retirement plans	**137**	132
	11,623	4,822

Total remuneration is included in "staff costs" (see Note 6(b)).

(e) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2023, the related party transactions in respect of receiving guarantees and interest-bearing borrowings from and accruing related financial charges to Triumph Group and its related parties constitute connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

35 COMMITMENTS

Capital commitments

At 31 December 2023, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2023	2022
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– contracted for	**302,638**	534,737
– authorised but not contracted for	**2,429,716**	1,921,437
	2,732,354	2,456,174

At 31 December 2023, capital commitments in respect of land and buildings, and machinery and equipment are for the expansion and upgrade of the production lines of the Group.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group considers its exposure to equity price risk arising from its equity investment in other entity to be insignificant.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

In respect of trade receivables, other receivables and contract assets, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates.

For sales of glass and glass products, and rendering services, cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing or separately negotiated repayment schedules may be granted to customers and debtors, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers and debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 December 2023, 6.5% (31 December 2022: 6.5%) and 23.6% (31 December 2022: 20.8%) of the total trade and bills receivables and contract assets were due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments or geographic regions, the loss allowance based on past due status is not further distinguished between the Group's different customer or geographic bases.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2023:

	2023		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0%**	**26,428**	**–**
Less than 1 year past due	**4%**	**238,936**	**(9,156)**
More than 1 year past due	**83%**	**147,824**	**(122,649)**
		413,188	**(131,805)**

	2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0%	27,697	–
Less than 1 year past due	3%	306,363	(8,197)
More than 1 year past due	97%	126,327	(122,929)
		460,387	(131,126)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The movements in the loss allowance account in respect of trade receivables and other receivables during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Adjusted balance at 1 January	**315,199**	292,239
Loss allowance written off	**(965)**	(1,191)
Loss allowance recognised	**953**	23,853
Addition through acquisition of subsidiaries	**2,440**	–
Exchange adjustment	**209**	298
Balance at 31 December	**317,836**	315,199

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are set out in Notes 21 and 22.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Note 2(b) explains management's plans for managing the liquidity needs of the Group. Taking all factors set out in Note 2(b) into account, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term, including negotiation with financial institutions to raise new bank loans.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2023 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and bills payables	568,460	53,226	500	–	–	–	–	622,186	622,186
Accrued charges and other payables measured at amortised cost	1,977,402	–	–	–	–	–	–	1,977,402	1,977,402
Bank loans and other borrowings	2,960,405	1,806,622	1,048,312	726,174	1,441,470	1,775,328	217,585	9,975,896	9,422,650
Lease liabilities	3,484	3,484	3,484	3,484	12,392	31,911	62,809	121,048	86,446
Other non-current liabilities	–	–	–	–	–	–	11,053	11,053	10,263
	5,509,751	1,863,332	1,052,296	729,658	1,453,862	1,807,239	291,447	12,707,585	12,118,947

	2022 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and bills payables	316,106	18,790	101,000	–	–	–	–	435,896	435,896
Accrued charges and other payables measured at amortised cost	960,308	–	–	–	–	–	–	960,308	960,308
Bank loans and other borrowings	1,607,810	1,350,725	616,470	1,268,748	1,167,229	2,313,508	104,366	8,428,856	7,938,428
Lease liabilities	2,719	2,719	2,719	2,719	9,917	25,150	66,285	112,228	75,751
Other non-current liabilities	–	–	–	–	–	–	9,241	9,241	8,713
	2,886,943	1,372,234	720,189	1,271,467	1,177,146	2,338,658	179,892	9,946,529	9,419,096

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2023		2022	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Lease liabilities	**3.40% – 6.84%**	**86,446**	3.06% – 6.84%	75,751
Bank loans and other borrowings	**1.57% – 7.83%**	**5,365,988**	0.52% – 7.83%	4,364,434
Other non-current liabilities	**7.70%**	**10,263**	7.70%	8,713
		5,462,697		4,448,898
Variable rate borrowings:				
Bank loans and other borrowings	**1.20% – 7.28%**	**4,056,662**	1.20% – 5.86%	3,573,994
Total borrowings		**9,519,359**		8,022,892
Fixed rate borrowings as a percentage of total borrowings		**57%**		55%

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased the Group's retained profits by approximately RMB31.6 million (31 December 2022: decreased/increased profit after tax and retained profits by RMB33.8 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of the reporting period. The impact on the Group's results after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2022.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, RMB, HK$, and Euros. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2023 Exposure to foreign currencies		
	USD RMB'000	**RMB RMB'000**	**Euros RMB'000**
Trade receivables	**40,537**	**–**	**–**
Other receivables	**19,716**	**415,815**	**8,242**
Cash and cash equivalents	**23,608**	**11,739**	**–**
Trade payables	**(6,447)**	**(16,555)**	**–**
Accrued charges and other payables	**(230,565)**	**(1,070,607)**	**–**
Bank loans and other borrowings	**–**	**(343,355)**	**–**
Gross exposure arising from recognised assets and liabilities	**(153,151)**	**(1,002,963)**	**8,242**

	2022 Exposure to foreign currencies		
	USD RMB'000	RMB RMB'000	Euros RMB'000
Trade receivables	42,859	–	–
Other receivables	59,524	402,688	48,220
Cash and cash equivalents	91,511	1,253	–
Trade payables	(7,576)	–	–
Accrued charges and other payables	(200,571)	(282,316)	–
Bank loans and other borrowings	(12,046)	(271,547)	–
Gross exposure arising from recognised assets and liabilities	(26,299)	(149,922)	48,220

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in loss after tax and Increase/ (decrease) in retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and in retained profits RMB'000
USD	**10%**	**(16,553)**	10%	(4,817)
	(10%)	**16,553**	(10%)	4,817
RMB	**10%**	**(100,296)**	10%	(14,992)
	(10%)	**100,296**	(10%)	14,992
EUR	**10%**	**824**	10%	4,822
	(10%)	**(824)**	(10%)	(4,822)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a finance manager performing valuations for the financial instruments. The manager reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the manager at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

		Fair value measurements as at 31 December 2023 categorised into		
	Fair value at 31 December 2023 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Equity securities	**247**	**–**	**–**	**247**
Bills receivable	**161,302**	**–**	**161,302**	**–**

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

		Fair value measurements as at 31 December 2022 categorised into		
	Fair value at 31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Equity securities	1,510	–	–	1,510
Bills receivable	225,888	–	225,888	–

Valuation techniques and inputs used in Level 2 fair value measurements

Bills receivable

The fair value of bills receivable is determined using its cost as it approximates the present value of the cash flows to be derived from the receivables determined using discounted cash flow method.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	50% to 70%

The fair value of unlisted equity instruments is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by RMB21,600 (2022: RMB132,300).

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2023 **RMB'000**	2022 RMB'000
Unlisted equity securities:		
At 1 January	**1,510**	1,610
Net unrealised loss recognised in other comprehensive income during the year	**(1,263)**	(100)
At 31 December	**247**	1,510

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 31 December 2023 and 2022 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2023		2022	
	Carrying amount at 31 December RMB'000	**Fair value measurements at 31 December categorised into Level 3 RMB'000**	Carrying amount at 31 December RMB'000	Fair value measurements at 31 December categorised into Level 3 RMB'000
Long-term bank loans and other borrowings	**3,111,152**	**3,057,399**	3,338,673	3,248,945

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of long-term bank loans and other borrowings is estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount long-term bank loans and other borrowings. The interest rates used are as follows:

	2023	2022
Long-term bank loans and other borrowings	**5.02%**	4.78%

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**690**	471
Investments in subsidiaries		**1,148,956**	1,132,729
Loans to subsidiaries		**15,608**	12,971
Right-of-use assets		**1,868**	904
		1,167,122	1,147,075
Current assets			
Other receivables		**2,292,741**	2,831,305
Loans to subsidiaries		**819,504**	537,953
Cash on hand and at bank		**73,260**	68,213
		3,185,505	3,437,471
Current liabilities			
Accrued charges and other payables		**893,229**	199,354
Bank loans and other borrowings		**536,286**	1,069,983
Lease liabilities		**995**	932
		1,430,510	1,270,269
Net current assets		**1,754,995**	2,167,202
Total asset less current liabilities		**2,922,117**	3,314,277
Non-current liabilities			
Bank loans and other borrowings	27(c)	**1,496,607**	1,736,217
Lease liabilities		**876**	–
		1,497,483	1,736,217
NET ASSETS		**1,424,634**	1,578,060
CAPITAL AND RESERVES	31		
Share capital		**85,951**	85,951
Reserves		**1,338,683**	1,492,109
TOTAL EQUITY		**1,424,634**	1,578,060

Approved and authorised for issue by the board of directors on 26 March 2024.

(Expressed in RMB unless otherwise indicated)

38 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTER-PRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current Liabilities with Covenants*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures: Supplier Finance Arrangements*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of Exchangeability*	1 January 2025
Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.