信義玻璃控股有限公司
XINYI GLASS HOLDINGS LIMITED

Since 1988

(Incorporated in the Cayman Islands with limited liability)

Stock code: 00868.hk

2022
ANNUAL REPORT

滬港通 深港通

Institutional Investor

hkira IR Awards 2022

商界展關懷 caringcompany 2021/22

Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

Contents

2 Corporate Information

4 Chairman's Statement

10 Management's Discussion and Analysis

17 Profile of Directors and Senior Management

22 Corporate Governance Report

33 Report of the Directors

56 Independent Auditor's Report

62 Consolidated Balance Sheet

64 Consolidated Income Statement

65 Consolidated Statement of Comprehensive Income

66 Consolidated Statement of Changes in Equity

68 Consolidated Statement of Cash Flows

70 Notes to the Consolidated Financial Statements

178 Financial Summary

Corporate Information

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (Chairman) ø~
Mr. TUNG Ching Bor (Vice Chairman)
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*
(Chief Executive Officer) <ø
Mr. LEE Shing Kan

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. YANG Siu Shun, J.P. *ø < (Appointed on 2 June 2022)
Mr. LAM Kwong Siu G.B.S #+<
Mr. WONG Chat Chor Samuel #<ø
Dr. WONG Ying Wai, G.B.S., J.P. (Retired on 2 June 2022)
Dr. TRAN Chuen Wah, John #
Mr. TAM Wai Hung, David (Retired on 2 June 2022)

*	Chairman of audit committee
#	Members of audit committee
+	Chairman of remuneration committee
ø	Members of remuneration committee
~	Chairman of nomination committee
<	Members of nomination committee

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. LAU Sik Yuen, FCPA, AICPA

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

Xinyi Glass Industrial Zone
1 Xinyi Road
Wuhu Economic and Technology Development Zone
Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2101-2108, 21st Floor
Rykadan Capital Tower
135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
Suite 3201
One Island East
Taikoo Place
Quarry Bay
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of East Asia
Citibank, N.A.
China Construction Bank
Credit Industriel et Commercial (Hong Kong Branch)
Dah Sing Bank
DBS Bank
Hang Seng Bank
HSBC
Huaxia Bank
Industrial Bank
Korean Development Bank Asia
Malayan Banking Berhad
Mizuho Bank
MUFG Bank
Nanyang Commercial Bank
Sumitomo Mitsui Banking Corporation
United Overseas Bank
Bank of China
Bank of Communications
Ping An Bank
China Citic Bank
Huishang Bank
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
State Bank of India (Hong Kong Branch)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

WEBSITE

http://www.xinyiglass.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 1,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$15.32
Market capitalisation as of the date of this annual report: Approximately HK$63.1 billion

KEY DATES

Closure of register of members for the purpose of determining the entitlement to attend and vote at the Annual General Meeting: From Tuesday, 30 May 2023 to Friday, 2 June 2023 (both days inclusive)
Date of Annual General Meeting: Friday, 2 June 2023
Closure of register of members for the purpose of determining the entitlement to the final dividend: From Thursday, 8 June 2023 to Monday, 12 June 2023 (both days inclusive)
Proposed final dividend payable date: On or about Friday, 4 August 2023

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2022.

In comparison with 2021, the Group's revenue decreased by about 15.5% to HK$25,746.0 million in 2022. The profit attributable to equity holders of the Company decreased significantly by about 55.6% to HK$5,127.2 million in 2022. Basic earnings per share (the "**Share**") was 126.6 HK cents, as compared with 287.0 HK cents last year.

We are considered that the Group has achieved a reasonable level of profitability in an unfavorable market condition and proposed payment of a final dividend of 22.0 HK cents per Share upon approval by the shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**").

I present below an overview of the business of the Group during 2022 and key development highlights for the coming year.

BUSINESS REVIEW

The PRC glass industry encounters a difficult year in 2022 due to the slow demand from the domestic market. The PRC property market has been weakened since the fourth quarter in 2021 due to the debt crisis of those over leveraged property developers. The high inflation rate in the overseas markets results in the increases in the borrowing interest rates and the international logistics costs. Also, the global energy and raw material prices are increasing due to the Russia Ukraine war. Those factors dampened the glass markets. As a result, the Group's operations in the automobile glass, architectural glass and float glass segments encountered unexpected challenges and more importantly, opportunities that emerged from overseas markets.

The Group's net profit for the year ended 31 December 2022 was dropped by 55.6%, mainly due to the lower average selling prices and high production costs of float glass products in the PRC market. The Group implemented stringent policies on production costs and energy conservation to enhance the cost control. Also, the Group refined in the product mix of float glass, automobile glass and architectural glass, focusing on high value-added, different colours and thickness, structure-upgraded and energy-saving glass products. As for operations, the Group streamlined production flows and logistics and adopted dynamic marketing strategies for its architectural glass and automobile glass products.

The PRC's float glass industry has experienced weak demand during the year. This has been reflected by the decrease in the average selling prices, primarily driven by the delayed completion and delay of window installation of real estate industry in the PRC. On the other hand, in order to achieve the nation's carbon neutral policy, the PRC government is still restricting the granting of new approval for new capacity of float glass, thus limiting the supply of float glass.

As more PRC private property developers encounter liquidity issues, the Group's architectural glass business has focused on the new glass projects which are mainly led by government related or strong financial property developers. The sales volume of the architectural glass products posted growth, even though construction projects slowed down since the fourth quarter of 2021 due to the tight capital chains of property developers in the PRC. The demand for the architectural energy-saving Low-E glass is positive as supported by aggressive marketing strategy and a wide range of value-added and advanced structured glass products. However, the Group has incurred a slight drop in sales of the architectural glass segment due to the depreciation of RMB and COVID-19 impact.

The Group's marketing and production strategies for the automobile glass business in 2022 would focus on tackling challenges on import tariff imposed by the US government and the high international logistics costs, as well as achieving a sales growth seizing the opportunities of economic rebound after the wake of COVID-19 pandemic in overseas markets. The Group has developed new glass products for applications on advanced driver assistance systems ("**ADAS**"), head up displays ("**HUD**"), sound proofing, low-e coating, sunroofs, and value-added parts that are suitable for both new and existing car models, as well as the EV models, and are ready to be launched as and when appropriate.

The Group has been exploring new opportunities in the PRC and overseas markets. We strengthening existing customers relationships for the purpose of increasing the sales volume for both new and existing product models participated overseas exhibitions and visited overseas customers in second half of 2022. The Group's automobile glass products are sold to customers in over 130 countries or territories.

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

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

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

Chairman's Statement

Improved productivity, product quality and features, technology and economies of scale to enhance production efficiency and new products development by new research and development ("R&D") investments

Continuing R&D investments by the Group in new materials and coatings, production engineering, information technology, big data analysis, environmental control, and carbon neutrality awareness as well as improvements made to the production process, automation and equipment maintenance programs, have enhanced its productivity and yield rate, thus, reducing the carbon emissions, wastage, overall labour, production and energy costs for the year ended 31 December 2022.

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

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

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

Expansion of high value-added product mix and global coverage which enhances the group's overall competitiveness

While the COVID-19 pandemic was prevalent in 2022 and markets were competitive, the Group achieved a reasonable results in the automobile glass, architectural glass and high-quality float glass businesses. These demonstrated the Group's diversified business segments, integrated production chain, global market coverage, upgraded product structure, state-of-art production lines and the expanded high value-added and differentiated product mix could ease operational pressures and risks in any specific business segment or country despite an uncertain and competitive market environment.

Strong financial position and resources to future expansion

The Group has solid financial position with HK$8,167.3 million cash and bank deposits and with low net debt gearing ratio of 16.7% as of 31 December 2022. The Group's good credit history has resulted in its effective borrowing rate at 2.2%. For the year ended 31 December 2022, the Group has obtained a total of HK$3,281.4 million green loans, demonstrating its ability to secure financing from multiple channels to support capital expenditure and future expansion.

BUSINESS OUTLOOK

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

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

The prices for soda ash are expected to be less volatile and remain at the low level in 2023, as compared to 2022, due to the newly supply in the PRC. Energy costs might also be less than 2022 as cruel oil price is at the low level in the global market. Thus, the Group is cautiously optimistic on the prospects for the float glass market, as well as on the movements of the average selling prices in peak season in 2023.

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

The Sino-US trade dispute has had an adverse impact on the additional import tariff on both the US aftermarket automobile glass customers and the Group. The Group's new automobile glass production lines in Malaysia gradually mitigated such impact. The Group will continue to explore the opportunities to expand our overseas production capacity in order to counter different import tariff issues.

It is expected that the PRC government would launch further relax and proactive economic and monetary policies to stimulate the domestic consumption cycle and stabilise the property market in the near future. The policies require completion and delivery of building projects to the purchasers, which would result in more construction and window installation activities in 2023 and would increase the demand for float glass and architectural glass.

The Directors are also optimistic on the continuous development of the Group's automobile glass aftermarket business in the global markets, as well as on the prospects of increasing sales in the energy-saving and single- and double-insulated Low-E glass segments in the future.

Chairman's Statement

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

The acquisition of the float glass business in Hainan province in mid-2021 has strengthened the float glass capacity and the Group's market coverage in Southern China. The second phase of the Yingkou production complex will commence operation in the second quarter of 2023.

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

Solar energy is among the most efficient and reliable form of renewable energy with lower installation costs than hydropower, nuclear power and wind power. It is also safe in operation. There will be an increasing number of solar farms to be constructed in the PRC in the near future in support of the national goal of "carbon neutrality" by 2060. European market has enjoyed a high growth due to the energy crisis brought by the Russia-Ukraine war this year. Polysilicon is an essential feedstock for photovoltaics and is widely used to manufacture conventional solar cells. A new polysilicon joint venture with 48% stake was formed with Xinyi Solar in Yunnan Province, which is expected to increase the Group's green and renewable energy investments. The Directors believe that clean and renewable energy will become the major source of energy in the future and that the demand for clean and renewable energy will continue to increase in the PRC and global markets.

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

CONCLUSION

The Group continues to tackle and overcome different challenges amidst changes in the global market environments and the return to normalcy following the COVID-19 pandemic by bolstering its efficiency and increasing its profitability through more effective and flexible management across its cash management, information technology, logistics, supply chain, production, operational, marketing and R&D activities, as well as expansion of its business collaboration with its customers and suppliers. The Directors believe that these will enable the Group to maximise the benefits from the domestic market in the PRC and other emerging markets in addition to being cautiously optimistic about the Group's long-term business development prospects.

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

Dr. LEE Yin Yee, B.B.S.
Chairman

27 February 2023

Management's Discussion and Analysis

INTRODUCTION

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

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

BUSINESS REVIEW

During the year ended 31 December 2022, the depreciation of Renminbi ("**RMB**") caused by a strong US dollar and an increasing interest rate, along with the COVID-19 pandemic, significantly affected the PRC economy. The Group's three glass product businesses, namely float glass, automobile glass and architectural glass, have faced different challenges in terms of sales volume and selling prices.

In 2022, the revenue of the Group decreased by 15.5% to HK$25,746.0 million, as compared to HK$30,459.1 million in 2021. Profit for the year attributable to the equity holders of the Company has significantly dropped by 55.6% to HK$5,127.2 million, as compared to HK$11,555.9 million in 2021. The compound annual growth rate of the Group's sales during the five-year period including 2022 was 12.6%. Basic earnings per Share amounted to 126.6 HK cents, representing a significant drop of 55.9% as compared to 2021. Nevertheless, the Board considers that the Group has achieved a reasonable level of profitability amid the global unfavorable conditions. The Board proposes to declare a final dividend of 22.0 HK cents per share, subject to the approval by the Shareholders at the forthcoming AGM.

OPERATIONAL REVIEW

Sales

The sales revenue of the Group decreased by 15.5% in 2022, principally due to the decreases in the selling prices of float glass products in the PRC market and the continuous depreciation of RMB.

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

	Year Ended 31 December			
	2022		2021	
	HK$'million	*%*	*HK$'million*	*%*
By Products				
Float glass products	**16,587.8**	**64.4**	21,907.5	71.9
Automobile glass products *(Note)*	**6,081.3**	**23.6**	5,457.0	17.9
Architectural glass products	**3,076.9**	**12.0**	3,094.6	10.2
	25,746.0	**100.0**	30,459.1	100.0

Note:

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

	Year ended 31 December			
	2022		2021	
	HK$'million	*%*	*HK$'million*	*%*
By Geographical Regions				
Greater China *(Note (a))*	**17,567.0**	**68.2**	23,700.0	77.8
North America	**2,508.4**	**9.8**	2,233.9	7.3
Others *(Note (b))*	**5,670.6**	**22.0**	4,525.2	14.9
	25,746.0	**100.0**	30,459.1	100.0

Notes:

(a) Greater China include the PRC and Hong Kong.

(b) Others include Europe, Australia, New Zealand, Africa, the Middle East, Central America, South America and other countries.

Management's Discussion and Analysis

Cost of Sales

The increase in the production costs was mainly attributable to the significant price increase of soda ash and energy in the PRC and the increase of the sales volume of float glass, automobile glass and architectural glass. The cost pressures have been mitigated in part by the improved production efficiency, cost control measures and the use of renewable energy sources by the Group. As a result, the cost of sales has increased by 16.2% to HK$17,059.6 million in 2022, as compared to HK$14,682.0 million in 2021.

Gross Profit

The gross profit of the Group in 2022 amounted to HK$8,686.4 million, representing a decrease of 44.9%, as compared to HK$15,777.1 million in 2021. The overall gross profit margin has decreased from 51.8% to 33.7% principally due to the decrease in the average selling prices of the float glass products of the Group and the increase of cost of sales.

Other Income

Other income increased to HK$663.4 million, as compared to HK$614.2 million in 2021. The increase was mainly due to the increase in the investment return from financial products purchased by the Group in the PRC.

Other Gains, Net

Net other gains increased by 67.3% and amounted to HK$192.6 million in 2022, as compared to HK$115.1 million in 2021. The increase was principally due to increase in the foreign exchange gain.

Selling and Marketing Costs

The Group's selling and marketing costs increased by 15.9% to HK$1,810.1 million in 2022. The increment was principally due to the increase in both domestic and overseas transportation costs and the additional import tariff imposed by the US.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by 2.4% to HK$2,388.3 million in 2022, mainly due to the decrease in the directors' remuneration.

Share of Profits of Associates

Share of profits of associates was mainly generated from the Company's associate companies, namely Xinyi Solar Holdings Limited and Xinyi Energy Holdings Limited. The share profits decreased to HK$922.8 million, as compared to HK$1,185.7 million in 2021. The decrease was mainly due to the decrease in the profitability of these two companies.

Finance Costs

The Group's finance costs increased significantly by 139.6% to HK$371.5 million in 2022 mainly due to the increase in the HIBOR rate during the year. A portion of the interest expense incurred as construction-in-progress and acquisition of land, plant and machinery at the production complexes in the PRC, Malaysia and Indonesia has been capitalised under construction-in-progress and will be depreciated subsequently once the related production facilities and the new production lines commence the commercial operation. An interest expense amounted to HK34.4 million was capitalised under construction-in-progress in 2022, which was a significant increase of 61.7% as compared to HK$21.3 million in 2021. An increase in the capitalised amount interest expense in 2022 represented an increase in the capital expenditure incurred by the Group on building and construction.

Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA")

EBITDA decreased by 48.7% to HK$7,755.8 million for the year ended 31 December 2022, as compared to HK$15,123.2 million in 2021.

Income Tax Expense

The Group's income tax expense decreased significantly by 55.7% to HK$855.8 million in 2022 due to the reduced amount of profits generated and the corresponding decrease in the payment of PRC dividend withholding tax during the year. The effective tax rate was 14.3%, which was lower than the standard tax rates mainly due to more profits generated by the Company's subsidiaries that are qualified for the preferential PRC high-tech enterprise CIT tax rate of 15%.

The PRC dividend withholding tax of HK$70.1 million was paid in 2022.

A total amount of RMB130.0 million dividends from the Group's PRC subsidiaries were re-invested in the PRC and hence, no withholding tax has been recognised in accordance with the PRC dividend withholding tax rules under the current PRC taxation policies in 2022.

Net Profit

Net profit attributable to equity holders of the Company was HK$5,127.2 million in 2022, representing a decrease of 55.6%, as compared to HK$11,555.9 million in 2021. Net profit margin decreased to 19.9% in 2022.

CURRENT RATIO

The Group's current ratio as of 31 December 2022 was 1.09, as compared with 1.89 as of 31 December 2021. The decrease in the current ratio was mainly due to a high percentage of long-term high-interest income fixed bank deposits were made by the Group at end of the year.

NET CURRENT ASSETS

As of 31 December 2022, the Group had net current assets of HK$1,016.0 million, as compared to HK$9,146.2 million as of 31 December 2021. The decrease was in line with the decreases in the current ratio and net profit.

Management's Discussion and Analysis

CAPITAL EXPENDITURE AND COMMITMENTS

For the year ended 31 December 2022, the Group incurred an aggregate capital expenditure of HK$2,624.4 million (2021: HK$4,042.6 million) for the purchase of plant and machinery and the construction of factory premises in the PRC, Malaysia and Indonesia. Capital commitments contracted for but not incurred by the Group as of 31 December 2022 amounted to HK$1,378.2 million (2021: HK$1,368.2 million), which was mainly related to the proposed investment in Yunnan Province and new production capacity of architectural glass, automobile glass and float glass, planned to be expanded in the PRC and Indonesia.

CAPITAL STRUCTURE

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

FINANCIAL RESOURCES AND LIQUIDITY

In 2022, the Group's primary source of funding included cash generated from its operating activities and the new banking facilities provided by its principal banks in Hong Kong and the PRC. Net cash inflow from operating activities amounted to HK$6,737.3 million (2021: HK$10,947.1 million) as a result of a substantial decrease in net profit for the year and efficient working capital management which led to a net cash surplus from operations. As of 31 December 2022, the Group had cash and bank balances (including fixed deposits and pledged bank deposits) of HK$8,167.3 million (2021: HK$10,295.1 million).

BANK BORROWINGS

As of 31 December 2022, the Group's bank borrowings amounted to HK$13,515.7 million, representing a decrease of 12.8%, as compared to HK$15,492.7 million as of 31 December 2021, because of the decrease in capital expenditure and repayment of bank loans by cash on hand to reduce the loan interest expense during the year.

The Group's net debt gearing ratio as of 31 December 2022 was 16.7% (31 December 2021: 15.1%). This ratio was calculated by dividing the net debt, which is calculated as total bank borrowings plus lease liabilities less cash and cash equivalents, fixed bank deposits and pledged bank deposits, by the total equity of the Group as of 31 December 2022.

PLEDGE OF ASSETS

As of 31 December 2022, bank balance of HK$141.4 million has been pledged as collateral principally for import duties payable to the US government.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2022, the Group had 15,068 full-time employees, of whom 14,171 were based in the PRC and 897 were based in Hong Kong and other countries and territories. The Group maintains good relationship with its employees and provides employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good client relationship. Remuneration packages offered to the Group's employees are generally consistent with prevailing market rates and are reviewed on a regular basis. Discretionary bonus may be awarded to employees taking into consideration the Group's performance and that of individual staff.

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

FINAL DIVIDEND

At the meeting of the Board held on 27 February 2023, the Directors consider that the Group has achieved a reasonable level of profitability in an unfavorable market condition and recommended the payment of a final dividend (the "**Final Dividend**") of 22.0 HK cents per Share for the year ended 31 December 2022. The recommendation of payment of the Final Dividend is subject to the approval of the Shareholders at the AGM which is expected to be held on or before Friday, 2 June 2023. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Friday, 4 August 2023 to the Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023.

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

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on Tuesday, 6 June 2023 until Monday, 12 June 2023 (both days inclusive) rounded down to two decimal places.

Management's Discussion and Analysis

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES

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

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

Because of the depreciation in the exchange rate of the RMB during the year, the Group reported non-cash translation decreases in the exchange reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2022, an exchanges reserve decrease of HK$4,410.6 million was recorded as foreign currency translation reserve movement. As a result, the balance of the consolidated foreign currency translation reserve account recorded a debit balance of HK$2,580.2 million as of 31 December 2022, as compared to a credit balance of HK$1,830.4 million as of 31 December 2021.

Relating to the Group's PRC business, revenue from the sales of glass products is denominated in RMB whilst most bank borrowings are denominated in HKD. In implementing its treasury policies, the Group maintained a deliberate balance between the currency risk and the interest savings arising from HKD-denominated bank borrowings. As of 31 December 2022, over 91% of the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity issues resulting from currency exchange fluctuations. During the year ended 31 December 2022, the Group has not used any financial instrument for hedging purposes.

CONTINGENT LIABILITIES

As of 31 December 2022, the Group did not have any significant contingent liability (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2022.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (李賢義) aged 70, is the Chairman and founder, responsible for the Group's business strategy. Dr. LEE Yin Yee, B.B.S. has more than 32 years' experience in the automobile glass industry. Prior to establishing the Group, Dr. LEE Yin Yee, B.B.S. was involved in the trading of automobile parts. Dr. LEE Yin Yee, B.B.S. has been the member of the 10th, 11th, 12th and 13th National Committee of the Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Dr. LEE Yin Yee, B.B.S. obtained a honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Fujian Chamber of Commerce in Shenzhen (formerly known as Shenzhen Fujian Corporate Association). Dr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Dr. LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Kan, the executive Director. Dr. LEE Yin Yee, B.B.S. is also the brother-in-law of Mr. TUNG Ching Bor, the Vice Chairman and executive Director and brother-in-law of Tan Sri Datuk TUNG Ching Sai J.P., the Chief Executive Officer and executive Director. Dr. LEE Yin Yee, B.B.S. was appointed as the executive Director on 25 June 2004. Dr. LEE Yin Yee, B.B.S. is the chairman and executive director of Xinyi Solar Holdings Limited ("**Xinyi Solar**"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 0968). Dr. LEE Yin Yee, B.B.S. was the chairman and non-executive director of Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a company listed on the main board of the Stock Exchange (stock code: 3868) from 28 May 2019 to 4 August 2020.

Mr. TUNG Ching Bor (董清波), aged 60, is the Vice Chairman and Chief Purchasing Officer, responsible for managing the Group's daily operations and overseeing the purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 16 years' experience in automobile parts purchase. Mr. TUNG Ching Bor was a member of the 10th Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a member of Nanping Municipal Committee of the Chinese People's Political Consultative Conference in Fujian. Mr. TUNG Ching Bor is the brother-in-law of Dr. LEE Yin Yee, B.B.S., the executive Director, brother of Tan Sri Datuk TUNG Ching Sai J.P., the Chief Executive Officer and executive Director, and uncle of Mr. LEE Shing Kan, the executive Director. Mr. TUNG Ching Bor was appointed as the executive Director on 25 June 2004.

Profile of Directors and Senior Management

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* (董清世), aged 57, is the executive Director and Chief Executive Officer. Tan Sri Datuk TUNG Ching Sai, J.P. has been with the Group for over 34 years since the inception in November 1988 and is responsible for overseeing the Group's daily operations. Tan Sri Datuk TUNG Ching Sai, J.P. is a standing committee member of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, (中國人民政治協商會議廣西壯族自治區委員會常務委員), a member of the executive committee of the All-China Federation of Industry and Commerce (全國工商聯執行委員會委員), chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association, vice chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Tan Sri Datuk TUNG Ching Sai, J.P. graduated from the Sun Yat-Sen University with an executive master degree of business administration in 2007. Tan Sri Datuk TUNG Ching Sai, J.P. is the brother-in-law of Dr. LEE Yin Yee, B.B.S., brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Kan, all of them are the executive Directors. Tan Sri Datuk TUNG Ching Sai, J.P. was appointed as the executive Director on 25 June 2004. Tan Sri Datuk TUNG Ching Sai, J.P. is the vice chairman and non-executive director of Xinyi Solar, a company listed on the main board of the Stock Exchange (stock code: 0968), the vice chairman and executive director of Xinyi Energy, a company listed on the main board of the Stock Exchange (stock code: 3868) and the chairman and non-executive director of Xinyi Electric Storage Holdings Limited ("**Xinyi Electric Storage**"). a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange (stock code: 8328).

Mr. LEE Shing Kan (李聖根), aged 43, is the executive Director and is responsible for overseeing the overall automobile glass operation. Mr. LEE Shing Kan joined the Company in January 2005. Mr. LEE Shing Kan holds a bachelor's degree in commerce from The University of Melbourne, Australia and a master's degree in applied finance from Monash University, Australia. Mr. LEE Shing Kan is the standing member of the Sichuan Provincial Committee of the Chinese People's Political Consultative Conference and chief supervisor of the Federation of HK Sichuan Community organisations. Mr. LEE Shing Kan was the director (2012-2014) of Tung Wah Group of Hospitals. Mr. LEE Shing Kan has been the executive committee member and the vice chairman of the Lok Sin Tong Benevolent Society, Kowloon since 2018 and April 2020 respectively. Mr. LEE Shing Kan is the son of Dr. LEE Yin Yee, B.B.S., nephew of Mr. TUNG Ching Bor and Tan Sri Datuk TUNG Ching Sai, J.P., all of them are the executive Director. Mr. LEE Shing Kan was appointed as the executive Director on 15 October 2008. Mr. LEE Shing Kan is a non-executive director of Xinyi Electric Storage, a company listed on the GEM of the Stock Exchange (stock code: 8328).

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai (李清懷), aged 65, is the non-executive Director and has been with the Group since April 2001. Prior to joining the Group, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as the non-executive Director on 25 June 2004.

Mr. SZE Nang Sze (施能獅), aged 65, is the non-executive Director and has been with the Group since April 2001. Prior to joining the Group, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as the non-executive Director on 25 June 2004.

Mr. LI Ching Leung (李清涼), aged 66, is the non-executive Director and has joined the Group since August 2004. Mr. LI Ching Leung was the assistant general manager of the Wuhu production complex. Prior to joining the Group, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as the executive Director on 25 August 2004 and was re-designated as the non-executive Director on 14 September 2005.

Mr. NG Ngan Ho (吳銀河), aged 58, is the non-executive Director and has joined the Group since August 2003. Mr. NG Ngan Ho was responsible for overseeing the financial and purchasing matters of the Dongguan production complex. Mr. NG Ngan Ho was appointed as the executive Director on 25 June 2004 and was re-designated as the non-executive Director on 1 July 2007. Mr. NG Ngan Ho is the executive director of Xinyi Electric Storage, a company listed on GEM of the Stock Exchange (stock code: 8328).

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, G.B.S. (林廣兆), aged 89, is the vice chairman of BOC International Holdings Limited, the honorary chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the honorary president of the Chinese Bankers Club of Hong Kong. Mr. LAM Kwong Siu has also been the director of Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002. Mr. LAM Kwong Sui has been an independent non-executive director of Fujian Holdings Limited (stock code: 0181) since December 2003, Yuzhou Group Holdings Company Limited (stock code: 1628) since October 2009 and Far East Consortium International Limited (stock code: 0035) since September 2011, all of them are listed on the main board of the Stock Exchange. Mr. LAM Kwong Siu was an independent non-executive director of China Overseas Land & Investment Limited (stock code: 0688) from September 2003 to June 2020 and Skymission Group Holdings Limited (stock code:1429) from November 2019 to September 2021, both of them are listed on the main board of the Stock Exchange. Mr. LAM Kwong Siu was awarded the HKSAR Gold Bauhinia Star and Silver Bauhinia Star in 2016 and 2003, respectively. Mr. LAM Kwong Siu was appointed as the independent non-executive Director on 30 August 2004.

Mr. WONG Chat Chor Samuel (王則左), aged 73, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, is the present president of the Hong Kong Institute of Arbitrators, is a member of the International Chamber of Commerce ("**ICC**") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Shenzhen Court of International Arbitration, Shanghai Court of International Arbitration, Guangzhou and Huizhou of China. Mr. WONG Chat Chor Samuel is a member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, the PRC. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degree in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as the independent non-executive Director on 30 August 2004.

Dr. TRAN Chuen Wah, John (陳傳華), aged 51, obtained a bachelor's degree in business administration from Simon Fraser University in June 1993 and obtained a doctorate degree of ministry from Fuller Theological Seminary in 2017. Dr. TRAN Chuen Wah, John is currently a minister of Evangelical Free Church of China Jachin Church Limited. Dr. TRAN Chuen Wah, John has over 16 years of experience in accounting and investment banking industry, during which Dr. TRAN Chuen Wah, John had worked in Price Waterhouse (now known as PricewaterhouseCoopers) and various financial institutions and investment banks in Hong Kong. During the period between 2003 and 2006, Dr. TRAN Chuen Wah, John was the Managing Director and the Head of Investment Banking of Kingsway Financial Services Group Limited ("**Kingsway Group**"). Dr. TRAN Chuen Wah, John was a consultant to Kingsway Group during the period from 2006 to 2009. Dr. TRAN Chuen Wah, John became a member of each of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1996 and 1997, respectively. Dr. TRAN Chuen Wah, John became a Chartered Financial Analyst (granted by the Association for Investment Management and Research) in September 1999. Dr.TRAN Chuen Wah, John was appointed as the independent non-executive Director on 31 December 2012.

Dr. YANG Siu Shun, *J.P.* (楊紹信), aged 67, is currently serving as a member of the 14th National Committee of the Chinese People's Political Consultative Conference, a Justice of the Peace in Hong Kong, a Steward of the Hong Kong Jockey Club, an independent non-executive director of Industrial and Commercial Bank of China Limited (stock code: HK: 1398; SH: 601398), which is publicly listed on the Stock Exchange and the Shanghai Stock Exchange, and an independent non-executive director of Tencent Holdings Limited (stock code: 0700) and Man Wah Holdings Limited (stock code: 1999), which are publicly listed on the Stock Exchange. Dr. YANG Siu Shun retired from PricewaterhouseCoopers ("**PwC**") on 30 June 2015. Before his retirement, he served as the Chairman and Senior Partner of PwC Hong Kong, the Executive Chairman and Senior Partner of PwC China and Hong Kong, one of the five members of the Global Network Leadership Team of PwC and the PwC Asia Pacific Chairman. Dr. YANG Siu Shun served as a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, up to 31 August 2021. Dr. YANG Siu Shun also served as a Board Member and the Audit Committee Chairman of The Hang Seng University of Hong Kong (formerly known as Hang Seng Management College), up to 30 September 2018 and the Deputy Chairman of the Council of Hong Kong Metropolitan University ("**HKMU**") (formerly known as The Open University of Hong Kong), up to 19 June 2019. Dr. YANG Siu Shun graduated from the London School of Economics and Political Science in 1978 and was awarded the degree of Honorary Doctor of Social Sciences by HKMU in 2019. Dr. YANG Siu Shun is a Fellow Member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Dr. YANG Siu Shun was appointed as the independent non-executive Director of the Company on 2 June 2022.

SENIOR MANAGEMENT

Mr. LAU Sik Yuen (劉錫源), aged 56, is the Company Secretary, Chief Financial Officer and Vice President of the Group. Prior to joining the Group in April 2003, Mr. LAU Sik Yuen had over thirteen years' experience in auditing and financial accounting industry. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for over five years, and had been the financial controller of a subsidiary of a company listed on the main board of the Stock Exchange for over three years. Mr. LAU Sik Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Mr. XU Bi Zhong (許必忠), aged 54, is the Vice President of the Group and is mainly overseeing the Group's logistics and electronic glass operations. Mr. XU Bi Zhong obtained a diploma of administrative management from Shenzhen University. Prior to joining the Group in May 2004, Mr. XU Bi Zhong worked for a float glass trading company and a float glass plant in PRC for over twelve years.

Mr. LENG Xue Feng (冷雪峰), aged 55, is the Vice President of the Group and is mainly overseeing the Group's float glass operation. Mr. LENG Xue Feng obtained bachelor degree in silicate from Qíqíhaer Light Industrial University. Prior to joining the Group in July 2007, Mr. LENG Xue Feng had worked in float glass manufacturing sector for eighteen years.

Mr. GUO Jian Lin (郭建林), aged 54, is the Vice President of the Group and is mainly overseeing the Group's information and technology centre and supply chain management. Mr. GUO obtained a bachelor degree in industrial management from Jiangxi University of Finance and Economics. Mr. GUO is a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Group in March 2008, Mr. GUO worked in accounting and auditing sector.

Mr. LIAO Jiang Hong (廖江洪), aged 45, is the General Manager of the Group and is mainly overseeing the Group's architectural glass projects operation. Mr. LIAO Jiang Hong obtained a diploma of psychology from Chinese Academy of Sciences. He joined the Group in April 1994.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set forth in Part 2 of the Appendix 14 to The Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year of 2022.

In the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code throughout the year ended 31 December 2022.

The Board is collectively responsible for the long-term success of the Company. Its key responsibilities include providing leadership and supervision to the Management with a view to protecting the Shareholders' interests and enhancing Shareholders' long-term value.

The Board has established the Group's purpose, values and strategies and was satisfied that they are aligned with the Group's culture. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instil and continually reinforce across the Company's values of "acting lawfully, ethically and responsibly".

During the year ended 31 December 2022, the Board closely monitored the implementation of corporate governance practice, risk management and internal control systems to ensure the corporate value and the Company's culture are aligned.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, four non-executive Directors and four independent non-executive Directors. Further information on the Directors is set forth on pages 17 to 21 of this annual report.

The four executive Directors are Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai J.P. and Mr. LEE Shing Kan. Dr. LEE Yin Yee, B.B.S., is the father of Mr. LEE Shing Kan, and also the brother-in-law of Mr. TUNG Ching Bor and Tan Sri Datuk TUNG Ching Sai J.P.. Mr. TUNG Ching Bor is the elder brother of Tan Sri Datuk TUNG Ching Sai J.P.. Hence, Mr. LEE Shing Kan is the son of Dr. LEE Yin Yee, B.B.S. and nephew of Mr. TUNG Ching Bor and Tan Sri Datuk TUNG Ching Sai J.P..

The four non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho.

The four independent non-executive Directors are Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. TRAN Chuen Wah, John and Dr. YANG Siu Shun, J.P..

Dr. WONG Ying Wai, G.B.S., J.P., and Mr. TAM Wai Hung, David were retired as the independent non-executive Director on 2 June 2022.

The Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

The articles of association (the "**Articles**") of the Company provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall subject to retirement by rotation at least once every three years. Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

All of the four non-executive Directors were appointed for a term of three years, commenced from 1 January 2023. For the independent non-executive Directors, Mr. LAM Kwong Siu, G.B.S. and Mr. WONG Chat Chor Samuel, were appointed for a term of three years commenced from 3 February 2023. Dr. TRAN Chuen Wah, John was appointed for a term of three years commenced from 31 December 2021 and Dr. YANG Siu Shum, J.P. appointed for a term commenced from 2 June 2022 to 31 December 2024. The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. LEE Yin Yee, B.B.S. is the Chairman of the Group and Tan Sri Datuk TUNG Ching Sai J.P. is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Dr. LEE Yin Yee, B.B.S. is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Tan Sri Datuk TUNG Ching Sai J.P. closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Tan Sri Datuk TUNG Ching Sai J.P. is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

Attendance records of the Directors at board meetings and general meeting in 2022 are as follows:

	Meetings attended/held	
	Annual general meeting	Board meetings
Executive Directors		
LEE Yin Yee	1/1	5/5
TUNG Ching Bor	1/1	5/5
TUNG Ching Sai	1/1	4/5
LEE Shing Kan	1/1	4/5
Non-executive Directors		
LI Ching Wai	1/1	5/5
LI Ching Leung	1/1	5/5
SZE Nang Sze	1/1	4/5
NG Ngan Ho	1/1	5/5
Independent non-executive Directors		
LAM Kwong Siu	1/1	4/5
WONG Ying Wai	1/1	2/2
WONG Chat Chor Samuel	1/1	4/5
TRAN Chuen Wah, John	1/1	5/5
TAM Wai Hung, David	1/1	2/2
YANG Siu Shun	0/0	3/3

During the financial year ended 31 December 2022, the Board has five meetings and majority of the Directors had attended these meetings.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in regard to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on business operation of the Group.

MECHANISM REGARDING INDEPENDENT VIEWS TO THE BOARD

The Board has implemented different ways to ensure independent views and input are available to the Board (the "**Mechanism**"). The Board will conduct annual review on the implementation and effectiveness of the Mechanism and the results will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. The Company has made specific enquiry with the Directors and all Directors confirmed that they have complied with the required standard of dealings as set forth in the Model Code throughout the year ended 31 December 2022.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai J.P. and Dr. YANG Siu Shun, J.P.. Dr. WONG Ying Wai, G.B.S., J.P. was ceased to be the member of the Remuneration Committee on 2 June 2022. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu, G.B.S..

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management and reviewing and approving matters related to share schemes. Its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2022, one meeting of the Remuneration Committee was held and all the committee members attended this meeting.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2022 is set forth below:

In the band of	Number of individuals
Over HK$14,500,000	4
HK$3,000,001 to HK$5,500,000	5

Details of the Directors' remuneration is set out in Note 35 to the consolidated financial statements on pages 175 to 177 in this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee of the Board comprises four independent non-executive Directors, namely Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. TRAN Chuen Wah, John and Dr. YANG Siu Shun, J.P.. Dr. WONG Ying Wai, G.B.S., J.P. and Mr. TAM Wai Hung, David were ceased to be the member of the Audit Committee on 2 June 2022. Dr. YANG Siu Shun, J.P. is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial information and reporting process, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. Its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2022 for reviewing the annual and interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai J.P., Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel and Dr. YANG Siu Shun, J.P.. Dr. WONG Ying Wai, G.B.S., J.P. was ceased to be the member of the Nomination Committee on 2 June 2022. The chairman of the Nomination Committee is Dr. LEE Yin Yee, B.B.S..

The primary duties of the Nomination Committee are to review the structure, size and diversity of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The Nomination Committee held one meeting for annual review of board structure and diversity and the independence of the independent non-executive Directors for the year ended 31 December 2022. All the committee members attended this meeting.

NOMINATION POLICY

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- Reputation for integrity;
- Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Merit and contribution that candidate will bring to the Board;
- Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director; and
- Able to devote sufficient time and attention to the Company's business.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

Procedures for Shareholders' nomination of any proposed candidate for election as a director are stated in "Mechanisms available for shareholders to propose a person for election as a director of the Company" and disclosed in the Company's website.

BOARD DIVERSITY

The Board considers that its diversity is a vital asset to the business and has adopted a board diversity policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company adopted the board diversity policy (the "**Diversity Policy**") as required by the CG Code. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption, as set forth in the Diversity Policy of the Company.

The members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. A majority of the Directors have more than 26 years' experience serving as an executive officer or a director of a company in the glass industry. The table below sets forth an analysis of the Board's current composition based on the measurable objectives:

Measurable objective	Category	Number of Director
Gender	Male	12
	Female	—
Age	41-60	5
	Over 60	7

Based on the foregoing, the composition and diversity of the Board enable the management to benefit from a diverse and objective external perspective, on issues raised before the Board.

Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 17 to 21 in this annual report.

There is no female Director in the Board of the Company for the time being. According to Rule 13.92 of the Listing Rule, the Stock Exchange will not consider diversity to be achieved for a single gender board. Henceforth, the Board is planning to improve the gender diversity at board level and across the workforce, and is in the process of seeking one or more suitable candidates of different gender to join the Board as Director(s) on or before 31 December 2024.

As of 31 December 2022, among the 15,068 employees (including senior management) of the Group, the percentages of male employees and female employees are 88% and 12%, respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

The Nomination Committee was of the opinion that the Board consisted of members with diversified age, cultural and education background, professional/business experience, skills and knowledge. Further details for the diversity, including the gender diversity, in the workforce during the year ended 31 December 2022 are set forth in the Environmental, Social and Governance Report dated 28 April 2023 of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2022 have been reviewed by the audit committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group is set forth in the Independent Auditor's Report on pages 56 to 61 of this annual report.

AUDITOR'S REMUNERATION

For the year under review, the professional fees charged by the auditors of the group companies in respect of the auditing services is disclosed in the notes to the consolidated financial statements. The remuneration paid to the auditor of the Group is solely for audit of consolidated financial statements of the Group during the year, which amounted to approximately HK$3.5 million.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of risk management and internal control so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives of the Group.

The key elements of the Group's risk management and internal control structure are as follows:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff;
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and
- Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2022.

A risk-based approach is adopted to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. The internal audit team takes the lead to evaluate the risk management and internal control systems of the Group by reviewing the major operations of the Group on a rotational basis every year. The review covers all material controls including financial, operational, compliance controls and risk management. Review results and recommendations in the form of written reports are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the internal audit team to ensure that findings previously identified have been properly resolved.

Based on the results of the internal control review for the year ended 31 December 2022 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2022.

INSIDE INFORMATION POLICY

The Company has established an inside information policy which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulation.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. During the year, all Directors participated in various trainings organised by the Company, including the "**Disclosure Obligation for Listed Companies and Officers"** and **"Update on the requirements under the Hong Kong Listing Rules, Hong Kong Companies Ordinance, and Hong Kong Securities and Futures Ordinance**". According to the training records maintained by the Company, each Director has confirmed that he has obtained reading and training materials during the year and has attended the trainings in relation to various aspects, including but not limited to, director's duties, update on Listing Rules amendments and corporate governance practices.

COMPANY SECRETARY

The Company Secretary is Mr. LAU Sik Yuen, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. LAU is also the Chief Financial Officer and Vice President of the Group. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. He has taken not less than 15 hours of relevant professional training in 2022, in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its Shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established a shareholders communication policy. The Board reviewed the implementation and effectiveness of the shareholders communication policy and the results were satisfactory. The Company has established the following channels:

(i) the Annual General Meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the Annual General Meetings of the Company to address Shareholders' queries;

(ii) the Company maintains a website at www.xinyiglass.com, where updated key information/news of the Group is available for public access;

(iii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iv) investor, analyst and media briefing are held as early as practicable after the publication of the interim and annual results;

(v) the Company's management may meet with Shareholders, potential investors and research analysts upon request and provide update of the latest business development of the Group and answer their queries in accordance with the Group's Inside Information Policy;

(vi) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the Company Secretary or via e-mail to "**ir@xinyiglass.com.hk**"; and

(vii) Shareholders may direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

Corporate Governance Report

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 64 of the articles of association (the "**Articles**") of the Company, an extraordinary general meeting ("**EGM**") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

INVESTOR RELATIONS

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2022.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of float glass products, automobile glass products, construction glass products and a variety of related products in the PRC and Malaysia. Particulars of the subsidiaries of the Company are set forth in Note 10 to the consolidated financial statements in this annual report.

The analysis of the Group's performance for the financial year ended 31 December 2022 by operating segments is set forth in Note 5 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2022 are set forth in the consolidated income statement on page 64 in this annual report. During the financial year, an interim dividend of 40.0 HK cents per Share, amounting to a total of approximately HK$1,614.4 million, was paid to the Shareholders in cash or partially settled by the issuance of scrip shares in respect of scrip dividend on Wednesday, 28 September 2022.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend (the "**Final Dividend**") of 22.0 HK cents per Share for the year ended 31 December 2022. The recommendation of payment of the Final Dividend are subject to the approval of the Shareholders at the AGM to be held on or before Friday, 2 June 2023. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Friday, 4 August 2023 to the Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023.

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

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on Tuesday, 6 June 2023 until Monday, 12 June 2023 (both days inclusive) rounded down to two decimal places.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2022 and its future development is set forth in the Chairman's Statement from pages 4 to 9 and Management's Discussion and Analysis from pages 10 to 16 of this annual report.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set forth in Note 18 to the consolidated financial statements in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During year under review and to the best knowledge of the Directors, the Group had obtained and completed all material licenses, certifications, permits and registration necessary for its business operations, and that the Group had complied in all material aspects with all laws, rules and regulations that have a significant impact on the Group's business and operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's float glass production may generate air pollutants, waste water and other industrial waste at different stages of the production process. To ensure compliance with the applicable PRC environmental protection laws and regulations, the Group has implemented the following environmental protection measures:

— *Energy* – Natural gas has been used as the principal energy source for the Group's glass melting furnaces.

— *Power generation from residual heat* – The Group's float glass production plants have used the residual heat generated in the production processes for electricity generation.

— *Glass recycling* – Scraped and unused glass produced during the production process have been recycled to the glass melting furnaces for production of float glass products.

Over the past few years, the Group has owned in one wind farm project in Anhui Province several small solar farm projects inside the production complexes, which can help to improve air quality and the environment by reducing the consumption of fossil fuels and emission of carbon dioxide.

In March 2019, the Group passed the Green Finance Certification of the Hong Kong Quality Assurance Agency and was awarded the Pre-issuance Stage Certificate for Green Finance, confirming that the Group's energy saving Low-e coating architectural glass projects meet the requirements of green projects. The Group will actively promote financial innovation, increase the exploration of green finance, expand the Group's funding channels through green financing, and ensure our sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

The Group is in the process of preparing its ESG report for the year ended 31 December 2022 and will publish it on the Stock Exchange's website and the Company's website on or before 28 April 2023.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2022, there were no material dispute between the Group and its customers, suppliers and employees.

Customers are the Company's greatest assets. Xinyi Glass is committed to the production of quality float glass, automobile glass and architectural glass, with great emphasis on product quality and reputation. Over the years, the Company has already established a professional and reliable corporate image among the customers. Xinyi Glass has been maintaining the harmonious partnership of equal footing, honest cooperation and mutual benefits with suppliers. Supplier management has been standardised. Supplier assessment system has been improved through tendering and procurement. This is to create a fair and just competition environment for suppliers. Xinyi Glass adheres to the philosophy of "People-Oriented" and is committed to providing the employees with a safe and healthy work environment. The staff members are encouraged to show their creativity and potential, realising the co-development of the staff and the enterprise.

PRINCIPAL RISK AND UNCERTAINIES

The business performance of the Group is subject to the following principal risks and uncertainties:

Float glass business

- The levels of demand and supply of float glass are not entirely within the Group's control and are generally affected by construction and building materials industries, the overall macroeconomic factors in the principal property market, and the production capacity of other float glass manufacturers.
- The Group may not be able to adjust its production levels promptly in response to the changing market environment and as a result, any unbalance between the demand and supply of float glass could create significant pressure on the selling prices.
- As a float glass manufacturer, the Group follows the technology development which may cause demand for its float glass products to be reduced significantly.
- The Group also relies on a constant supply of energy and raw materials for its production requirement.
- The PRC environmental policies on air emission would affect the industry capacity and production costs.
- The lockdown of domestic and overseas economies by COVID-19 pandemic would affect the domestic and overseas sales.

Automobile glass business

- The international trade war or extra import tariff or anti-dumping tax would affect the overseas sales.
- The fluctuation of USD exchange rate would affect the overseas demand.
- The international oil price would affect the transportation cost.
- The lockdown of domestic and overseas economies by COVID-19 pandemic would affect the domestic and overseas sales.

Architectural glass business

- The PRC property and financial policies would affect the demand of the architectural glass.
- The levels of demand and supply of architectural glass are not entirely within the Group's control and generally affected by the property and building industries.
- The Group also relies on a constant supply of energy and raw materials for its production requirement.
- The lockdown of domestic and overseas economies by COVID-19 pandemic would affect the domestic and overseas sales.

All of the above factors could adversely and materially affect the Group's operating results and profitability.

Details of the Group's exposure to foreign exchange and other financial risks are set forth in the section headed "Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates" in the Management's Discussion and Analysis on page 16 and section headed "Financial Risk Management" in the consolidated financial statements from pages 92 to 100 of this annual report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set forth in the section headed "Financial Summary" in this annual report.

INVESTMENT PROPERTIES

Details of this movement in investment properties of the Group during the year are set forth in Note 7 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set forth in Note 6 to the consolidated financial statements in this annual report.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK$9,837,000 (2021: HK$14,963,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set forth in Note 17 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Act of the Cayman Islands, as of 31 December 2022, share premium amounting to HK$1,283.0 million (2021: Nil) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As of 31 December 2022, the Company had distributable reserves available for distribution to Shareholders amounting to HK$80.2 million (2021: HK$788.6 million) other than mentioned above.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and strike a proper balance between future business growth and rewarding the Shareholders of the Company.

Provided that the daily working capital needs of the Group can be satisfied and funding has been reserved for future development, the Company intends to maintain a relatively stable dividend distribution ratio. However, the Company's dividend distribution record in the past does not necessarily imply that the same level of dividends may be declared or paid by the Company in the future.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of Shareholders, contractual restrictions on payment of dividends, taxation considerations, statutory and regulatory restrictions, general economic conditions, business cycle of the Group's business and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Memorandum and Articles of Association.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (Chairman)*
Mr. TUNG Ching Bor (Vice Chairman)
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* (Chief Executive Officer)
Mr. LEE Shing Kan*

Report of the Directors

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, G.B.S.
Mr. WONG Chat Chor Samuel*
Dr. WONG Ying Wai, G.B.S., J.P. (retired on 2 June 2022)
Dr. TRAN Chuen Wah, John
Mr. TAM Wai Hung, David (retired on 2 June 2022)
Dr. YANG Siu Shun, J.P. (appointed on 2 June 2022)

* The Directors will retire from the directorship at the forthcoming AGM pursuant to Article 108 of the Company's articles of association and all of them are being eligible, offer themselves for re-election at the forthcoming AGM.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Company's policies concerning remuneration of the executive Directors are:

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package;

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme, as part of their remuneration package; and

(iv) annual director fee of HK$300,000 for the year ended 31 December 2022, and HK$300,000 for the year ending 31 December 2023.

Save for the annual director fee of HK$300,000 for each non-executive Director in 2022, none of the non-executive Directors received any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual director fee of HK$300,000 for each independent non-executive Director in 2022, none of the independent non-executive Directors received any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., J.P., Dr. TRAN Chuen Wah, John, Mr. TAM Wai Hung, David and Dr. YANG Siu Shun, J.P. and their mutual agreement with the Company.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

No contracts, transactions and arrangements of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 18 January 2015 (the"**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. A summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants (as defined below) and for such other purposes as the Directors may approve from time to time.

(ii) Participants

For the purpose of the Share Option Scheme, participants (the "**Participants**") include (i) any employees (whether full-time or part-time) of the Company or any of its subsidiaries, associated companies, jointly controlled entities and related companies from time to time (collectively, the "**Extended Group**"); (ii) any directors (whether executive directors or non-executive directors or independent non-executive directors) of the Extended Group; (iii) customers of the Extended Group or any of the subsidiaries or associated companies of such customers; and (iv) any consultants, professionals and other advisers to each member of the Extended Group.

(iii) Maximum number of shares

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% (the "**Scheme Mandate Limit**") of the total number of Shares in issue as of 18 January 2015.

The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and other share option schemes of the Company in issue shall not exceed 10% (the "**Refreshed Limit**") of the issued share capital of the Company on the date the refreshment of such limit is approved.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

The total number of securities available for issue under the Share Option Scheme was 176,365,238, representing 4.29% of the issued share capital of the Company as of the date of this annual report.

(iv) Maximum entitlement of each Participant

Unless with the approval of the Shareholders in general meeting, the maximum number of Shares issued and to be issued upon the exercise of the options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the Shares in issue.

(v) Option period

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date on which the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof.

(vi) Acceptance and payment on acceptance

An option may be accepted by a Participant within 30 days from the date of the offer for the grant of the option and the amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

(vii) Option price for subscription of shares

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(a) the official closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong (the "**Business Day**");

(b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Business Days immediately preceding the date of the grant; and

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from 18 January 2015.

The following table sets forth movements in the share options of the Company for the year ended 31 December 2022:

						Number of share options					
	Grant date	Exercise price (HK$)	Closing price of the Company's shares immediately before the date on which the grant was made (HK$)	Vesting period	Exercise period	At 1/1/2022	Granted	Exercised	Lapsed	Cancelled/ Expired	At 31/12/2022
Continuous contract employees	27/2/2018	11.74	11.94	27/2/2018-31/12/2020	1/4/2021-31/3/2022	9,533,600	—	(9,477,600)[1]	—	(56,000)	—
	26/2/2019	9.53	9.70	26/2/2019-31/12/2021	1/4/2022-31/3/2023	32,185,498	—	(11,865.900)[2]	(4,697,498)	—	15,622,100
	17/3/2020	8.82	8.27	17/3/2020-31/12/2022	1/4/2023-31/3/2024	30,695,000	—	—	(896,834)	—	29,798,166
	2/3/2021	23.35	23.70	2/3/2021-31/12/2023	1/4/2024-31/3/2025	31,775,200	—	—	(1,094,534)	—	30,680,666
	1/3/2022	21.80	20.75	1/3/2022-31/12/2024	1/4/2025-31/3/2026	—	35,000,000	—	(3,258,300)	—	31,741,700
Total						104,189,298	35,000,000	(21,343,500)	(9,947,166)	(56,000)	107,842,632

(1) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$19.44.

(2) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$16.75.

For the year ended 31 December 2022, 35,000,000 share options were granted. The fair value of the equity-settled share options granted under the Share Option Scheme during the year ended 31 December 2022 was estimated at HK$4.4005. The value of the share options granted during the year ended 31 December 2022 is to be expensed through the Group's income statement over the three-year vesting period of the share options.

The fair value of share options granted by the Company during the year ended 31 December 2022 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the share options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	HK$21.80
Exercise price (HK$)	HK$21.80
Volatility (%)	42.9280%
Dividend yield (%)	6.5138%
Expected share option life (years)	3 years and 6 month
Annual risk-free rate (%)	1.0355%

The number of share options available for grant under the Share Option Scheme was 201,418,072 share options as of 1 January 2022 and 176,365,238 share options as of 31 December 2022.

The number of Shares that may be issued in respect of the options granted under the Share Option Scheme during the year ended 31 December 2022 divided by the weighted average number of the Shares in issue for the year ended 31 December 2022 is 0.62%.

During the year ended 31 December 2022, a total of 35,000,000 share options granted to the Company's employee participants and/or senior managers (the "**Grantees**") of the Company, among of which 11,666,666 share options, representing one third of the total share options granted, vested on 31 December 2022. Having considered that (i) such share options vested where the performance target are satisfied during the performance period commenced from 1 January 2022 and ended on 31 December 2022, which is not less than 12 months, and (ii) the total vesting and holding period of the share options is more than 12 months, the Remuneration Committee and the Board consider that the grant of such share options with a shorter vesting period could align the interests of the Grantees with that of the Company and the Shareholders, reward and provide incentive to the Grantees to work towards success of the Group, and reinforce their commitment to long-term services of the Group, which is in line with the purpose of the Share Option Scheme.

There is no clawback mechanism attached to the share options granted to the Grantees. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the grantees had or may have made to the Group. The Share Option Scheme also provides the grantees with an opportunity to have a personal stake in the Company with the view to satisfied the objectives of (i) motivate the grantees to optimise their performance efficiency for the benefit of the Group and (ii) attract and retain or otherwise maintain on-going business relationship with the grantees whose contributions are or will be beneficial to the long-term growth of the Group. Having considered that (i) the Grantees are the senior managers and the employees of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; (ii) the grant of share options to the Grantees is a recognition for their past contributions to the Group; and (iii) the share options are subject to the terms of the Share Option Scheme which provides for circumstances under which the share options or any part thereof shall lapse in the event that the Grantees cease to be a senior manager and an employee of the Group or commit a breach of the rules of the Share Option Scheme, the Remuneration Committee and the Board consider that without additional clawback mechanism, the grant of the share options could align the interests of the Grantees with that of the Company and the Shareholders, reward and provide incentive to the Grantees to work towards successes of the Group, and reinforce their commitment to long-term services of the Group, which is in line with the purpose of the Share Option Scheme.

Saved as disclosed above, the Company did not make any grant of share options to the Directors and/or senior managers as set forth in Rules 17.03F, 17.06B(7) and 17.06B(8) of the Listing Rules during the year ended 31 December 2022.

Further details of the Share Option Scheme are set forth in Note 17 to the consolidated financial statements in this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set forth on pages 17 to 21 of this annual report.

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

As of 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

INTERESTS IN THE COMPANY

Long position in the Shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest of a controlled corporation *(Note a)*	744,717,542	18.12%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Interest of a controlled corporation *(Note b)*	56,108,778	1.36%
	Personal interest *(Note c)*	135,138,987	3.28%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note d)*	273,942,419	6.66%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Personal interest *(Note e)*	60,913,642	1.48%
Tan Sri Datuk TUNG Ching Sai J.P.	Interest of a controlled corporation *(Note f)*	253,575,016	6.17%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Personal interest	2,986,225	0.07%
	Spouse interest *(Note g)*	215,112,871	5.23%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note h)*	119,145,869	2.90%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Personal interest	10,459,018	0.25%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note i)*	118,728,902	2.88%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Personal interest	11,799,079	0.28%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note j)*	84,417,234	2.05%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Personal interest	3,183,388	0.07%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note k)*	84,055,765	2.04%
	Interest of a controlled corporation *(Note n)*	50,971,198	1.24%
	Personal interest	9,749,387	0.23%
	Spouse interest *(Note l)*	410,759	0.01%
Dr. TRAN Chuen Wah, John	Personal interest	10,000	0.0002%
	Spouse interest *(Note m)*	90,000	0.002%

Notes:

(a) Dr. LEE Yin Yee, B.B.S.'s interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 2 July 2004 and wholly-owned by Dr. LEE Yin Yee, B.B.S..

(b) Dr. LEE Yin Yee, B.B.S.'s interests in the Shares are held through Xin Yuen Investment Limited ("**Xin Yuen**"), a company incorporated in the BVI with limited liability on 17 January 2019. Xin Yuen is 100% owned by Xin Wong Investment Limited ("**Xin Wong**"), a company incorporated in the BVI with limited liability. Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S. and 50% owned by his spouse, Madam TUNG Hai Chi.

(c) Dr. LEE Yin Yee, B.B.S.'s interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(d) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.

(e) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(f) Tan Sri Datuk TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Tan Sri Datuk TUNG Ching Sai, J.P..

(g) Tan Sri Datuk TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tan Hung.

(h) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("**Goldbo**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.

(i) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("**Goldpine**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.

(j) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.

(k) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited ("**Herosmart**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.

(l) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.

(m) Dr. TRAN Chuen Wah, John's interest in the Shares are held through his spouse, Madam LAM Ying.

(n) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai. as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

INTERESTS IN ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate percentage of the associated corporation's issued share capital
Realbest *(Note o)*	Dr. LEE Yin Yee, B.B.S.	2 ordinary shares	100%
Xin Wong *(Note p)*	Dr. LEE Yin Yee, B.B.S.	1 ordinary share	50%
High Park *(Note q)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note r)*	Tan Sri Datuk TUNG Ching Sai J.P.	2 ordinary shares	100%
Goldbo *(Note s)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note t)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Goldpine *(Note u)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note v)*	Mr. LI Ching Leung	2 ordinary shares	100%
Full Guang *(Note w)*	Dr. LEE Yin Yee, B.B.S.	734,000 ordinary shares	33.98%
	Mr. TUNG Ching Bor	350,000 ordinary shares	16.20%
	Tan Sri Datuk TUNG Ching Sai J.P.	350,000 ordinary shares	16.20%
	Mr. LI Ching Wai	120,000 ordinary shares	5.56%
	Mr. NG Ngan Ho	80,000 ordinary shares	3.70%
	Mr. SZE Nang Sze	110,000 ordinary shares	5.09%
	Mr. LI Ching Leung	80,000 ordinary shares	3.70%

Notes:

(o) Realbest is wholly-owned by Dr. LEE Yin Yee, B.B.S..

(p) Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S..

(q) High Park is wholly-owned by Mr. TUNG Ching Bor.

(r) Copark is wholly-owned by Tan Sri Datuk TUNG Ching Sai J.P..

(s) Goldbo is wholly-owned by Mr. LI Ching Wai.

(t) Linkall is wholly-owned by Mr. NG Ngan Ho.

(u) Goldpine is wholly-owned by Mr. SZE Nang Sze.

(v) Herosmart is wholly-owned by Mr. LI Ching Leung.

(w) Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai J.P. as to 16.20%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Save as disclosed above, as of 31 December 2022, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying Share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2022, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long position in the Shares

Name of Substantial Shareholders	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Realbest	Registered and beneficial owner	744,717,542	18.12%
High Park	Registered and beneficial owner	273,942,419	6.66%
Copark	Registered and beneficial owner	253,575,016	6.17%
Mr. LEE Sing Din	Interest of a controlled corporation *(Note x)*	258,362,946	6.28%
	Interest of a controlled corporation *(Note y)*	50,971,198	1.24%
	Personal interest *(Note z)*	53,602,116	1.30%
Madam SZE Tan Hung	Personal interest	215,112,871	5.23%
	Spouse interest *(Note aa)*	307,532,439	7.48%

Notes:

(x) Mr. LEE Sing Din's interest in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. LEE Sing Din, brother-in-law of Dr. LEE Yin Yee, B.B.S.

(y) The interest in the Shares are held through Full Guang, a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Dr. LEE Yin Yee as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, JP as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(z) Mr. LEE Sing Din's interest in the Shares are held through a joint account with his spouse, Madam LI Kam Ha.

(aa) Madam SZE Tan Hung's interest in the Shares are held through her spouse, Tan Sri Datuk TUNG Ching Sai, J.P.

Save as disclosed above, as of 31 December 2022, the Directors were not aware of any other person having an interests or short positions in the Shares and the underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors and their respective associates (as defined in the Listing Rules) or any controlling shareholder (as defined in the Listing Rules), if any, of the Company had any interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2022, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for continuing operation for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	3.3%
– five largest customers in aggregate	7.4%

Purchases

– the largest supplier	8.4%
– five largest suppliers in aggregate	23.9%

None of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as of 31 December 2022 amounted to HK$13,515.7 million (2021: HK$15,492.7 million). Particulars of the bank borrowings are set forth in Note 20 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As of 31 December 2022, we employed 15,068 employees in the PRC, Hong Kong, Malaysia, Canada and Japan. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programs to promote training.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set forth in Note 32 to the consolidated financial statements in this annual report. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules, as identified below.

Continuing connected transactions

During the year ended 31 December 2022, the Group had the following continuing connected transactions, details of which are set out below:

1) Sales of glass products

As disclosed in the Company's announcements dated 29 December 2021, the Group entered into a glass purchase agreement (the "**Glass Purchase Agreement**") dated 29 December 2021 with Xinyi Solar in relation to the sales of float glass and architectural glass products to Xinyi Solar and its subsidiaries ("**Xinyi Solar Group**") by the Group for the year ended 31 December 2022. The annual cap and the actual transaction amount of the transactions contemplated under the Glass Purchase Agreement for the year ended 31 December 2022 is HK$46,600,000 and HK$6,781,000, respectively. Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the Glass Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2) Sales of machineries

As disclosed in the Company's announcements dated 29 December 2021, Wuhu Jinsanshi Numerical Control Technology Company Limited ("**Wuhu Jinsanshi**"), a non-wholly owned subsidiary of the Company, entered into a production equipment purchase agreement (the "**Production Equipment Purchase Agreement**") dated 29 December 2021 with a member of Xinyi Solar in relation to the sales of the production equipment and auxiliary facilities to Xinyi Solar Group by Wuhu Jinsanshi for the year ended 31 December 2022. The annual cap and the actual transaction amount of the transactions contemplated under the Production Equipment Purchase Agreement for the year ended 31 December 2022 are HK$287,000,000 and HK$239,435,000, respectively. Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the Production Equipment Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) Sales of low iron silica sand

As disclosed in the Company's announcement dated 2 January 2022, the Group entered into an agreement (the "**2022 Silica Sand Purchase Agreement**") dated 31 December 2021 with Xinyi Solar in relation to the sales of low iron silica sand to Xinyi Solar Group by the Group for the year ended 31 December 2022. The purpose of entering into the 2022 Silica Sand Purchase Agreement was to reduced transportation cost and secure an additional source of supply of low iron silica sand in the vicinity. The annual cap and the actual transaction amount of the transactions contemplated under the 2022 Silica Sand Purchase Agreement for the year ended 31 December 2022 are RMB45,600,000 (equivalent to approximately HK$55,700,000) and RMB14,126,000 (equivalent to approximately HK$15,854,000), respectively. Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the 2022 Silica Sand Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

4) Purchase of Silica Sand

As disclosed in the Company's announcement dated 2 January 2022, the Group entered into an agreement (the "**2022 Silica Sand Sales Agreement**") dated 31 December 2021 with Hepu Xinyi Mining Co., Ltd. ("**Hepu Xinyi**"), a wholly-owned subsidiary of Xinyi Solar, in relation to the purchase of silica sand from Hepu Xiniyi by the Group for the year ended 31 December 2022. The purpose of entering into the 2022 Silica Sand Sales Agreement was to reduced transportation cost and secure an additional source of supply of silica sand in the vicinity. The annual cap and the actual transaction amount of the transactions contemplated under the 2022 Silica Sand Sales Agreement for the year ended 31 December 2022 are RMB95,600,000 (equivalent to approximately HK$116,800,000) and RMB68,181,000 (equivalent to approximately HK$79,743,000), respectively. Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the 2022 Silica Sand Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

5) *Sales of automobile glass products*

As disclosed in the Company's announcements dated 22 December 2021, the Group entered into a glass supply agreement (the "**2021 Glass Supply Agreement**") with Xinyi Automobile Glass Company Limited ("**Xinyi Automobile Glass (HK)**"), a subsidiary of Xinyi Electric Storage, in relation to the sales of automobile glass products to Xinyi Electric Storage and its subsidiaries by the Group for the three years ending 31 December 2024. The annual cap and the actual transaction amount of the transactions contemplated under the 2021 Glass Supply Agreement for the year ended 31 December 2022 is HK$7,300,000 and HK$6,900,000, respectively. Since the controlling shareholders of the Company and their respective associates are in aggregate interested in more than 30% of the shares of Xinyi Electric Storage in issue, Xinyi Automobile Glass (HK) is a connected person of the Company. Accordingly, the 2021 Glass Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

6) *Wind farm management services*

As disclosed in the Company's announcements dated 6 November 2020, the Group entered into a wind farm management agreement (the "**Wind Farm Management Agreement**") with Anhui Xinyi Power Source Company Limited ("**Anhui Xinyi**"), a subsidiary of Xinyi Electric Storage for management services for the operation of the wind farm owned by the Group. The annual cap and the actual transaction amount of the transactions contemplated under the Wind Farm Management Agreement for the year ended 31 December 2022 is RMB8,500,000 (equivalent to HK$9,900,000) and RMB8,000,000 (equivalent to HK$9,300,000). Since the controlling shareholders of the Company and their respective associates are in aggregate interested in more than 30% of the shares of Xinyi Electric Storage in issue, Anhui Xinyi is a connected person of the Company. Accordingly, the Wind Farm Management Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

7) *Sales of steam*

As disclosed in the Company's announcements dated 2 March 2022, the Group entered into a steam supply agreement (the "**Steam Supply Agreement**") dated 2 March 2022 with Xinyi Power (Suzhou) Company Limited ("**Xinyi Power (Suzhou)**"), a subsidiary of Xinyi Electric Storage, in relation to sales industrial steam for the production requirements to Xinyi Electric Storage and its subsidiaries by the Group for the term commenced from 2 March 2022 and ending on 31 December 2024. The annual cap and the actual transaction amount of the transactions contemplated under the Steam Supply Agreement for the year ended 31 December 2022 is RMB2,700,000 (equivalent to HK$3,300,000) and RMB1,900,000 (equivalent to HK$2,200,000). Since the controlling shareholders of the Company and their respective associates are in aggregate interested in more than 30% of the shares of Xinyi Electric Storage in issue, Xinyi Power (Suzhou) is a connected person of the Company. Accordingly, the Steam Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

8) Purchase of electric storage products

As disclosed in the Company's announcements dated 8 April 2021, the Group entered into a sales of battery packs and energy storage systems agreement (the "**XYG Sales Framework Agreement**") with Xinyi Electric Storage, in relation to purchase of lithium battery packs, direct-current lithium battery systems, uninterruptible power supply lithium battery systems, lithium battery energy storage systems and other lithium battery products from Xinyi Electric Storage and its subsidiaries for the year ending 31 December 2023. The annual cap and the actual transaction amount of the transactions contemplated under the XYG Sales Framework Agreement for the year ended 31 December 2022 is RMB6,000,000 (equivalent to HK$7,000,000) and RMB5,600,000 (equivalent to HK$6,500,000). Since the controlling shareholders of the Company and their respective associates are in aggregate interested in more than 30% of the shares of Xinyi Electric Storage in issue, Xinyi Electric Storage is a connected person of the Company. Accordingly, the XYG Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's 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 "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 has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 49 to 54 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Continuing connected transactions after the reporting period

The Group had the following continuing connected transactions after the reporting period, details of which are set out below:

1) *Sales of glass products*

As disclosed in the Company's announcement dated 28 December 2022, the Group entered into a glass purchase agreement (the "**2023 Glass Purchase Agreement**") dated 28 December 2022 with Xinyi Solar in relation to the sales of float glass and architectural glass products to Xinyi Solar Group by the Group for the year ending 31 December 2023. The annual cap of the transactions contemplated under the 2023 Glass Purchase Agreement for the year ending 31 December 2023 is RMB55,800,000 (equivalent to HK$60,900,000). Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the 2023 Glass Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2) *Sales of machineries*

As disclosed in the Company's announcement dated 28 December 2022, Anhui Xinyi Intelligent Machinery Company Limited ("**Anhui Xinyi Machinery**"), a non-wholly owned subsidiary of the Company, entered into a production equipment purchase agreement (the "**2023 Production Equipment Purchase Agreement**") dated 28 December 2022 with a member of Xinyi Solar in relation to the sales of the production equipment and auxiliary facilities to Xinyi Solar Group by Anhui Xinyi Machinery for the year ending 31 December 2023. The annual cap of the transactions contemplated under the 2023 Production Equipment Purchase Agreement for the year ending 31 December 2023 is RMB351,400,000 (equivalent to HK$383,900,000). Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the 2023 Production Equipment Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) *Purchase of Silica Sand*

As disclosed in the Company's announcement dated 5 January 2023, the Group entered into an agreement (the "**2023 Silica Sand Sales Agreement**") dated 5 January 2023 with Hepu Xinyi in relation to the purchase of silica sand from Hepu Xiniyi by the Group for the year ending 31 December 2023. The annual cap of the transactions contemplated under the 2023 Silica Sand Sales Agreement for the year ending 31 December 2023 is RMB94,800,000 (equivalent to HK$103,600,000). Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the Silica Sand Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

4) *Sales of low iron silica sand*

As disclosed in the Company's announcement dated 5 January 2023, the Group entered into an agreement (the "**2023 Silica Sand Purchase Agreement**") dated 5 January 2023 with Xinyi Solar in relation to the sales of low iron silica sand to Xinyi Solar Group by the Group for the year ending 31 December 2023. The annual cap of the transactions contemplated under the 2023 Silica Sand Purchase Agreement for the year ending 31 December 2023 is RMB54,500,000 (equivalent to HK$59,500,000). Since the Company is a substantial shareholder of Xinyi Solar, the Company and its subsidiaries are connected persons of Xinyi Solar. Accordingly, the Silica Sand Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please refer to section headed "Corporate Governance Report" as set forth in this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established an Audit Committee, comprising all independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The Audit Committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2022.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the paragraphs under "Continuing connected transactions after the reporting period" above, no significant events have taken place subsequent to 31 December 2022 and up to the date of this annual report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointement. A resolution will be proposed at AGM to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 2 June 2023, at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 11:00 a.m. The notice convening the AGM will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be despatched to the Shareholders in due course.

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 May 2023.

The register of members of the Company will be closed from Thursday, 8 June 2023 to Monday, 12 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 June 2023.

On Behalf of the Board
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 27 February 2023

Independent Auditor's Report

pwc 羅兵咸永道

Independent Auditor's Report
To the Shareholders of Xinyi Glass Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 62 to 177, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

OUR OPINION

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matter identified in our audit is related to Impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables Refer to Notes 2.10, 3.1(b), 4 and 15 to the consolidated financial statements. As at 31 December 2022, the carrying amount of trade receivables of the Group amounting to approximately HK$1,966,830,000. The Group made provision for loss allowance of trade receivables of approximately HK$62,087,000 based on an estimate of the recoverability of these receivables. Provisions are made for loss allowance of trade receivables where the Group expects the balances will not be collectible. The provision for loss allowance of trade receivables requires management judgements and estimations. Where the provision for loss allowance is materially different from the actual debt that is not collectible, such difference will adversely impact the carrying amount of receivables and the provision for loss allowance in the period in which such estimate has been changed.	We assessed the appropriateness of the methodology of impairment assessment in determining the expected credit losses of trade receivables. We also considered whether the judgements made in selecting the methodology of impairment assessment, significant assumptions and data used by management would give rise to indicators of possible management bias. We assessed management's assessment of the lifetime expected credit loss allowance by comparing to supportable evidence such as past settlement history of customers and historical default rates. We assessed management's forward-looking information and factors in adjusting the rates of credit loss by reference to external market data or industry information. We tested, on a sample basis, the accuracy of the ageing profile of the trade receivables used in the calculation of expected credit losses.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables (continued)	
The Group's trade receivables based on shared credit risk characteristics and ageing profiles and made provisions for loss allowance on trade receivables based on an assessment of the recoverability of overdue and long-aged trade receivables on individual customer basis and the lifetime expected credit loss allowance on each group of trade receivables. The lifetime expected credit loss allowance is measured based on past settlement history and the historical default rates over the expected life of the trade receivables with similar credit risk characteristics adjusted with current and forward-looking information on macroeconomic factors that affects the ability of the customers to settle the receivables. We focus on this area because the carrying amount of the trade receivables are significant to the consolidated balance sheet, and the identification of doubtful debts and the measurement of lifetime expected credit loss allowance is subject to a high degree of judgement and estimation uncertainty, including assessments on the default rates of customers.	We assessed the adequacy of the disclosures related to expected credit losses of trade receivables in the context of HKFRS 9. Based on the above, we considered that management's judgements and assumptions in the assessment of expected credit losses of trade receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Xinyi Glass Holdings Limited 2022 Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and Environmental, Social and Governance Report 2022, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read Environmental, Social and Governance Report 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Audit committee is responsible 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. We report our opinion solely to you, as a body, 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.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 to 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.

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 Kwok Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 February 2023

Consolidated Balance Sheet

As at 31 December 2022

	Note	As at 31 December 2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	6	17,555,471	18,784,533
Right-of-use assets	6	4,225,539	4,586,664
Investment properties	7	1,490,785	1,661,384
Prepayments for property, plant and equipment, right-of-use assets and intangible assets	15	920,655	475,329
Intangible assets	8	870,197	894,245
Financial assets at fair value through other comprehensive income	11	27,441	25,275
Investments in associates	13	9,349,334	9,482,532
Loans to an associate	13	27,936	30,577
Fixed bank deposits	16	4,845,730	1,015,381
Deferred income tax assets	21	—	110,802
		39,313,088	37,066,722
Current assets			
Inventories	14	4,296,655	4,169,163
Trade and other receivables	15	4,566,333	5,668,580
Financial assets at fair value through profit and loss	12	734,170	314,456
Pledged bank deposits	16	141,388	59,360
Cash and cash equivalents	16	3,180,155	9,220,384
		12,918,701	19,431,943
Total assets		52,231,789	56,498,665
Equity			
Equity attributable to the equity holders of the Company			
Share capital	17	410,910	401,866
Share premium	17	1,282,953	—
Other reserves	18	1,677,022	5,717,742
Retained earnings	18	28,601,785	28,479,039
		31,972,670	34,598,647
Non-controlling interests		114,953	107,877
Total equity		32,087,623	34,706,524

	Note	As at 31 December 2022 HK$'000	2021 HK$'000
Liabilities			
Non-current liabilities			
Bank borrowings	20	7,721,244	10,890,056
Deferred income tax liabilities	21	468,078	454,475
Lease liabilities	6	848	21,513
Other payables	19	51,255	140,313
		8,241,425	11,506,357
Current liabilities			
Trade, other payables and contract liabilities	19	5,396,606	4,305,662
Current income tax liabilities		691,469	1,346,578
Lease liabilities	6	20,230	30,867
Bank borrowings	20	5,794,436	4,602,677
		11,902,741	10,285,784
Total liabilities		20,144,166	21,792,141
Total equity and liabilities		52,231,789	56,498,665

The financial statements on pages 62 to 177 were approved by the Board of Directors on 27 February 2023 and were signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 70 to 177 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**25,745,990**	30,459,120
Cost of sales	22	**(17,059,615)**	(14,681,992)
Gross profit		**8,686,375**	15,777,128
Other income	24	**663,401**	614,216
Other gains - net	25	**192,624**	115,146
Selling and marketing costs	22	**(1,810,143)**	(1,562,216)
Administrative and other operating expenses	22	**(2,388,301)**	(2,446,005)
Net impairment losses on financial assets	15	**(6,090)**	(26,252)
Operating profit		**5,337,866**	12,472,017
Finance income	26	**110,850**	66,374
Finance costs	26	**(371,540)**	(155,060)
Share of profits of associates	13	**922,790**	1,185,743
Impairment of an associate	13	**—**	(67,353)
Profit before income tax		**5,999,966**	13,501,721
Income tax expense	27	**(855,762)**	(1,931,041)
Profit for the year		**5,144,204**	11,570,680
Profit attributable to:			
– Equity holders of the Company		**5,127,154**	11,555,887
– Non-controlling interests		**17,050**	14,793
Profit for the year		**5,144,204**	11,570,680
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
– Basic	28	**126.62**	286.97
– Diluted	28	**125.84**	283.41

The notes on pages 70 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**5,144,204**	11,570,680
Other comprehensive income, net of tax:		
Items that will not be reclassified subsequently to the consolidated income statement:		
Changes in fair value of financial assets at fair value through other comprehensive income/(loss)	**2,166**	(3,731)
Dilution of interest in an associate	**(783)**	—
Items that may be reclassified subsequently to the consolidated income statement:		
Currency translation differences	**(3,643,230)**	901,468
Share of other comprehensive (loss)/income of investments accounted for using the equity method	**(771,416)**	188,060
Total comprehensive income for the year	**730,941**	12,656,477
Total comprehensive income for the year is attributable to:		
– Equity holders of the Company	**718,653**	12,641,089
– Non-controlling interests	**12,288**	15,388
Total comprehensive income for the year	**730,941**	12,656,477

The notes on pages 70 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

		Attributable to the equity holders of the Company						
	Note	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022		401,866	—	5,717,742	28,479,039	34,598,647	107,877	34,706,524
Comprehensive income								
Profit for the year		—	—	—	5,127,154	5,127,154	17,050	5,144,204
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income	11	—	—	2,166	—	2,166	—	2,166
Dilution of interest in an associate		—	—	(783)	—	(783)	—	(783)
Currency translation differences		—	—	(3,638,468)	—	(3,638,468)	(4,762)	(3,643,230)
Share of other comprehensive loss of investments accounted for using the equity method	13	—	—	(771,416)	—	(771,416)	—	(771,416)
Total comprehensive income		—	—	(4,408,501)	5,127,154	718,653	12,288	730,941
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	17(A)	2,134	262,309	(40,439)	—	224,004	—	224,004
– value of employee services	17(A)	—	—	84,481	—	84,481	—	84,481
– adjustment relating to forfeiture of share options		—	—	(111)	111	—	—	—
Issuance of shares in respect of scrip dividend of 2022 interim dividend		6,910	1,020,644	—	—	1,027,554	—	1,027,554
Transfer to reserve	18(a)	—	—	323,850	(323,850)	—	—	—
Dividends relating to 2021		—	—	—	(3,066,274)	(3,066,274)	—	(3,066,274)
Dividends relating to 2022	29	—	—	—	(1,614,395)	(1,614,395)	—	(1,614,395)
Dividend paid to non-controlling interest		—	—	—	—	—	(5,212)	(5,212)
Total transactions with owners		9,044	1,282,953	367,781	(5,004,408)	(3,344,630)	(5,212)	(3,349,842)
Balance at 31 December 2022		410,910	1,282,953	1,677,022	28,601,785	31,972,670	114,953	32,087,623

		Attributable to the equity holders of the Company						
	Note	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021		403,950	535,560	3,661,450	23,280,614	27,881,574	91,775	27,973,349
Comprehensive income								
Profit for the year		—	—	—	11,555,887	11,555,887	14,793	11,570,680
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive loss	11	—	—	(3,731)	—	(3,731)	—	(3,731)
Currency translation differences		—	—	900,873	—	900,873	595	901,468
Share of other comprehensive income of investments accounted for using the equity method	13	—	—	188,060	—	188,060	—	188,060
Total comprehensive income		—	—	1,085,202	11,555,887	12,641,089	15,388	12,656,477
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	17(A)	1,819	240,383	(37,434)	—	204,768	—	204,768
– value of employee services	17(A)	—	—	64,745	—	64,745	—	64,745
– adjustment relating to forfeiture of share options		—	—	(15)	15	—	—	—
Repurchase and cancellation of shares	17(B)	(3,903)	(775,943)	3,903	(237,035)	(1,012,978)	—	(1,012,978)
Acquisition of a subsidiary		—	—	—	—	—	4,481	4,481
Transfer to reserve	18(a)	—	—	939,891	(939,891)	—	—	—
Dividends relating to 2020		—	—	—	(2,512,470)	(2,512,470)	—	(2,512,470)
Dividends relating to 2021	29	—	—	—	(2,668,081)	(2,668,081)	—	(2,668,081)
Dividend paid to non-controlling interest		—	—	—	—	—	(3,767)	(3,767)
Total transactions with owners		(2,084)	(535,560)	971,090	(6,357,462)	(5,924,016)	714	(5,923,302)
Balance at 31 December 2021		401,866	—	5,717,742	28,479,039	34,598,647	107,877	34,706,524

The notes on pages 70 to 177 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**8,430,622**	12,778,202
Interest paid		**(403,763)**	(171,830)
Income tax paid		**(1,289,555)**	(1,659,248)
Net cash generated from operating activities		**6,737,304**	10,947,124
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,997,244)**	(2,397,602)
Purchase of intangible assets		**(52,803)**	—
Proceeds from disposal of property, plant and equipment	30(b)	**31,560**	23,389
Additions to investment property		**(4,177)**	(8,577)
Prepayment of intangible assets		**(203,800)**	—
Payment for right-of-use assets in relation to land use right		**(411,622)**	(607,477)
Purchase of financial assets at fair value through profit and loss		**(652,802)**	(607,469)
Proceeds from disposal of financial assets at fair value through profit and loss		**479,782**	848,541
Addition to investment in an associate	13	**(186,724)**	(703,855)
Dividends received from associates	13	**489,629**	759,405
Loan repayment from an associate		**—**	663
Loan advanced to an associate		**—**	(30,076)
Amount receivable from non-controlling interest		**—**	4,481
Acquisition of a subsidiary arising from business combination	33	**—**	(1,349,404)
(Increase)/decrease in pledged bank deposits		**(82,028)**	158
Increase in fixed deposits		**(4,083,387)**	(1,015,381)
Interest received		**110,850**	66,374
Net cash used in investing activities		**(6,562,766)**	(5,016,830)

	Note	2022 HK$'000	2021 HK$'000
Cash flows from financing activities			
Proceeds from bank borrowings		**6,480,289**	9,528,356
Repayment of bank borrowings		**(8,416,221)**	(5,618,048)
Repayment of lease liabilities		**(32,572)**	(36,471)
Shares repurchased and cancelled		**—**	(1,012,978)
Net proceeds from issuance of ordinary shares by share options		**224,004**	204,768
Dividends paid to shareholders of the Company		**(3,653,115)**	(5,180,551)
Dividends paid to non-controlling interests		**(5,212)**	(3,767)
Net cash used in financing activities		**(5,402,827)**	(2,118,691)
Net (decrease)/increase in cash and cash equivalents		**(5,228,289)**	3,811,603
Cash and cash equivalents at the beginning of the year		**9,220,384**	5,244,554
Effect of foreign exchange rate changes on cash and cash equivalents		**(811,940)**	164,227
Cash and cash equivalents at end of year	16	**3,180,155**	9,220,384

The notes on pages 70 to 177 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were principally engaged in the production and sales of float glass, automobile glass and architectural glass, which were carried out internationally, through the production complexes located in Mainland China (the "PRC") and Malaysia in 2022.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 February 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit and loss ("FVTPL") and investment properties, which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2022. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group:

Annual Improvements Project	Annual Improvements 2018 – 2020 Cycle
Amendments to Hong Kong Accounting Standards ("HKAS") 16, HKAS 37 and HKFRS 3	Narrow-scope Amendments
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(b) New standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contract	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (the "Amendments") was made in June 2021. The Amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to leases of lessees and will require the recognition of additional deferred tax assets and liabilities. Up to 31 December 2022, the Group accounted for taxable and deductible temporary differences arising from lease arrangements on a net-off basis. The Group does not foresee any material impact as a result of adoption of the Amendments.

There are no standards, amendments to existing standards or interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

(a) Business combinations (Continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "Other gains - net".

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as FVOCI are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 FOREIGN CURRENCY TRANSLATION (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at historical cost less subsequent impairment losses.

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

– Buildings	20-30 years
– Plant and machinery	5-20 years
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings, plants and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains - net" in the consolidated income statement.

2.7 INVESTMENT PROPERTIES

Investment properties, principally comprising leasehold lands and office buildings, are held for long-term rental yields, capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including related transaction costs and interest expense capitalised. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as fair value gain or loss in "Other gains - net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Trademark, customer relationship and patent

Separately acquired trademarks are shown at historical cost. Trademark, customer relationship and patent acquired in a business combination are recognised at fair value at the acquisition date. Trademark, customer relationship and patent have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademark, customer relationship and patent over their estimated useful lives of 3 - 20 years.

(c) Float glass production capacity

Float glass production capacity acquired from external parties are recognised at fair value at the acquisition date. The management considered that the float glass production capacity has indefinite useful life because it is expected to contribute to net cash inflows indefinitely. It has no foreseeable limit to the period over which the Group can use to generate net cash flows. The float glass production capacity will not be amortised until its useful life is determined to be finite. Float glass production capacity is subjected to impairment test annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Float glass production capacity is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the using of the float glass production capacity. The units or groups of units are identified at the lowest level at which float glass production capacity is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 INTANGIBLE ASSETS (Continued)

(d) Capitalised exploration, evaluation and mining right expenditure

Costs directly associated with an exploration well and exploration (researching and analysing existing exploration data; exploratory drilling, trenching and sampling, examining and testing extraction and treatment methods; obtaining legal exploration or mining rights) are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and the costs are amortised using the units of production method according to the proved reserves. No depreciation and/or amortisation is charged during the exploration and evaluation phrase.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment, when reclassified to development tangible or intangible assets (if appropriate), or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration, evaluation and mining right expenditure's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of their fair value less costs to sell and their value in use.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in "Other gains - net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Other gains - net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains - net" and impairment expenses are presented as separate line item in the consolidated income statement.

  Where equity security are not held for trading, an entity can irrevocably elected to present fair value changes of such equity security in other comprehensive income. If an entity makes the election, changes in fair value recognised in other comprehensive income will not be reclassified to profit and loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in consolidated income statement and presented within "Other gains - net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains - net" or "Other income" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount are reported in the consolidated balance sheet when the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.14 CASH AND BANK BALANCES

Cash and cash equivalents include cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.15 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

When the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 BORROWINGS COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered either through sale or through use.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 CURRENT AND DEFERRED INCOME TAX (Continued)

(b) Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(d) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that can be carried forward and when it is probable that future taxable amounts will be available to utilise the unclaimed tax credits.

2.19 PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 EMPLOYEE BENEFITS

(a) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 SHARE-BASED PAYMENTS

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.22 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 FINANCIAL GUARANTEE

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.24 GOVERNMENT GRANTS

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are initially included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.25 REVENUE RECOGNITION

The Group manufactures and sells glass products. Revenue from sales of glass products are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice.

Receivable is recognised when the goods are delivered as this is the point in time that the consideration become unconditional and only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 LEASES (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in other income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.27 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 INTEREST INCOME

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("RMB"), United States dollars ("USD") and HK$. Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade and other receivables, pledged bank deposits, fixed deposits, cash and cash equivalents, trade and other payables, and bank borrowings are disclosed in Notes 15, 16, 19 and 20 to the consolidated financial statements.

As at 31 December 2022, if RMB had strengthened/weakened by 5% (2021: 5%) against the HK$ with all other variables held constant, profit after income tax for the year would have been approximately HK$259,000 (2021: HK$182,347,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings have been disclosed in Notes 16 and 20 to the consolidated financial statements.

As at 31 December 2022, if HK$ interest rates on cash and cash equivalents, fixed bank deposits, pledged bank deposits and bank borrowings had been 25 (2021: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$25,481,000 (2021: HK$30,092,000) lower/higher, mainly as a result of higher/lower net interest expense on cash and cash equivalents, fixed bank deposits, pledged bank deposits and bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2022, if RMB interest rates on cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings had been 25 (2021: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$14,833,000 (2021: HK$18,898,000) higher/lower, mainly as a result of higher/lower net interest income on cash and cash equivalents, fixed bank deposits, pledged bank deposits and bank borrowings.

As at 31 December 2022, if USD interest rates on cash and cash equivalents, pledged bank deposits and bank borrowings had been 25 (2021: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$846,000 lower/higher (2021: HK$92,000 higher/lower), mainly as a result of higher/lower net interest expense (2021: net interest income) on cash and cash equivalents, pledged bank deposits and bank borrowings.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents at bank, fixed bank deposits, pledged bank deposits, trade and other receivables, loans to an associate and cash flows from derivative financial instruments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents at bank and fixed bank deposits	**8,020,667**	10,229,796
Pledged bank deposits *(Note 16)*	**141,388**	59,360
Trade and other receivables excluding non-financial assets	**3,598,951**	4,740,308
Loans to an associate *(Note 13)*	**27,936**	30,577
Maximum exposure to credit risk	**11,788,942**	15,060,041

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

As at 31 December 2022 and 2021, most of the bank deposits are deposited with reputable banks in Hong Kong and state-owned banks in the PRC. The credit quality of cash and bank balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of trade and other receivables and loans to an associate, the Group has policies in place to ensure that the loans or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and its customers.

The credit period of the majority of the Group's trade receivables is within 90 days and largely comprises amounts receivable from business customers.

There is limited degree of concentration of credit risks of the Group (Note 15(b)).

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for expected credit losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has the following financial assets that are subject to the expected credit loss model:

- cash and cash equivalents at bank
- fixed bank deposits
- pledged bank deposits
- trade and other receivables
- loans to an associate

While cash and cash equivalents, fixed bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on aging.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2022 and 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2022 and 2021 was determined as follows for trade receivables:

31 December 2022	Current	1 - 90 days pass due	91 - 180 days pass due	181 - 365 days pass due	1 – 2 years pass due	Over 2 years pass due	Total
Expected loss rate	1.0%	4.2%	25.0%	37.7%	53.4%	100.0%	3.2%
Gross carrying amount (HK$'000)	1,642,018	248,384	24,134	17,663	26,960	7,671	1,966,830
Loss allowance (HK$'000)	16,852	10,467	6,035	6,660	14,402	7,671	62,087

31 December 2021	Current	1 - 90 days pass due	91 - 180 days pass due	181 - 365 days pass due	1 – 2 years pass due	Over 2 years pass due	Total
Expected loss rate	1.5%	6.7%	29.1%	57.8%	71.7%	100%	3.3%
Gross carrying amount (HK$'000)	1,672,097	128,475	48,623	6,113	7,441	5,864	1,868,613
Loss allowance (HK$'000)	25,028	8,592	14,166	3,536	5,337	5,864	62,523

Movements of loss allowance of trade receivables are set out in Note 15(b).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 2 years past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of bills receivables are assessed to be close to zero and no provision was made as at 31 December 2022 and 2021.

For other financial assets at amortised cost, management considers that their credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

(c) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVOCI (Note 11) and financial assets at FVTPL (Note 12).

The Group does not have formal policy to manage its price risk arising from investments in equity securities.

With all other variables held constant, if the market price of financial assets at FVOCI measured at fair value had been 10% (2021: 10%) higher/lower than the actual closing price as at year end, the equity as at 31 December 2022 would increase/decrease by approximately HK$2,744,000 (2021: HK$2,528,000).

With all other variables held constant, if the market price of financial assets at FVTPL measured at fair value had been 10% (2021: 10%) higher/lower than the actual closing price as at year end, the equity as at 31 December 2022 would increase/decrease by approximately HK$73,417,000 (2021: HK$31,446,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2022				
Bank borrowings and interest payables	6,353,795	6,091,113	1,927,662	14,372,570
Trade and other payables excluding non-financial liabilities	4,173,617	51,255	—	4,224,872
Lease liabilities	20,704	665	215	21,584
Total	10,548,116	6,143,033	1,927,877	18,619,026

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2021				
Bank borrowings and interest payables	4,743,390	6,699,990	4,286,017	15,729,397
Trade and other payables excluding non-financial liabilities	2,831,931	140,313	—	2,972,244
Lease liabilities	32,977	21,124	906	55,007
Total	7,608,298	6,861,427	4,286,923	18,756,648

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings (including "current and non-current bank borrowings" as shown in the consolidated balance sheet) plus lease liabilities less cash and cash equivalents, fixed deposits and pledged bank deposits.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 HK$'000	2021 HK$'000
Total bank borrowings *(Note 20)* and lease liabilities *(Note 6)*	13,536,758	15,545,113
Less: cash and cash equivalents, fixed deposits and pledged bank deposits *(Note 16)*	(8,167,273)	(10,295,125)
Net debt	5,369,485	5,249,988
Total equity	32,087,623	34,706,524
Gearing ratio	16.7%	15.1%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities (other than investments properties disclosed in Note 7) that are measured at fair value at 31 December 2022 and 2021.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022				
Assets				
Financial assets at FVOCI				
– Equity securities	**27,441**	—	—	**27,441**
Financial assets at FVTPL				
– Equity securities	**30,212**	—	—	**30,212**
– Other financial products	—	—	**703,958**	**703,958**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2021				
Assets				
Financial assets at FVOCI				
– Equity securities	25,275	—	—	**25,275**
Financial assets at FVTPL				
– Equity securities	274,143	—	—	**274,143**
– Other financial products	—	—	40,313	**40,313**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION (Continued)

There were no transfers among levels 1, 2 and 3 during the year. The following table presents the changes in level 3 item for the periods ended 31 December 2022 and 31 December 2021:

	Other financial products HK$'000	Total HK$'000
At 1 January 2021	—	—
Acquisitions	15,892,574	15,892,574
Disposals	(16,001,988)	(16,001,988)
Realised income from financial products at FVTPL *(Note 24)*	149,727	149,727
At 31 December 2021	40,313	40,313
Acquisitions	20,183,569	20,183,569
Disposals	(19,722,685)	(19,722,685)
Realised income from financial products at FVTPL *(Note 24)*	202,761	202,761
At 31 December 2022	**703,958**	**703,958**

The significant unobservable input to the valuation of financial instruments as at 31 December 2022 and 2021 is net asset value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices for financial assets at FVOCI and FVTPL used by the Group are the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(A) PROPERTY, PLANT AND EQUIPMENT

(i) Useful lives

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non- strategic assets that have been abandoned or sold.

(ii) Impairment assessment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information, past experience and the sustainability of the financial performance in the foreseeable future.

(B) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group makes provision for expected credit losses of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for expected credit losses in the period in which such estimate has been changed.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(C) CURRENT AND DEFERRED INCOME TAX

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax liabilities of the Group mainly arise from fair value gain from investment properties and unremitted earnings of the PRC subsidiaries. The realisability of the deferred income tax liabilities and assets mainly depends on its subsidiaries' dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates have been changed.

(D) FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are carried at their fair values at 31 December 2022 amounting to HK$1,490,785,000 (2021: HK$1,661,384,000). The fair values were based on valuation on these properties conducted by independent professionally qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated income statement. Information about the valuation of investment properties is provided in Note 7.

(E) IMPAIRMENT OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVE

The Group tests whether intangible assets with indefinite useful live has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 8. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of key assumptions are disclosed in Note 8.

5 SEGMENT INFORMATION

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

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

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

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

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

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

	Float glass HK$'000	Automobile glass HK$'000	Architectural glass HK$'000	Unallocated HK$'000	Total HK$'000
Segment revenue	20,152,631	6,081,282	3,076,942	—	29,310,855
Inter-segment revenue	(3,564,865)	—	—	—	(3,564,865)
Revenue from external customers *(Note)*	16,587,766	6,081,282	3,076,942	—	25,745,990
Cost of sales	(12,165,715)	(3,023,687)	(1,870,213)	—	(17,059,615)
Gross profit	4,422,051	3,057,595	1,206,729	—	8,686,375
Depreciation charge					
– property, plant and equipment *(Note 22)*	1,083,056	140,698	126,794	5,287	1,355,835
– right-of-use assets *(Note 22)*	70,800	4,706	3,294	57,757	136,557
Amortisation charge					
– intangible assets *(Note 22)*	1,319	1,410	—	—	2,729
Increase in provision for loss allowance, net *(Note 15)*	2,734	1,796	1,560	—	6,090
Share of profits of associates *(Note 13)*	—	—	—	922,790	922,790

Note:

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

5 SEGMENT INFORMATION (Continued)

	Assets and liabilities				
	Float glass HK$'000	Automobile glass HK$'000	Architectural glass HK$'000	Unallocated HK$'000	Total HK$'000
Total assets	22,987,042	8,736,929	2,372,308	18,135,510	52,231,789
Total assets included:					
Investments in associates *(Note 13)*	—	—	—	9,349,334	9,349,334
Loan to an associate	—	—	—	27,936	27,936
Investment properties *(Note 7)*	—	—	—	1,490,785	1,490,785
Additions to non-current assets (other than financial assets at FVOCI)	1,506,945	160,005	3,687	1,166,732	2,837,369
Total liabilities	2,646,151	2,557,678	579,817	14,360,520	20,144,166

The presented segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2021 is as follows:

	Float glass HK$'000	Automobile glass HK$'000	Architectural glass HK$'000	Unallocated HK$'000	Total HK$'000
Segment revenue	25,601,836	5,457,050	3,094,567	—	34,153,453
Inter-segment revenue	(3,694,333)	—	—	—	(3,694,333)
Revenue from external customers *(Note)*	21,907,503	5,457,050	3,094,567	—	30,459,120
Cost of sales	(10,131,281)	(2,885,616)	(1,665,095)	—	(14,681,992)
Gross profit	11,776,222	2,571,434	1,429,472	—	15,777,128
Depreciation charge					
– property, plant and equipment *(Note 22)*	1,090,865	150,153	153,768	6,047	1,400,833
– right-of-use assets *(Note 22)*	63,652	5,948	2,406	58,415	130,421
Amortisation charge					
– intangible assets *(Note 22)*	41	1,455	—	—	1,496
Increase in provision for loss allowance, net *(Note 15)*	19,414	1,782	5,056	—	26,252
Share of profits of associates *(Note 13)*	—	—	—	1,185,743	1,185,743

Note:

The Group's revenue from all segments during year ended 31 December 2021 have been recognised at point in time.

5 SEGMENT INFORMATION (Continued)

The presented segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2021 is as follows: (Continued)

	Assets and liabilities				
	Float glass HK$'000	Automobile glass HK$'000	Architectural Glass HK$'000	Unallocated HK$'000	Total HK$'000
Total assets	24,773,808	6,859,595	2,342,013	22,523,249	56,498,665
Total assets included:					
Investments in associates *(Note 13)*	—	—	—	9,482,532	9,482,532
Loan to associates	—	—	—	30,577	30,577
Investment properties *(Note 7)*	—	—	—	1,661,384	1,661,384
Additions to non-current assets (other than financial assets at FVOCI)	3,254,413	265,969	127,210	2,613,722	6,261,314
Total liabilities	3,228,410	1,354,779	554,638	16,654,314	21,792,141

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

	2022 HK$'000	2021 HK$'000
Segment gross profit	**8,686,375**	15,777,128
Unallocated:		
Other income	**663,401**	614,216
Other gains - net	**192,624**	115,146
Selling and marketing costs	**(1,810,143)**	(1,562,216)
Administrative and other operating expenses	**(2,388,301)**	(2,446,005)
Net impairment losses on financial assets	**(6,090)**	(26,252)
Finance income	**110,850**	66,374
Finance costs	**(371,540)**	(155,060)
Share of profits of associates	**922,790**	1,185,743
Impairment of an associate	**—**	(67,353)
Profit before income tax	**5,999,966**	13,501,721

5 SEGMENT INFORMATION (Continued)

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

	Assets		Liabilities	
	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets/(liabilities)	34,096,279	33,975,416	(5,783,646)	(5,137,827)
Unallocated:				
Property, plant and equipment	1,794,190	1,611,041	—	—
Right-of-use assets	2,481,436	2,667,514	—	—
Investment properties	1,490,785	1,661,384	—	—
Prepayments for property, plant and equipment, right-of-use assets and intangible assets	208,723	3,873	—	—
Intangible assets	28,222	—	—	—
Fixed deposits	102,183	—	—	—
Financial assets at FVOCI	27,441	25,275	—	—
Financial assets at FVTPL	734,170	314,456	—	—
Investments in associates	9,349,334	9,482,532	—	—
Loan to an associate	27,936	30,577	—	—
Prepayments, deposits and other receivables	1,105,938	1,159,428	—	—
Cash and bank balances	785,152	5,567,169	—	—
Other payables	—	—	(660,301)	(820,749)
Current income tax liabilities	—	—	(76,198)	(198,299)
Deferred income tax liabilities	—	—	(387,701)	(448,307)
Bank borrowings	—	—	(13,236,320)	(15,186,959)
Total assets/(liabilities)	52,231,789	56,498,665	(20,144,166)	(21,792,141)

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

5 SEGMENT INFORMATION (Continued)

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

	2022 HK$'000	2021 HK$'000
Sales of float glass	16,587,766	21,907,503
Sales of automobile glass	6,081,282	5,457,050
Sales of architectural glass	3,076,942	3,094,567
Total	25,745,990	30,459,120

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

	2022 HK$'000	2021 HK$'000
Greater China	17,567,008	23,699,971
North America	2,508,355	2,233,865
Other countries	5,670,627	4,525,284
	25,745,990	30,459,120

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

	2022 HK$'000	2021 HK$'000
Greater China	37,407,393	34,939,253
Malaysia	1,781,932	2,095,262
Other countries	96,322	6,932
	39,285,647	37,041,447

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: None).

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

6 PROPERTY, PLANT AND EQUIPMENT AND LEASES

	Construction in progress HK$'000	Freehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Total HK$'000
Year ended 31 December 2021						
Opening net book amount	1,039,701	145,261	4,102,732	11,811,531	42,752	17,141,977
Currency translation differences	23,636	(4,154)	68,031	224,485	816	312,814
Business combination *(Note 33)*	—	—	555,799	572,733	23,217	1,151,749
Additions	1,616,189	28,997	42,887	514,306	43,136	2,245,515
Transfers	(1,213,626)	—	494,319	711,728	7,579	—
Transfer to investment properties *(Note7)*	—	—	(7,905)	—	—	(7,905)
Disposals	—	—	(13,898)	(225,886)	(896)	(240,680)
Depreciation charge	—	—	(221,811)	(1,570,796)	(26,330)	(1,818,937)
Closing net book amount	1,465,900	170,104	5,020,154	12,038,101	90,274	18,784,533
At 31 December 2021						
Cost	1,465,900	170,104	6,648,127	20,872,072	229,188	29,385,391
Accumulated depreciation	—	—	(1,627,973)	(8,833,971)	(138,914)	(10,600,858)
Net book amount	1,465,900	170,104	5,020,154	12,038,101	90,274	18,784,533

6 PROPERTY, PLANT AND EQUIPMENT AND LEASES (Continued)

	Construction in progress HK$'000	Freehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Total HK$'000
Year ended 31 December 2022						
Opening net book amount	1,465,900	170,104	5,020,154	12,038,101	90,274	18,784,533
Currency translation differences	(120,007)	(9,332)	(392,365)	(944,598)	(6,530)	(1,472,832)
Additions	1,593,644	—	19,755	297,285	39,041	1,949,725
Transfers	(2,750,275)	—	409,715	2,332,061	8,499	—
Transfer to investment properties *(Note 7)*	—	—	(16,901)	—	—	(16,901)
Disposals	—	—	(231)	(84,601)	(329)	(85,161)
Depreciation charge	—	—	(219,568)	(1,348,406)	(35,919)	(1,603,893)
Closing net book amount	189,262	160,772	4,820,559	12,289,842	95,036	17,555,471
At 31 December 2022						
Cost	189,262	160,772	6,540,925	21,440,082	252,402	28,583,443
Accumulated depreciation	—	—	(1,720,366)	(9,150,240)	(157,366)	(11,027,972)
Net book amount	189,262	160,772	4,820,559	12,289,842	95,036	17,555,471

Depreciation expense of approximately HK$1,214,047,000 (2021: HK$1,271,959,000) has been charged in cost of sales, HK$141,788,000 (2021: HK$128,874,000) in selling and marketing costs and administrative and other operating expenses and HK$1,227,655,000 (2021: HK$979,597,000) has been capitalised in inventories.

During the year, the Group capitalised borrowing costs amounted to HK$34,402,000 (2021: HK$21,277,000) on qualifying assets (Note 26). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.0% (2021: 1.2%) per annum.

6 PROPERTY, PLANT AND EQUIPMENT AND LEASES (Continued)

LEASES

This note provides information for leases where the Group is a lessee.

(I) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Leasehold lands and land-use rights	4,205,747	4,536,142
Buildings	19,792	50,522
	4,225,539	4,586,664

	2022 HK$'000	2021 HK$'000
Lease liabilities		
Current	20,230	30,867
Non-current	848	21,513
	21,078	52,380

6 PROPERTY, PLANT AND EQUIPMENT AND LEASES (Continued)

LEASES (Continued)

(II) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets *(Note)*		
Leasehold land and land use rights	**107,065**	102,958
Buildings	**29,566**	27,610
	136,631	130,568
Unwinding of interest on lease liabilities ***(Note 26)***	**2,179**	4,507

The total cash outflow for leases in 2022 was HK$32,572,000 (2021: HK$36,471,000).

Notes:

Depreciation charge of HK$74,000 (2021: HK$147,000) were capitalised as direct cost of construction in progress during the year ended 31 December 2022 when the buildings thereon were not yet ready for production purposes. For the year ended 31 December 2022, depreciation of the Group's right-of-use assets amounted to HK$136,557,000 (2021: HK$130,421,000) were charged to the consolidated income statement (Note 22).

(III) The Group's leasing activities and how these are accounted for

Lands in the PRC are state-owned. The Group acquired leasehold lands from mainland China government by one-off prepayment with lease terms of 20 to 50 years. The leasehold lands were classified as "right-of-use assets". The Group also leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 year to 5.7 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

7 INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At 1 January	1,661,384	1,734,122
Currency translation differences	(138,749)	44,486
Additions *(Note)*	4,177	8,577
Transferred from property, plant and equipment *(Note 6)*	16,901	7,905
Transferred from land use right	801	—
Fair value losses *(Note 25)*	(53,729)	(133,706)
At 31 December	1,490,785	1,661,384

Amounts recognised in profit or loss for investment properties:

	2022 HK$'000	2021 HK$'000
Rental income from operating lease *(Note 24)*	62,406	52,769
Fair value losses recognised in other gains, net *(Note 25)*	(53,729)	(133,706)

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

Minimum lease payments receivable on leases of investment properties are set out in Note 31.

As at 31 December 2022 and 2021, the Group had four investment properties located in the PRC and one investment property in Hong Kong. The Group obtained independent valuations from Graval Consulting Limited for four investment properties located in the PRC and one investment property in Hong Kong.

Note:

The Group had construction of basement and renovation on its existing investment property located in Shenzhen (2021: Wuhu).

7 INVESTMENT PROPERTIES (Continued)

VALUATION PROCESSES OF THE GROUP

The Group's investment properties were valued at 31 December 2022 and 2021 by independent professionally qualified valuers who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

At each financial year end the Group's finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

The following table analyses the investment properties carried at their fair values, by valuation method.

	2022 HK$'000	2021 HK$'000
Fair value hierarchy (level 3):		
– Commercial building - Xiamen, the PRC	**1,187,395**	1,332,436
– Commercial building 3 - Shenzhen, the PRC	**117,779**	136,986
– Office unit - Wuhu, the PRC	**116,907**	118,668
– Office unit - Hong Kong	**65,840**	70,160
At cost		
– Commercial building 2 - Shenzhen, the PRC *(Note)*	**2,864**	3,134
	1,490,785	1,661,384

Note: As at 31 December 2022 and 2021, the fair value of this investment property could not be reliably measured as the market for comparable properties was inactive due to the Group was in the process of obtaining the property ownership certificate in respect of property interest held. In addition, alternative for reliably measurement of fair value of the property was not available. In the opinion of directors, the absence of the property ownership certificate to this property interest does not impair the carrying amount to the Group as the Group has paid the full purchase consideration of this property interest and the probability of being evicted on the ground of an absence of property ownership certificate is remote.

There were no transfers among levels 1, 2 and 3 during the year.

7 INVESTMENT PROPERTIES (Continued)

VALUATION PROCESSES OF THE GROUP (Continued)

Fair value measurement using significant unobservable input (level 3)

	Commercial building - Xiamen, the PRC HK$'000	Commercial building 3 - Shenzhen, the PRC HK$'000	Office unit - Wuhu, the PRC HK$'000	Office unit - Hong Kong HK$'000	Total HK$'000
At 1 January 2022	1,332,436	136,986	118,668	70,160	1,658,250
Currency translation differences	(115,764)	(12,256)	(10,459)	—	(138,479)
Additions	—	4,177	—	—	4,177
Transfer from property, plant and equipment *(Note 6)*	—	—	16,901	—	16,901
Transfer from land use right	—	—	801	—	801
Fair value losses *(Note 25)*	(29,277)	(11,128)	(9,004)	(4,320)	(53,729)
At 31 December 2022	1,187,395	117,779	116,907	65,840	1,487,921
Total losses for the year included in the consolidated income statement for assets held at the end of year	(29,277)	(11,128)	(9,004)	(4,320)	(53,729)
Change in unrealised losses for the year included in the consolidated income statement for assets held at the end of year	(29,277)	(11,128)	(9,004)	(4,320)	(53,729)

7 INVESTMENT PROPERTIES (Continued)

VALUATION PROCESSES OF THE GROUP (Continued)

	Commercial building - Xiamen, the PRC HK$'000	Commercial building 3 - Shenzhen, the PRC HK$'000	Office unit - Wuhu, the PRC HK$'000	Office unit - Hong Kong HK$'000	Total HK$'000
At 1 January 2021	1,416,180	130,347	114,382	70,160	1,731,069
Currency translation differences	37,483	3,461	3,461	—	44,405
Additions	—	—	8,577	—	8,577
Transfer from property, plant and equipment	—	—	7,905	—	7,905
Fair value (losses)/gains *(Note 25)*	(121,227)	3,178	(15,657)	—	(133,706)
At 31 December 2021	1,332,436	136,986	118,668	70,160	1,658,250
Total losses for the year included in the consolidated income statement for assets held at the end of year	(121,227)	3,178	(15,657)	—	(133,706)
Change in unrealised losses for the year included in the consolidated income statement for assets held at the end of year	(121,227)	3,178	(15,657)	—	(133,706)

7 INVESTMENT PROPERTIES (Continued)

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Description	Fair value at 31 December 2022	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Commercial building – Xiamen, the PRC	HK$1,187,395,000 (2021: HK$1,332,436,000)	Based on current prices in an active market for similar properties in the same location and condition and subject to similar lease (2021: same)	Market value (2021: same)	HK$22,889 per square meter (2021: HK$25,685 per square meter)	The higher the market value, the higher the fair value
Commercial building 3 – Shenzhen, the PRC	HK$117,779,000 (2021: HK$136,986,000)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2021: same)	Market value (2021: same)	HK$39,089 per square meter (2021: HK$45,464 per square meter)	The higher the market value, the higher the fair value
Office unit - Wuhu, the PRC	HK$116,907,000 (2021: HK$118,668,000)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2021: Same)	Market value (2021: Same)	HK$9,466 per square meter (2021: HK$9,609 per square meter)	The higher the market value, the higher the fair value
Office unit - Hong Kong	HK$65,840,000 (2021: HK$70,160,000)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2021: same)	Recent market price (2021: same)	HK$17,361 per square feet (2021: HK$18,500 per square feet)	The higher the market value, the higher the fair value
			Level adjustment (2021: same)	3.5% (2021:same)	The higher the level, the higher the fair value
			View adjustment (2021: same)	5% (2021: same)	The better the view, the higher the fair value

There were no changes to the valuation techniques during the year.

8 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademark HK$'000	Customer relationship HK$'000	Patent HK$'000	Float glass production capacity HK$'000	Mining right HK$'000	Total HK$'000
Year ended 31 December 2021							
Opening net book amount	55,877	6,063	1,603	—	420,832	—	484,375
Currency translation difference	—	—	—	1	12,730	—	12,731
Business combination *(Note 33)*	—	—	—	365	398,270	—	398,635
Amortisation charge *(Note 22)*	—	(1,166)	(289)	(41)	—	—	(1,496)
Closing net book amount	55,877	4,897	1,314	325	831,832	—	894,245
At 31 December 2021							
Cost	55,877	20,306	5,404	8,097	831,832	—	921,516
Accumulated amortisation and impairment	—	(15,409)	(4,090)	(7,772)	—	—	(27,271)
Net book amount	55,877	4,897	1,314	325	831,832	—	894,245
Year ended 31 December 2022							
Opening net book amount	55,877	4,897	1,314	325	831,832	—	894,245
Additions	—	—	—	—	22,073	30,730	52,803
Currency translation difference	—	—	—	(24)	(72,844)	(1,254)	(74,122)
Amortisation charge *(Note 22)*	—	(1,115)	(294)	(66)	—	(1,254)	(2,729)
Closing net book amount	55,877	3,782	1,020	235	781,061	28,222	870,197
At 31 December 2022							
Cost	55,877	20,306	5,404	8,097	781,061	29,456	900,201
Accumulated amortisation and impairment	—	(16,524)	(4,384)	(7,862)	—	(1,234)	(30,004)
Net book amount	55,877	3,782	1,020	235	781,061	28,222	870,197

8 INTANGIBLE ASSETS (Continued)

Amortisation charge of HK$2,729,000 (2021: HK$1,496,000) has been included in administrative and other operating expenses in the consolidated income statement (Note 22).

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. For the purposes of impairment testing, goodwill has been allocated to the automobile glass operating segment.

The recoverable amount of the automobile glass operating segment is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with estimated compound annual growth rate of 3.5% (2021: 4.0%). Cash flows beyond the five-year period are extrapolated using the terminal growth rate of 2.0% (2021: 2.0%).

Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 12.3% (2021: 12.4%) per annum. The discount rate used is pre-tax and reflects specific risks relating to this operating segment.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

IMPAIRMENT TESTS FOR INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVE

Float glass production capacity is allocated to the Group's cash-generating units identified according to operating segment. For the purposes of impairment testing, float glass production capacity has been allocated to the float glass operating segment.

The recoverable amount of the float glass operating segment is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with estimated compound annual growth rate of 3.0% to 5.9% (2021: 11.5% to 14.6%). Cash flows beyond the five-year period are extrapolated using the terminal growth rate of 2.0% (2021: 2.0%).

Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 12.3% (2021: 12.4%) per annum. The discount rate used is pre-tax and reflects specific risks relating to this operating segment.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of float glass production capacity to exceed the recoverable amount.

9 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK$'000	2021 HK$'000
Financial assets as per consolidated balance sheet		
Financial assets at FVOCI *(Note 11)*	**27,441**	25,275
Financial assets at FVTPL *(Note 12)*	**734,170**	314,456
Loans to an associate *(Note 13)*	**27,936**	30,577
Trade and other receivables excluding non-financial assets	**3,598,951**	4,740,308
Pledged bank deposits *(Note 16)*	**141,388**	59,360
Fixed bank deposits *(Note 16)*	**4,845,730**	1,015,381
Cash and cash equivalents *(Note 16)*	**3,180,155**	9,220,384
Total	**12,555,771**	15,405,741

	2022 HK$'000	2021 HK$'000
Financial liabilities as per consolidated balance sheet		
Liabilities at amortised cost		
Bank borrowings *(Note 20)*	**13,515,680**	15,492,733
Trade and other payables excluding non-financial liabilities	**4,224,872**	2,972,244
Lease liabilities *(Note 6)*	**21,078**	52,380
Total	**17,761,630**	18,517,357

10 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2022:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%	—	100%	—
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,000,000	100%	—	100%	—
Dongguan Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$45,980,000 and total paid up capital of US$22,000,000	100%	—	100%	—
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB364,173,022	100%	—	100%	—
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$51,800,000	100%	—	100%	—
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of float glass and architectural glass in the PRC	Registered and paid up capital of US$126,000,000	100%	—	100%	—

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2022: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$80,000,000	100%	—	100%	—
Xinyi Glass Japan Company Limited	Japan, limited liability company	Trading of automobile glass in Japan	Authorised and paid up capital of 400 common shares of JP¥50,000 each	55%	—	55%	45%
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Trading of automobile glass in Canada	Authorised and paid up capital of 100,000 common shares of CAD0.1 each	70%	—	70%	30%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 ordinary shares	100%	—	100%	—
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	10,000 ordinary shares	100%	—	100%	—
Xinyi Automobile Glass (BVI) Company Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 55,000 ordinary shares of US$1 each	100%	100%	100%	—
Xinyi Energy Smart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and architectural glass in the PRC	Registered and paid up capital of US$58,500,000	100%	—	100%	—

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2022: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Special Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US$180,800,000 and total paid up capital of US$131,860,000	100%	—	100%	—
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of RMB2,000,000	100%	—	100%	—
Xinyi Glass Engineering (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of architectural glass in the PRC	Registered and paid up capital of US$60,000,000	100%	—	100%	—
Xinyi Glass (Yingkou) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and architectural glass in the PRC	Registered capital of US$119,000,000 and total paid up capital of US$98,999,652	100%	—	100%	—
Xinyi Automobile Parts (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$57,150,000 and total paid up capital of US$57,150,000	100%	—	100%	—
Xinyi Glass (Xiamen) Co. Ltd	The PRC, limited liability company	Conducting research and trading of glass in the PRC	Registered and paid up capital of HK$120,000,000	100%	100%	100%	—
Xinyi Electronic Glass (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of electronic glass in the PRC	Registered and paid up capital of US$60,630,000	100%	—	100%	—

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2022: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Energy Smart (Sichuan) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and architectural glass in the PRC	Registered capital of US$99,000,000 and total paid up capital of US$74,866,900	100%	—	100%	—
Xinyi Energy Smart (Malaysia) SDN.BHD	Malaysia, limited liability company	Manufacturing of float glass in Malaysia	Registered and paid up capital of RM$20,000,000	100%	—	100%	—
Xinhe Logistics (Wuhu) Company Limited	The PRC, limited liability company	Provision of logistic and related services	Registered and paid up capital of RMB1,250,000	100%	—	100%	—
Xinyi Wind Power (Jinzhai) Company Limited	The PRC, limited liability company	Operate wind farm for electricity generation	Registered and paid up capital of RMB12,195,129	82%	—	82%	18%
Wuhu Jinshanshi Numerical Control Technology Co. Ltd	The PRC, limited liability company	Manufacturing of automatic machines for solar glass factory and other glass related industry	Registered and paid up capital of RMB30,000,000	85.66%	—	85.66%	14.34%
Xinyi Glass (Bozhou) Company Limited	The PRC, limited liability company	Manufacturing and sales of glass products	Registered capital of RMB 10,000,000 and total paid up capital of RMB5,721,000	100%	—	100%	—
Xinyi Glass (GuangXi) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of RMB 650,000,000	100%	—	100%	—

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2022: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Guangxi Xinyi Supply Chain Management Company Limited	The PRC, limited liability company	Provision of supply chain services in the PRC	Registered and paid up capital of RMB3,000,000	100%	—	100%	—
Beihai Xinhe Logistics Company Limited	The PRC, limited liability company	Provision of logistic and related services	Registered and paid up capital of RMB1,500,000	100%	—	100%	—
Xinyi (Jiangsu) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$200,000,000	100%	—	100%	—
Ultimate Luck Global Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 50,000 ordinary shares of US$1each	60%	—	60%	40%
Xinyi Glass(Hainan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of RMB19,322,075,000 and total paid up capital of RMB 19,322,075,000	100%	—	100%	—
Cheer Wise Investment Limited	Hong Kong, limited liability company	Property and car parks holding in Hong Kong	1 ordinary share	60%	—	60%	40%

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(A) EQUITY INVESTMENT AT FVOCI

	2022 HK$'000	2021 HK$'000
At 1 January	25,275	29,006
Fair value gains/(losses) recognised in other comprehensive income *(Note 18)*	2,166	(3,731)
At 31 December	27,441	25,275
Less: Non-current portion	(27,441)	(25,275)
Current portion	—	—

Classification of financial assets at FVOCI

Financial assets at FVOCI represents equity security listed in Hong Kong - ZMFY Automobile Glass Services Limited ("ZMFY") which is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

The Group's shareholding in ZMFY as at 31 December 2022 is approximately 15.17% (2021: approximately 15.17%).

(B) FAIR VALUE

The fair value hierarchy of listed equity securities are categorised under level 1 (Note 3.3). The fair value of listed securities is based on the current bid price. These listed equity securities are denominated in HK$.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

(A) CLASSIFICATION OF FINANCIAL ASSETS AT FVTPL

The Group classifies the following financial assets at FVTPL:

- equity investments that are held for trading,
- equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income, and
- financial products that do not qualify for measurement at either amortised cost or FVOCI.

As at 31 December, financial assets measured at FVTPL include the following:

	2022 HK$'000	2021 HK$'000
Current assets		
PRC listed equity securities	30,212	274,143
PRC short-term financial products	703,958	40,313
	734,170	314,456

As at 31 December 2022, financial assets at FVTPL represent equity securities listed in the PRC (Zotye Automibile Co. Ltd, Tangshan Sanyou Chemical Industries Co., Ltd) and short-term financial products ("Financial Products") issued by a bank in the PRC (2021: equity securities listed in the PRC which are held for trading, and which the Group has not elected at initial recognition to recognise in FVOCI. The Financial Products was not principal guaranteed nor with pre-determined or guaranteed return. As at 31 December 2022, the Group had HK$703,958,000 (2021: HK$40,313,000) Financial Products not been redeemed or matured.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

(B) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains/(losses) were recognised in consolidated income statement:

	2022 HK$'000	2021 HK$'000
Unrealised fair value gains/(losses) of financial assets at FVTPL *(Note 25)*	657	(22,412)
Gain on disposal of financial assets at FVTPL *(Note 25)*	49,785	199,431
Realised income from financial products at FVTPL *(Note 24)*	202,761	149,727

(C) RISK EXPOSURE AND FAIR VALUE MEASUREMENTS

Information about the Group's exposure to price risk is provided in Note 3.1(c). For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES

	2022 HK$'000	2021 HK$'000
Investments in associates		
At 1 January	9,482,532	8,230,998
Currency translation differences	(2,850)	634
Addition to interests in an associate *(Note (a))*	186,724	703,855
Dilution of interests in an associate *(Note (b))*	21,183	—
Impairment loss *(Note (c))*	—	(67,353)
Share of profits of associates	922,790	1,185,743
Share of other comprehensive (loss)/income	(771,416)	188,060
Dividends received	(489,629)	(759,405)
At 31 December	9,349,334	9,482,532

	2022 HK$'000	2021 HK$'000
Loans to an associate		
– Current portion	—	—
– Non-current portion	27,936	30,577
	27,936	30,577

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Notes:

(a) On 10 June 2021, Xinyi Solar Holdings Limited ("Xinyi Solar"), an associate, recommended the declaration the payment of 2020 final dividend of 17 HK cents per share of the company to the shareholders. As a result, the Group as the eligible shareholders elected to receive the scrip shares of 26,869,087 shares at the market price of HK$12.74 per share, totaled HK$342,312,000.

During the year ended 31 December 2021, the Group purchased 26,460,000 Xinyi Solar's shares at cost of HK$351,725,000 from the Hong Kong stock market.

During the year ended 31 December 2021, the Group purchased 2,402,000 Xinyi Energy Holdings Limited ("Xinyi Energy")'s shares at cost of HK$9,818,000 from the Hong Kong stock market.

On 28 September 2022, Xinyi Energy Holdings Limited ("Xinyi Energy"), an associate, recommended the declaration the payment of 2022 interim dividend of 7.7 HK cents per share of the company to the shareholders. As a result, the Group as the eligible shareholders elected to receive the scrip shares of 10,411,115 shares at the market price of HK$3.06 per share, totaled HK$31,858,000.

During the year ended 31 December 2022, the Group purchased 9,234,000 Xinyi Energy Holdings Limited ("Xinyi Energy")'s shares at cost of HK$18,638,400 from the Hong Kong stock market.

During the year ended 31 December 2022, the Group subscribed 96 ordinary shares of Xinyi Silicon Holdings Limited ("Xinyi Silicon"), at cost of HK$136,228,000 representing a total of 48% of ordinary shares of Xinyi Silicon.

(b) In June 2022, Xinyi Energy allotted and issued 183,652,510 shares by way of placing to investors other than the Group. The Group's interest in Xinyi Energy was diluted, resulting in an increase in the investment of approximately HK$21,183,000, comprising a dilution gain of approximately HK$21,966,000 and the reclassification of currency translation loss of approximately HK$783,000 from reserves to consolidated income statement.

(c) The impairment loss relates to investment in Beihai Yiyang Mineral Company Limited ("Beihai Yiyang"). As Beihai Yiyang had started loss making during the the year ended 31 December 2021 and the business licence of Beihai Yiyang will expire approximately 3 years after 31 December 2021, The management has performed an impairment assessment based on estimated cash flow from Beihai Yiyang. As a result, impairment loss of HK$67,353,000 had been provided and the interests in Beihai Yiyang was written down to its recoverable amount of HK$12,011,000 which was equivalent to the initial investment cost.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

The following is a list of the principal associates as at 31 December 2022:

Name	Particulars of registered share capital	Principal activities and place of operation	Interest held
Xinyi Solar *(Note (i))*	Authorised capital of HK$8,000,000,000 and total paid up capital of HK$889,624,000 (2021: HK$8,000,000,000 and total paid up of HK$889,076,000)	Production and sales of solar glass products in the PRC, and development and operation of solar farms and provision of engineering procurement and construction services	23.23%
Xinyi Energy *(Note (ii))*	Authorised capital of HK$8,000,000,000 and total paid up capital of HK$74,404,000 (2021: HK$8,000,000,000 and total paid of HK$71,100,000)	Management and operations of solar farms in the PRC	6.05%
Xinyi Silicon	Registered and paid up capital of RMB120,000,000	Production and sales of silicon products in the PRC	48%
Beihai Yiyang	Registered and paid up capital of RMB25,454,500 (2021: same)	Exploration, mining and trading of silica in the PRC	45%
Dongyuan County Xinhuali Quartz Sand Company Limited	Registered and paid up capital of RMB10,500,000 (2021: same)	Exploration, mining and trading of silica in the PRC	20%
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	Registered and paid up capital of RMB10,000,000 (2021: same)	Provision of natural gas in the PRC	25%
Wuxuan Xinbao Mining Company Limited *(Note (iii))*	Registered and paid up capital of RMB50,000,000 (2021: same)	Mining in the PRC	49%

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Notes:

(i) As at 31 December 2022, the fair value of the Group's interest in Xinyi Solar, which is listed on the Stock Exchange, was HK$17,858,283,000 (2021: HK$27,324,826,000) and the carrying amount of the Group's interest was HK$8,261,875,000 (2021: HK$8,482,124,000).

(ii) As at 31 December 2022, the fair value of the Group's interest in Xinyi Energy, which is listed on the Stock Exchange, was HK$1,166,519,000 (2021: HK$1,839,295,000) and the carrying amount of the Group's interest was HK$909,986,000 (2021: HK$956,689,000).

During the year ended 31 December 2022 and 2021, Xinyi Energy remains a subsidiary of Xinyi Solar.

(iii) During January to February 2021, the Group entered into an investment agreement and subscribed for 49% ordinary shares of Wuxuan Xinbao Mining Company Limited ("Wuxuan Xinbao") at consideration of RMB 25,000,000. According to the investment agreement, the Group will transfer the 49% interests to the other investor of Wuxuan Xinbao at RMB25,000,000 at the end of a 20-year operating period and the consideration shall be settled by Wuxuan Xinbao. Wuxuan Xinbao will pay the Group an annual sum of RMB 2,000,000 and the Group does not entitle to profit or loss of Wuxuan Xinbao during the 20-year operating period. The amount paid to Wuxuan Xinbao is classified as loan to an associate under amortised cost.

There are no contingent liabilities relating to the Group's interests in the associates.

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES

(a) Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method:

Summarised consolidated balance sheet

	2022 HK$'000	2021 HK$'000
Current		
Cash and cash equivalents	5,325,714	7,458,267
Other current assets (excluding cash)	13,782,383	13,366,313
Total current assets	19,108,097	20,824,580
Current liabilities	(10,610,356)	(7,446,013)
Non-current		
Assets	31,466,961	28,245,773
Liabilities	(4,733,325)	(5,726,919)
Net assets	35,231,377	35,897,421

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

(a) Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method: (Continued)

Summarised consolidated statement of comprehensive income

	2022 HK$'000	2021 HK$'000
Revenue	20,544,041	16,064,655
Depreciation and amortisation	(1,552,318)	(1,174,418)
Interest income	30,866	156,645
Interest expense	(198,392)	(140,766)
Profit before income tax	5,180,978	6,568,321
Income tax expense	(835,212)	(987,210)
Post-tax profit from operations	4,345,766	5,581,111
Other comprehensive (loss)/income	(3,695,806)	910,279
Total comprehensive income	649,960	6,491,390
Dividend received from Xinyi Solar	413,386	689,192

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

(a) Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method: (Continued)

Reconciliation of summarised financial information of Xinyi Solar presented to the carrying amount of interest in an associate:

	2022 HK$'000	2021 HK$'000
Opening net assets	35,897,421	32,024,518
Total comprehensive income for the year	649,960	6,491,390
Transactions with owners	(1,316,004)	(2,618,487)
Closing net assets	35,231,377	35,897,421
Less: non-controlling interests	(5,482,965)	(5,585,338)
Closing net assets attributable to owners of Xinyi Solar	29,748,412	30,312,083
The Group's ownership interest	23.23%	23.25%
	6,910,556	7,047,560
Goodwill	1,326,374	1,409,619
Intangible assets and other assets and liabilities	24,945	24,945
Carrying amount	8,261,875	8,482,124

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

(b) Set out below is the summarised financial information for Xinyi Energy which is accounted for using the equity method:

Summarised consolidated balance sheet

	2022 HK$'000	2021 HK$'000
Current		
Cash and cash equivalents	1,790,767	1,104,858
Other current assets (excluding cash)	3,408,953	5,033,789
Total current assets	5,199,720	6,138,647
Current liabilities	(5,098,594)	(4,707,547)
Non-current		
Assets	14,740,160	15,027,198
Liabilities	(3,079,134)	(3,857,941)
Net assets	11,762,152	12,600,357

Summarised consolidated statement of comprehensive income

	2022 HK$'000	2021 HK$'000
Revenue	2,315,275	2,296,648
Depreciation and amortisation	(599,406)	(558,835)
Interest income	1,594	18,875
Interest expense	(270,343)	(188,171)
Profit before income tax	1,272,222	1,463,276
Income tax expense	(298,251)	(226,035)
Post-tax profit from operations	973,971	1,237,241
Other comprehensive (loss)/income	(1,696,509)	446,793
Total comprehensive (loss)/income	(722,538)	1,684,034
Dividend received from Xinyi Energy	76,243	68,107

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

(b) Set out below is the summarised financial information for Xinyi Energy which is accounted for using the equity method: (Continued)

Reconciliation of summarised financial information of Xinyi Energy presented to the carrying amount of interest in an associate:

	2022 HK$'000	2021 HK$'000
Opening net assets	12,600,357	12,046,813
Total comprehensive (loss)/income for the year	(722,538)	1,684,034
Transactions with owners	(115,667)	(1,130,490)
Closing net assets	11,762,152	12,600,357
Less: non-controlling interests	(9,092)	—
Closing net assets attributable to owners of Xinyi Energy	11,753,060	12,600,357
The Group's ownership interest	6.05%	6.06%
	711,060	763,582
Goodwill	198,926	193,107
Carrying amount	909,986	956,689

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, if any.

INDIVIDUALLY IMMATERIAL ASSOCIATES

In addition to the interests in the material associates disclosed above, the Group also has interests in four individually immaterial associates that are accounted for using the equity method.

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial associates	177,473	43,718
Aggregate amounts of the Group's share of:		
Profit from continuing operations	2,498	8,471
Total comprehensive income	376	8,471

14 INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	1,302,649	1,579,157
Work in progress	283,825	349,918
Finished goods	2,710,181	2,240,088
	4,296,655	4,169,163

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately HK$13,006,644,000 (2021: HK$10,604,436,000) (Note 22).

15 TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables *(Note (a))*	1,966,830	1,868,613
Less: provision for loss allowance *(Note (b))*	(62,087)	(62,523)
	1,904,743	1,806,090
Bills receivables *(Note (c))*	743,952	2,231,792
Trade and bills receivables - net	2,648,695	4,037,882
Prepayments, deposits and other receivables *(Note (f))*	2,838,293	2,106,027
	5,486,988	6,143,909
Less: non-current portion		
Prepayments for property, plant and equipment, land use right and intangible assets	(920,655)	(475,329)
Current portion	4,566,333	5,668,580

15 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2022 and 2021, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
0 - 90 days	1,445,061	1,484,202
91 - 180 days	348,919	219,696
181 - 365 days	97,583	66,943
1 - 2 years	60,488	52,902
Over 2 years	14,779	44,870
	1,966,830	1,868,613

The ageing analysis of the Group's trade receivables based on due date was as follows:

	2022 HK$'000	2021 HK$'000
Current	1,642,018	1,672,097
0 - 90 days	248,384	128,475
91 - 180 days	24,134	48,623
181 - 365 days	17,663	6,113
1 - 2 years	26,960	7,441
Over 2 years	7,671	5,864
	1,966,830	1,868,613

15 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

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

	2022 HK$'000	2021 HK$'000
RMB	943,839	735,615
USD	905,432	1,032,798
HK$	5,184	3,275
Other currencies	112,375	96,925
	1,966,830	1,868,613

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

	2022 HK$'000	2021 HK$'000
At 1 January	62,523	37,444
Currency translation differences	(3,031)	270
Increase in provision for loss allowance of trade receivables, net	6,090	26,252
Receivables written off during the year	(3,495)	(1,443)
At 31 December	62,087	62,523

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

The Group applies HKFRS 9 simplified approach to measure provision for loss allowance which uses a lifetime expected loss allowance for all trade receivables. Details on the calculation of loss allowance is set out in Note 3.1(b).

The top five customers and the largest customer accounted for approximately 19.7% (2021: 14.5%) and 8.3% (2021: 8.6%) of the trade and bills receivables balance as at 31 December 2022, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

(c) All bills receivables are issued by licensed banks in the PRC with maturities within 12 months (2021: 12 months).

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

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

15 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(f) Nature of other receivables is as below:

	2022 HK$'000	2021 HK$'000
Prepayments for property, plant and equipment, land use right and intangible assets	920,655	475,329
Prepayment for inventories	531,982	595,657
Prepaid expenses	172,764	181,200
Deposits	2,891	2,681
Tax recoverable *(Note)*	262,636	151,415
Others	947,365	699,745
	2,838,293	2,106,027

Note:

Tax recoverable mainly represented value added tax ("VAT") recoverable, which is creditable input VAT on purchase of property, plant and equipment offset against output VAT on sales of glass product. The balance is denominated in RMB.

16 CASH AND BANK BALANCES

	2022 HK$'000	2021 HK$'000
Total cash at bank and on hand	3,180,155	9,220,384
Cash and cash equivalents	3,180,155	9,220,384
Fixed bank deposits		
– Long-term *(Note (a))*	4,845,730	1,015,381
Pledged bank deposits *(Note (b))*	141,388	59,360
Total cash and bank balances	8,167,273	10,295,125

Notes:

(a) The Group placed fixed bank deposits with major licensed banks in the PRC, with fixed maturities and fixed interest rates. The effective interest rate on long-term bank deposits was 3.4% (2021: 3.7%) per annum. Long-term bank deposits have an average maturity of 2.3 years (2021: 3 years).

(b) Pledged bank deposits represent deposits pledged as collateral principally as security for import duties payable to the US Customs.

16 CASH AND BANK BALANCES (Continued)

The carrying amounts of the Group's cash and bank balances and bank deposits are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
RMB	7,255,120	9,194,657
USD	623,987	451,821
HK$	137,715	420,830
Malaysia ringgit ("MYR")	39,302	29,609
Other currencies	111,149	198,208
	8,167,273	10,295,125

RMB and MYR are currently not freely convertible currencies in international market. The conversion of RMB and MYR into foreign currencies and remittance of RMB out of the PRC and MYR out of Malaysia, respectively, are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government and Malaysian government.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2022 HK$'000	2021 HK$'000
Total cash and bank balances	8,167,273	10,295,125
Less:		
– Long-term fixed bank deposits	(4,845,730)	(1,015,381)
– Pledged bank deposits	(141,388)	(59,360)
	3,180,155	9,220,384

17 SHARE CAPITAL AND PREMIUM

	Note	Number of shares	Ordinary shares of HK$0.1 each HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2021		4,039,494,647	403,950	535,560	939,510
Issue of shares under an employees share option scheme	(A)	18,195,400	1,819	240,383	242,202
Repurchases and cancellation of shares	(B)	(39,033,000)	(3,903)	(775,943)	(779,846)
At 31 December 2021		4,018,657,047	401,866	—	401,866

	Note	Number of shares	Ordinary shares of HK$0.1 each HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2022		4,018,657,047	401,866	—	401,866
Issue of shares under an employees share option scheme	(A)	21,343,500	2,134	262,309	264,443
Scrip Dividend	(C)	69,102,480	6,910	1,020,644	1,027,554
At 31 December 2022		4,109,103,027	410,910	1,282,953	1,693,863

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS

In 2005, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of the Company, unless the Company obtains further approval from the shareholders.

In March 2018, 29,600,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$11.74 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2022, in relation to the batch granted in March 2018, 9,478,000 (2021: 16,259,000) options were exercised, nil (2021: 1,620,000) options were lapsed and 56,000 (2021: nil) options were expired.

In March 2019, 33,900,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$9.53 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2022, in relation to the batch granted in March 2019, 11,866,000 (2021: nil) options were exercised and 4,697,000 (2021: 784,000) options were lapsed.

In March 2020, 32,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$8.82 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2022, in relation to the batch granted in March 2020, a total of 897,000 (2021: 896,000) options were lapsed.

In March 2021, 34,700,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$23.35 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2022, in relation to the batch granted in March 2021, a total of 1,095,000 (2021: 2,925,000) options were lapsed.

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

In March 2022, 35,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$21.80 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2022, in relation to the batch granted in March 2022, a total of 3,258,300 options were lapsed.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2022		2021	
	Average exercise price in HK$ per share	Options (thousands)	Average exercise price in HK$ per share	Options (thousands)
At 1 January	13.74	104,189	9.89	93,933
Granted	21.80	35,000	23.35	34,700
Exercised	10.51	(21,344)	11.27	(18,195)
Lapsed	15.01	(9,947)	16.48	(6,237)
Expired	11.74	(56)	7.28	(12)
At 31 December	16.88	107,842	13.74	104,189

Out of the 107,842,000 (2021: 104,189,000) outstanding options, 15,622,100 (2021: 9,534,000) option was exercisable as at 31 December 2022. Options exercised in 2022 resulted in 21,344,000 shares (2021: 18,195,000 shares) being issued at a weighted average price at the time of exercise of HK$10.51 each (2021: HK$11.27 each). The weighted average market price at the time of exercise is HK$19.26 each (2021: HK$27.58 each).

Share options outstanding at the end of the year have the following expiry date and exercise price:

	Exercise price in HK$ per share	Options (thousands)	
		2022	2021
Expiry date			
31 March 2022	11.74	—	9,534
31 March 2023	9.53	15,622	32,185
31 March 2024	8.82	29,798	30,695
31 March 2025	23.35	30,680	31,775
31 March 2026	21.80	31,742	—
		107,842	104,189

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$4.40 (2021: HK$4.78) per option. The significant inputs into the model were weighted average share price of HK$21.8 (2021: HK$23.35) at the grant date, the exercise price shown above, volatility of 42.92% (2021: 36.28%), dividend yield of 6.51% (2021: 3.38%), an expected option life of 3.5 years (2021: 3.5 years), and an annual risk-free interest rate of 1.04% (2021: 0.30%) per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was approximately HK$154,016,000 (2021: HK$165,812,000). The attributable amounts charged to the consolidated income statement for the year ended 31 December 2022 was HK$84,481,000 (2021: HK$64,745,000) (Note 23).

(B) REPURCHASE OF SHARE

During the year ended 31 December 2021, 39,033,000 shares repurchased by the Company were cancelled in 2021. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

	Number of Shares of HK$0.10 each	Highest price per Share HK$	Lowest price per Share HK$	Aggregate consideration paid HK$'000
Month of repurchase				
August 2021	19,396,000	30.50	27.60	562,186
September 2021	11,172,000	28.80	23.05	291,820
December 2021	8,465,000	19.46	17.90	158,972
	39,033,000			1,012,978

(C) SCRIP DIVIDEND

On 26 August 2022, the board of directors declared an interim dividend of 40.0 HK cents per share for the six months ended 30 June 2022. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 29 September 2022, 69,102,480 shares were issued at an issue price of HK$14.87 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

18 RESERVES

	Other reserves										
	Statutory reserve fund HK$'000 *(Note (a))*	Enterprise expansion fund HK$'000 *(Note (a))*	Foreign currency translation reserve HK$'000	Capital reserve HK$'000 *(Note (b))*	Share option reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	FVOCI reserve HK$'000 *(Note (c))*	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2022	3,278,003	46,867	1,830,492	405,241	106,519	37,227	26,014	(12,621)	5,717,742	28,479,039	34,196,781
Profit for the year	—	—	—	—	—	—	—	—	—	5,127,154	5,127,154
Change in fair value of financial assets at FVOCI *(Note 11)*	—	—	—	—	—	—	—	2,166	2,166	—	2,166
Dilution of interest in an associate	—	—	(783)	—	—	—	—	—	(783)	—	(783)
Currency translation differences	—	—	(3,638,468)	—	—	—	—	—	(3,638,468)	—	(3,638,468)
Share of other comprehensive loss of investments accounted for using the equity method *(Note 13)*	—	—	(771,416)	—	—	—	—	—	(771,416)	—	(771,416)
Employees share option scheme:											
– proceeds from shares issued	—	—	—	—	(40,439)	—	—	—	(40,439)	—	(40,439)
– value of employee services *(Note 17(A))*	—	—	—	—	84,481	—	—	—	84,481	—	84,481
– adjustment relating to forfeiture of share options	—	—	—	—	(111)	—	—	—	(111)	111	—
Transfer to reserves	323,850	—	—	—	—	—	—	—	323,850	(323,850)	—
Dividends relating to 2021	—	—	—	—	—	—	—	—	—	(3,066,274)	(3,066,274)
Dividends relating to 2022	—	—	—	—	—	—	—	—	—	(1,614,395)	(1,614,395)
At 31 December 2022	3,601,853	46,867	(2,580,175)	405,241	150,450	37,227	26,014	(10,455)	1,677,022	28,601,785	30,278,807

18 RESERVES (Continued)

	Other reserves										
	Statutory reserve fund HK$'000 *(Note (a))*	Enterprise expansion fund HK$'000 *(Note (a))*	Foreign currency translation reserve HK$'000	Capital reserve HK$'000 *(Note (b))*	Share option reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	FVOCI reserve HK$'000 *(Note (c))*	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	2,338,112	46,867	741,559	405,241	79,223	37,227	22,111	(8,890)	3,661,450	23,280,614	26,942,064
Profit for the year	—	—	—	—	—	—	—	—	—	11,555,887	11,555,887
Change in fair value of financial assets at FVOCI *(Note 11)*	—	—	—	—	—	—	—	(3,731)	(3,731)	—	(3,731)
Currency translation differences	—	—	900,873	—	—	—	—	—	900,873	—	900,873
Share of other comprehensive income of investments accounted for using the equity method *(Note 13)*	—	—	188,060	—	—	—	—	—	188,060	—	188,060
Employees share option scheme:											
– proceeds from shares issued	—	—	—	—	(37,434)	—	—	—	(37,434)	—	(37,434)
– value of employee services *(Note 17(A))*	—	—	—	—	64,745	—	—	—	64,745	—	64,745
– adjustment relating to forfeiture of share options	—	—	—	—	(15)	—	—	—	(15)	15	—
Repurchase and cancellation of shares *(Note 17(B))*	—	—	—	—	—	—	3,903	—	3,903	(237,035)	(233,132)
Transfer to reserves	939,891	—	—	—	—	—	—	—	939,891	(939,891)	—
Dividends relating to 2020	—	—	—	—	—	—	—	—	—	(2,512,470)	(2,512,470)
Dividends relating to 2021	—	—	—	—	—	—	—	—	—	(2,668,081)	(2,668,081)
At 31 December 2021	3,278,003	46,867	1,830,492	405,241	106,519	37,227	26,014	(12,621)	5,717,742	28,479,039	34,196,781

18 RESERVES (Continued)

Notes:

(a) The statutory reserve fund and enterprise expansion fund are provided for in accordance with laws in the PRC and regulations by certain subsidiaries which are the wholly owned foreign enterprises incorporated in the PRC. These funds are appropriated from net profit as recorded in the PRC statutory accounts of the respective subsidiaries. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2022, the boards of directors of the subsidiaries resolved to appropriate approximately HK$323,850,000 (2021: HK$939,891,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2022 and 2021.

(b) The opening balance of capital reserve of the Group comprises the followings 1) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation occurred in 2004 and the nominal value of the share capital of the Company issued in exchange thereof, and 2) the share of gain in Xinyi Solar resulting from the spin-off and initial public offering of Xinyi Energy in 2019.

(c) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.10. These changes are accumulated under the FVOCI reserve within equity. For equity securities elected to present changes in FVOCI, the Group will never transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

19 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Trade payables *(Note (a))*	1,594,545	1,483,859
Bills payable *(Note (b))*	1,128,323	—
	2,722,868	1,483,859
Other payables *(Note (c))*	2,100,276	2,308,305
Contract liabilities *(Note (e))*	624,717	653,811
Less: non-current portion		
Other payables	(51,255)	(140,313)
Current portion	5,396,606	4,305,662

19 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes:

(a) At 31 December 2022 and 2021, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	2022 HK$'000	2021 HK$'000
0 - 90 days	1,389,149	1,305,146
91-180 days	54,553	54,776
181-365 days	42,377	57,317
1-2 years	76,559	29,257
Over 2 years	31,907	37,363
	1,594,545	1,483,859

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

	2022 HK$'000	2021 HK$'000
RMB	1,430,314	1,361,502
MYR	122,871	62,529
USD	39,848	58,903
HK$	17	251
Other currencies	1,495	674
	1,594,545	1,483,859

(b) Bills payable have maturities ranging within 12 months (2021: 6 months).

(c) Nature of other payables is as follows:

	2022 HK$'000	2021 HK$'000
Payables for investment properties	23,673	26,951
Payables for property, plant and equipment	337,186	431,057
Payables for employee benefits and welfare	406,877	539,019
Payables for value-added tax	191,395	280,901
Payables for utilities	75,992	110,729
Payables for transportation charges	599,500	470,976
Payables for commission	40,506	51,872
Others	425,147	396,800
	2,100,276	2,308,305

19 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(d) The carrying amounts of trade payables and other payables approximate their fair values.

(e) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of glass products.

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

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	653,811	499,345

20 BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Non-current		
Long-term bank borrowings	13,136,320	14,986,960
Less: Current portion of long-term bank borrowings	(5,415,076)	(4,096,904)
	7,721,244	10,890,056
Shown as non-current liabilities	7,721,244	10,890,056
Current		
Short-term bank borrowings	379,360	505,773
Current portion of long-term bank borrowings	5,415,076	4,096,904
Shown as current liabilities	5,794,436	4,602,677
Total bank borrowings	13,515,680	15,492,733

At 31 December 2022 and 2021, the Group's bank borrowings were repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	5,794,436	4,602,677
Between 1 and 2 years	5,827,106	6,625,216
Between 2 and 5 years	1,894,138	4,264,840
	13,515,680	15,492,733

At 31 December 2022 and 2021, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2025 (2021: 2024) and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2022 and 2021. The fair values are categorised within level 2 of the fair value hierarchy.

The Group complied with the financial bank covenants of its borrowing facilities as at 31 December 2022 and 2021.

20 BANK BORROWINGS (Continued)

At 31 December 2022 and 2021, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HKD	12,344,132	14,835,960
RMB	279,361	305,773
USD	892,187	351,000
	13,515,680	15,492,733

The effective interest rate is as follows:

	2022	2021
Bank borrowings	2.20%	0.94%

The bank borrowings were guaranteed by corporate guarantee provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

21 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

DEFERRED INCOME TAX ASSETS:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets	—	110,802

21 DEFERRED INCOME TAX (Continued)

DEFERRED INCOME TAX ASSETS: (Continued)

The gross movements on the deferred income tax assets are as follows:

	Capital allowance HK$'000	Total HK$'000
At 1 January 2021	41,790	41,790
Currency translation differences	(143)	(143)
Credited to the consolidated income statement *(Note 27)*	69,155	69,155
At 31 December 2021	110,802	110,802
Currency translation differences	1,255	1,255
Charged to the consolidated income statement *(Note 27)*	(112,057)	(112,057)
At 31 December 2022	—	—

The Group did not recognise deferred income tax assets of approximately HK$76,335,000 (2021: HK$94,571,000) in respect of losses amounting to approximately HK$309,281,000 (2021: HK$382,631,000) that can be carried forward against future taxable income. Capital allowance mainly represents the investment tax allowance entitled by the Group's subsidiary in Malaysia on its qualifying capital expenditure incurred, which can be utilised against its assessable profit.

The time frame of tax losses expiration is as follows:

	2022 HK$'000	2021 HK$'000
Expiring in 2022	—	111,711
Expiring in 2023	58,636	64,180
Expiring in 2024	61,608	67,433
Expiring in 2025	61,711	67,546
Expiring in 2026	54,044	58,977
Expiring in 2027	61,692	—
No expire date	11,590	12,784
	309,281	382,631

21 DEFERRED INCOME TAX (Continued)

DEFERRED INCOME TAX LIABILITIES:

	2022 HK$'000	2021 HK$'000
Deferred income tax liabilities	468,078	454,475

The gross movements on the deferred income tax liabilities are as follows:

	2022 HK$'000	2021 HK$'000
Beginning of the year	454,475	409,954
Currency translation differences	(18,554)	12,524
Arising from business combination *(Note 33)*	—	39,456
Charged/(credited) to the consolidated income statement *(Note 27)*	32,157	(7,459)
End of the year	468,078	454,475

	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1 January 2021	412	250,497	159,045	409,954
Charged/(credited) to the consolidated income statement *(Note 27)*	—	(31,878)	24,419	(7,459)
Arising from business combination *(Note 33)*	—	39,456	—	39,456
Currency translation differences	—	12,524	—	12,524
At 31 December 2021	412	270,599	183,464	454,475
Charged/(credited) to the consolidated income statement *(Note 27)*	43,609	(11,452)	—	32,157
Currency translation differences	1,164	(19,718)	—	(18,554)
At 31 December 2022	45,185	239,429	183,464	468,078

21 DEFERRED INCOME TAX (Continued)

DEFERRED INCOME TAX LIABILITIES: (Continued)

As at 31 December 2022, investment properties located in the PRC amounted to HK$1,424,945,000 (2021: HK$1,591,224,000) are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The investment property located in Hong Kong amounted to HK$65,840,000 (2021: HK$70,160,000) are held by certain subsidiaries and expected to be recovered entirely through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 7).

During the year ended 31 December 2021, deferred income tax liabilities of HK$39,456,000 have been recognised for the temporary difference arising from the fair value adjustment of identifiable assets acquired from business combination (Note 33).

Deferred income tax liabilities of approximately HK$1,384,505,000 (2021: HK$1,234,895,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2022, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK$27,690,092,000 (2021: HK$24,697,891,000).

22 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative and other operating expenses are analysed as follows:

	2022 HK$'000	2021 HK$'000
Depreciation charge of property, plant and equipment	1,355,835	1,400,833
Depreciation charge of right-of-use assets *(Note 6)*	136,557	130,421
Amortisation charge of intangible assets *(Note 8)*	2,729	1,496
Employee benefit expenses *(Note 23)*	2,092,767	2,027,294
Cost of inventories *(Note 14)*	13,006,644	10,604,436
Transportation costs	1,177,915	972,676
Advertising costs	4,714	3,881
Auditor's remuneration		
– Audit services	3,453	3,310
– Non-statutory audit services	1,705	793
Research and development expenses	886,966	856,669
Other expenses *(Note)*	2,588,774	2,688,404
Total cost of sales, selling and marketing costs and administrative and other operating expenses	21,258,059	18,690,213

Note:

Other expenses mainly comprises custom duty expenses, other tax charges, insurance expenses and sundry expenses.

23 EMPLOYEE BENEFIT EXPENSES

	2022 HK$'000	2021 HK$'000
Wages and salaries	1,854,233	1,838,679
Share options granted to employees *(Note 17)*	84,481	64,745
Pension costs - defined contribution plans	154,053	123,870
	2,092,767	2,027,294

(A) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2021: four) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining one individual (2021: one individual) during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries and allowances	1,228	545
Discretionary and performance bonus	7,331	3,552
Employer's contributions to pension scheme	20	25
Share options granted	478	573
	9,057	4,695

24 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Rental income *(Note 7)*	62,406	52,769
Government grants *(Note (a))*	229,584	244,516
Insurance compensation income	2,354	3,640
Income from sale of electricity *(Note (b))*	103,553	105,362
Income from sale of automatic machines *(Note (c))*	6,404	2,563
Realised income from financial products at FVTPL *(Note (d))*	202,761	149,727
Others	56,339	55,639
	663,401	614,216

Notes:

(a) Government grants mainly represent grants obtained from the PRC government in relation to the refund of value-added tax, income tax, land use tax and other operating costs of certain PRC subsidiaries.

(b) It represents income from sale of electricity generated from its wind power and solar power plants.

(c) It represents the income from sale of automatic machines for solar glass factory and other related industry.

(d) The realised income arising from Financial Products issued by reputable commercial banks in the PRC was not principal guaranteed nor with pre-determined or guaranteed return. As at 31 December 2022 and 2021, the Group had HK$703,958,000 (2021: HK$40,313,000) Financial Products not redeemed or matured. The Group had totally recovered the principal and received the expected returns for those Financial Products that were redeemed or matured during the year.

25 OTHER GAINS - NET

	2022 HK$'000	2021 HK$'000
Losses on disposal of property, plant and equipment *(Note 30(b))*	(53,601)	(217,291)
Unrealised fair value gains/(losses) on financial assets at FVTPL *(Note 12)*	657	(22,412)
Gain on disposal of financial assets at FVTPL *(Note 12)*	49,785	199,431
Fair value losses on investment properties, net *(Note 7)*	(53,729)	(133,706)
Other foreign exchange gains/(losses), net	226,529	(106,230)
Gain on dilution of investments in an associate *(Note 13)*	21,966	—
Gain on bargain purchase *(Note 33)*	—	393,571
Others	1,017	1,783
	192,624	115,146

26 FINANCE INCOME AND COSTS

	2022 HK$'000	2021 HK$'000
Finance income:		
Interest income on bank deposits	110,850	66,084
Other interest income	—	290
	110,850	66,374
Finance costs:		
Interest on lease liabilities *(Note 6)*	2,179	4,507
Interest expense on bank borrowings	403,763	171,830
Less: interest expense capitalised on qualifying assets *(Note 6)*	(34,402)	(21,277)
	371,540	155,060

27 INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current income tax		
– Hong Kong profits tax *(Note (a))*	57,774	44,695
– PRC corporate income tax *(Note (b))*	564,934	1,494,675
– Overseas income tax *(Note (c))*	23,438	262,030
– (Over)/Under provision in prior years	(4,734)	26,396
– Withholding tax on remitted earnings *(Note (d))*	70,136	179,859
	711,548	2,007,655
Deferred income tax *(Note 21)*		
– Decrease/(increase) in deferred income tax assets	112,057	(69,155)
– Increase/(decrease) in deferred income tax liabilities	32,157	(7,459)
	144,214	(76,614)
	855,762	1,931,041

27 INCOME TAX EXPENSE (Continued)

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year.

(b) PRC corporate income tax ("CIT")

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

The applicable CIT rates in the PRC is 25% (2021: 25%). Fifteen (2021: Fourteen) major subsidiaries in Deyang, Dongguan, Guangxi, Jiangmen, Shenzhen, Tianjin, Wuhu, Yingkou and Zhangjiagang enjoy high-tech enterprise income tax benefit and are entitled to a preferential tax treatment of reduction in the CIT rate to 15% (2021: 15%).

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. Oversea income tax mainly represents Malaysia income tax which has been calculated on the estimated assessable profits for the year at the standard Malaysia corporate income tax rate of 24% (2021: 24%).

(d) Withholding tax on remitted earnings

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2022 HK$'000	2021 HK$'000
Profit before income tax	5,999,966	13,501,721
Associates' results reported	(922,790)	(1,185,743)
	5,077,176	12,315,978
Calculated at weighted average tax rate of 25.1% (2021: 24.9%)	1,275,046	3,065,353
Preferential tax rates on income of certain PRC and overseas subsidiaries	(534,096)	(1,351,087)
(Over)/Under provision in prior years	(4,734)	26,396
Tax losses for which no deferred income tax asset was recognised	75,305	16,998
Income not subject to tax	(52,305)	(122,514)
Expenses not deductible for tax purposes	26,410	116,036
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	70,136	179,859
Income tax expense	855,762	1,931,041

28 EARNINGS PER SHARE

BASIC:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after taking into account the effect of the issuance of new shares and share repurchased and cancellation stated in Note 17(A), (B) during 2022 and 2021.

	2022	2021
Profit attributable to equity holders of the Company (HK$'000)	**5,127,154**	11,555,887
Weighted average number of ordinary shares in issue (thousands)	**4,049,255**	4,026,807
Basic earnings per share (HK cents)	**126.62**	286.97

DILUTED:

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

	2022	2021
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**5,127,154**	11,555,887
Share of profit of an associate as a result of diluted earnings at associate level (HK$'000)	**(1,610)**	(1,785)
Profit used to determine diluted earnings per share (HK$'000)	**5,125,544**	11,554,102
Weighted average number of ordinary shares in issue (thousands)	**4,049,255**	4,026,807
Adjustments for:		
Share options (thousands)	**23,833**	49,979
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**4,073,088**	4,076,786
Diluted earnings per share (HK cents)	**125.84**	283.41

29 DIVIDENDS

	2022 HK$'000	2021 HK$'000
Interim dividend of HK$0.40 (2021: HK$0.66) per share *(Note (a))*	1,614,395	2,668,081
Proposed final dividend of HK$0.22 (2021: final dividend of HK$0.76) per share *(Note (b))*	905,211	3,066,274
	2,519,606	5,734,355

Notes:

(a) During the year ended 31 December 2021, an interim dividend of HK$0.66 per share was paid in cash to shareholders whose names appeared on the Register of Members of the Company on 19 August 2021.

During the year ended 31 December 2022, an interim dividend of HK$0.40 per share was partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend for 2022 interim dividend whose names appeared on the Register of Members of the Company on 18 August 2022. Shares issued during the year on the shareholders' election to receive shares are set out in Note 17.

(b) A final dividend in respect of the financial year ended 31 December 2022 of HK$0.22 per share (2021: HK$0.76 per share), amounting to a total dividend of HK$905,211,000 (2021: HK$3,066,274,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2022 proposed final dividend is based on 4,114,595,992 shares in issue as at 31 January 2023 (2021: 4,034,570,747 shares in issue as at 7 June 2022). These consolidated financial statements do not reflect this proposed dividend payable.

30 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	Note	2022 HK$'000	2021 HK$'000
Profit before income tax		**5,999,966**	13,501,721
Adjustments for:			
– Depreciation charge of property, plant and equipment	22	**1,355,835**	1,400,833
– Losses on disposal and write-off of property, plant and equipment	25	**53,601**	217,291
– Depreciation charge of right-of-use assets	22	**136,557**	130,421
– Fair value losses on investment properties	25	**53,729**	133,706
– Amortisation charge of intangible assets	22	**2,729**	1,496
– Impairment loss on interest in an associate	13	**—**	67,353
– Share of profits of associates	13	**(922,790)**	(1,185,743)
– Gain on dilution of investments in an associate	25	**(21,966)**	—
– Interest income	26	**(110,850)**	(66,374)
– Interest expense	26	**371,540**	155,060
– Share options granted to employees	23	**84,481**	64,745
– Unrealised fair value (gains)/losses on financial assets at FVTPL	25	**(657)**	22,412
– Gain on disposal of financial assets at FVTPL	25	**(49,785)**	(199,431)
– Realised income from financial products at FVTPL	24	**(202,761)**	(149,727)
– Increase in provision for loss allowance of trade receivables, net	15	**6,090**	26,252
– Gain on business combination	33	**—**	(393,571)
Changes in working capital:			
– Inventories		**(230,219)**	(1,093,937)
– Trade and other receivables		**849,431**	(641,942)
– Trade, other payables and contract liabilities		**1,055,691**	787,637
Cash generated from operations		**8,430,622**	12,778,202

30 CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2022 HK$'000	2021 HK$'000
Net book amount of property, plant and equipment *(Note 6)*	85,161	240,680
Losses on disposal of property, plant and equipment *(Note 25)*	(53,601)	(217,291)
Proceeds from disposal of property, plant and equipment	31,560	23,389

(c) Net debt reconciliation:

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents *(Note 16)*	3,180,155	9,220,384
Bank borrowings - repayable within one year *(Note 20)*	(5,794,436)	(4,602,677)
Bank borrowings - repayable after one year *(Note 20)*	(7,721,244)	(10,890,056)
Lease liabilities *(Note 6)*	(21,078)	(52,380)
Net debt	(10,356,603)	(6,324,729)
Cash and cash equivalents	3,180,155	9,220,384
Gross debt - variable interest rates	(13,515,680)	(15,492,733)
Gross debt - fixed interest rates	(21,078)	(52,380)
Net debt	(10,356,603)	(6,324,729)

30 CASH GENERATED FROM OPERATIONS (Continued)

(c) Net debt reconciliation: (Continued)

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	Cash and cash equivalents HK$'000	Bank and other borrowings due within 1 year HK$'000	Bank and other borrowings due after 1 year HK$'000	Lease liabilities HK$'000	Total HK$'000
Net debt as at 31 December 2020	5,244,554	(3,779,193)	(7,794,815)	(83,258)	(6,412,712)
Acquisition - leases	—	—	—	(1,086)	(1,086)
Unwinding of interest on lease liabilities	—	—	—	(4,507)	(4,507)
Cash flows	3,811,603	(815,067)	(3,095,241)	36,471	(62,234)
Foreign exchange adjustments	164,227	(8,417)	—	—	155,810
Net debt as at 31 December 2021	9,220,384	(4,602,677)	(10,890,056)	(52,380)	(6,324,729)
Net debt as at 31 December 2021	9,220,384	(4,602,677)	(10,890,056)	(52,380)	(6,324,729)
Unwinding of interest on lease liabilities	—	—	—	(2,179)	(2,179)
Cash flows	(5,228,289)	(1,232,880)	3,168,812	32,572	(3,259,785)
Foreign exchange adjustments	(811,940)	41,121	—	909	(769,910)
Net debt as at 31 December 2022	3,180,155	(5,794,436)	(7,721,244)	(21,078)	(10,356,603)

31 COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure approved at the end of reporting date but not yet incurred is as follows:

	2022 HK$'000	2021 HK$'000
Property, plant and equipment, intangible assets and right-of-use assets contracted but not provided for	1,378,231	1,368,211

OPERATING LEASE COMMITMENTS

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment properties not recognised in the consolidated financial statements are as follows:

	2022 HK$'000	2021 HK$'000
Not later than 1 year	31,693	33,946
Later than 1 year and not later than 5 years	115,677	22,561
Later than 5 years	86,975	—
	234,345	56,507

32 RELATED PARTY TRANSACTIONS

As at 31 December 2022, the Group was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai J.P., Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung which in aggregate owns 2,541,343,266 (2021: 2,496,849,059) of the Company's shares.

32 RELATED PARTY TRANSACTIONS (Continued)

The following transactions were carried out with related parties:

(A) TRANSACTIONS WITH RELATED PARTIES

	Note	2022 HK$'000	2021 HK$'000
Purchase of goods from associates	i		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited		325,033	283,222
– Dongyuan County Xinhuali Quartz Sand Company Limited		—	2,700
– Wuxuan Xinbao Mining Co., Limited	xi	17,700	10,433
Sales of goods to an associate			
– Subsidiaries of Xinyi Solar	ii	6,781	143,297
Sales of consumable goods to an associate			
– Subsidiaries of Xinyi Solar	ii, vii	1,299	6,184
Sales of goods to related parties			
– Entities controlled by a controlling party	ii	10,847	9,074
– Entities controlled by a controlling party	ii, vii	4,674	1,033
Sales of machineries to an associate			
– Subsidiaries of Xinyi Solar	iii	239,435	177,195
Sales of fixed assets to an associate			
– A subsidiary of Xinyi Solar	iii, vii	1,841	4,037
Consultancy income received from an associate			
– A subsidiary of Xinyi Solar	iv, vii	388	853
Rental income received from an associate			
– Subsidiaries of Xinyi Solar	v, vii	9,003	6,518
Rental expenses paid to an associate			
– A subsidiary of Xinyi Solar	v, vii	1,076	1,112
Purchase of silica sand from an associate			
– A subsidiary of Xinyi Solar	i	79,743	65,374
Rental income received from a related party			
– Entities controlled by a controlling party	v, vii	310	316

32 RELATED PARTY TRANSACTIONS (Continued)

(A) TRANSACTIONS WITH RELATED PARTIES (Continued)

	Note	2022 HK$'000	2021 HK$'000
Wind farm management fees paid to related parties			
– An entity controlled by a controlling party	vi	9,338	9,647
Sales and processing income of silica sands and raw materials from an associate			
– Subsidiaries of Xinyi Solar	ii, vii, viii	18,007	6,815
Purchase of electric storage products to a related party			
– Entities controlled by a controlling party	ix	6,548	5,867
Purchase of machinery parts from a related party			
– An entity controlled by a controlling party	vii, ix	—	251
Purchase of consumables from an associate			
– Subsidiaries of Xinyi Solar	vii, x	2,377	2,846
Engineering, procurement and construction service fees paid to an associate			
– Subsidiaries of Xinyi Solar	vii, viii	1,443	3,894
Sales of wooden packaging products to an associate			
– A subsidiary of Xinyi Solar	ii, vii	8	8,655
Rental expenses paid to a related parties			
– An entity controlled by a controlling party	v, vii	836	751
Maintenance and services fees paid to an associate			
– A subsidiary of Xinyi Solar	vii, viii	—	2,435
Purchase of fixed assets from an entity controlled by a controlling party			
– Entities controlled by a controlling party	vii, ix	693	-

Notes:

(i) The purchases of goods from associates were charged at mutually agreed prices and terms.

(ii) The sales of goods to associates and related parties were charged at mutually agreed prices and terms.

(iii) The sales of machineries and fixed assets to an associate was charged at considerations based on mutually agreed terms.

32 RELATED PARTY TRANSACTIONS (Continued)

(A) TRANSACTIONS WITH RELATED PARTIES (Continued)

Notes: (Continued)

(iv) Consultancy income received from an associate was charged at mutually agreed fee.

(v) The leases of premises were charged at mutually agreed rental.

(vi) Wind farm management fees were charged at mutually agreed fees.

(vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms.

(viii) Processing fees, engineering, procurement and construction service fees and maintenance and services fee were charged at mutually agreed prices.

(ix) The purchase of machinery parts, electric storage products and fixed assets were charged at mutually agreed prices and terms.

(x) The purchase of consumables was charged at mutually agreed prices and terms.

(xi) The purchase was under a long-term supply contract under which the Group has an option to purchase pre-determined quantity of goods from the associate annually. The long-term contract has a period of 20 years. The purchase prices under the contract was fixed for the first 5 years and will be adjusted upward or downward by a predetermined percentage according to the market trend for the remaining 15 years.

32 RELATED PARTY TRANSACTIONS (Continued)

(B) YEAR-END BALANCES WITH RELATED PARTIES

	2022 HK$'000	2021 HK$'000
Prepayment to an associate		
– Dongyuan County Xinhuali Quartz Sand Company Limited	30,171	42,808
Receivable from an associate arising from sales of machineries and land parcel *(Note (ii))*		
– Subsidiaries of Xinyi Solar	155,756	14,529
Receivable from an associate arising from consultancy income *(Note (i))*		
– A subsidiary of Xinyi Solar	—	203
Receivable from related parties arising from sales of goods *(Note (i))*		
– Entities controlled by a controlling party	1,718	3,432
– An entity controlled by a controlling party	32	—
Advance to an associate		
– A subsidiary of Xinyi Solar	295,370	—
Payable to a related party arising from processing fee and management fee *(Note (i))*		
– An entity controlled by a controlling party	12,323	9,582

32 RELATED PARTY TRANSACTIONS (Continued)

(B) YEAR-END BALANCES WITH RELATED PARTIES (Continued)

	2022 HK$'000	2021 HK$'000
Payable to associate arising from purchase of goods *(Note (i))*		
–A subsidiary of Xinyi Solar	741	—
Payable to associate arising from purchase of silica sands *(Note (i))*		
– A subsidiary of Xinyi Solar	10,616	7,773
Payable to associate arising from EPC service *(Note (i))*		
– A subsidiary of Xinyi Solar	478	410
(Prepayment)/payable to an associate arising from purchase of goods *(Note (i))*		
– Beihai Yiyang Mineral Company Limited	(787)	1,533
Advance from a related party		
– An entity controlled by a controlling party	1	81
Loan to an associate *(Note 13)*		
– Wuxuan Xinbao Mining Co., Ltd.	27,936	30,577

Note:

(i) As at 31 December 2022, balances with related parties are unsecured, interest-free and repayable on demand. The amounts approximate their fair values and are denominated in RMB.

(ii) As at 31 December 2022, balances with related parties are unsecured, interest-free and repayable on demand. The amounts approximate their fair values. HK$152,380,000 are denominated in RMB and HK$3,376,000 are denominated in MYR.

(C) KEY MANAGEMENT COMPENSATION

	2022 HK$'000	2021 HK$'000
Basic salaries and allowances	18,576	17,568
Discretionary and performance bonus	93,056	199,245
Employer's contributions to pension scheme	237	219
Share options granted	4,254	2,635
	116,123	219,667

33 BUSINESS COMBINATION

On 9 June 2021 the Group acquired 100% of the issued share capital of Avic (Hainan) Special Glass Materials Company Limited, a manufacturer of glass products in the PRC, from an independent third party at a consideration of RMB1,182,012,000. Details of the financial information as at acquisition date is present as follows:

	HK$'000
Purchase consideration	
Initial consideration	1,461,988
Adjustment for changes in net assets and operating results of acquisition target during the period under the control of liquidator	(21,915)
Cash paid	1,440,073
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,151,749
Right-of-use assets	199,073
Intangible assets	398,635
Inventories	95,525
Trade and other receivables	15,897
Cash and cash equivalents	90,669
Trade and other payables	(78,448)
Deferred tax liabilities	(39,456)
Total identifiable net assets	1,833,644
Gain on bargain purchase	(393,571)
Net cash outflow arising from the acquisition	
Cash consideration	1,440,073
Less: cash and cash equivalents	(90,669)
	1,349,404

33 BUSINESS COMBINATION (Continued)

(I) ACQUIRED RECEIVABLES

The fair value of acquired trade receivables is HK$699,000. The gross contractual amount for trade receivables due is HK$16,278,000 with a loss allowance of HK$15,579,000 recognised on acquisition.

(II) REVENUE AND PROFIT CONTRIBUTION

The acquired business contributed revenues of HK$325,812,000 and net profit of HK$48,284,000 to the Group for the period from 9 June 2021 to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been HK$30,691,665,000 and HK$11,561,232,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, right-of-use assets and intangible assets had applied from 1 January 2021, together with the consequential tax effects

(III) BARGAIN PURCHASE

The acquisition resulting in bargaining purchase of HK$393,571,000, due to the transaction was resulted from a bankruptcy reorganization process arranged by local court. The local court considered the Group most suitable candidate to take-over the target due to the Group's experience in glass industry.

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company	*Note*	2022 HK$'000	2021 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		211,513	211,513
Investment in an associate		473,608	456,097
Amounts due from subsidiaries		2,154,650	5,759,650
		2,839,771	6,427,260
Current assets			
Amount due from subsidiaries		15,851,876	8,234,876
Prepayments and other receivables		5,086	5,597
Cash and bank balances		2,216	5,823
		15,859,178	8,246,296
Total assets		18,698,949	14,673,556
Equity			
Equity attributable to the equity holders of the Company			
Share capital		410,910	401,866
Share premium		1,282,953	—
Other reserves	(a)	176,464	132,533
Retained earnings	(a)	80,229	788,627
Total equity		1,950,556	1,323,026

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Balance sheet of the Company	*Note*	2022 HK$'000	2021 HK$'000
Liabilities			
Current liabilities			
Other payables		12,416	37,643
Amounts due to subsidiaries		16,734,994	13,312,783
Current income tax liabilities		983	104
		16,748,393	13,350,530
Total liabilities		16,748,393	13,350,530
Total equity and liabilities		18,698,949	14,673,556

The balance sheet of the Company was approved by the Board of Directors on 27 February 2023 and was signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman

TUNG Ching Bor
Vice-chairman

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Note (a) Reserve movements of the Company

	Share option reserve HK$'000	Capital redemption reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	79,223	22,111	101,334	380,413	481,747
Profit for the year	—	—	—	5,825,785	5,825,785
Employees share option scheme:					
– proceeds from shares issued	(37,434)	—	(37,434)	—	(37,434)
– value of employee services	64,745	—	64,745	—	64,745
– adjustments relating to forfeiture of share options	(15)	—	(15)	15	—
Repurchase and cancellation of shares	—	3,903	3,903	(237,035)	(233,132)
Dividend relating to 2020	—	—	—	(2,512,470)	(2,512,470)
Dividend relating to 2021	—	—	—	(2,668,081)	(2,668,081)
At 31 December 2021	106,519	26,014	132,533	788,627	921,160
At 1 January 2022	106,519	26,014	132,533	788,627	921,160
Profit for the year	—	—	—	3,972,160	3,972,160
Employees share option scheme:					
– proceeds from shares issued	(40,439)	—	(40,439)	—	(40,439)
– value of employee services	84,481	—	84,481	—	84,481
– adjustments relating to forfeiture of share options	(111)	—	(111)	111	—
Dividend relating to 2021	—	—	—	(3,066,274)	(3,066,274)
Dividend relating to 2022	—	—	—	(1,614,395)	(1,614,395)
At 31 December 2022	150,450	26,014	176,464	80,229	256,693

35 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration for the year ended 31 December 2022 of every director is set out below:

Name of directors *(Note (i))*	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Employer's contribution to benefit scheme HK$'000	Total HK$'000
LEE Yin Yee	300	49	28,051	—	28,400
TUNG Ching Bor	300	2,340	12,022	17	14,679
TUNG Ching Sai	300	7,790	28,051	18	36,159
LEE Shing Kan	300	2,408	12,022	18	14,748
NG Ngan Ho	300	—	—	—	300
LI Ching Wai	300	—	—	—	300
SZE Nang Sze	300	—	—	—	300
LI Ching Leung	300	—	—	—	300
YANG Siu Shun	300	—	—	—	300
LAM Kwong Siu	300	—	—	—	300
WONG Chat Chor, Samuel	300	—	—	—	300
WONG Ying Wai	300	—	—	—	300
TRAN Chuen Wah, John	300	—	—	—	300
TAM Wai Hung, David	300	—	—	—	300

35 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

The remuneration for the year ended 31 December 2021 of every director is set out below:

Name of directors *(Note (i))*	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Employer's contribution to benefit scheme HK$'000	Total HK$'000
LEE Yin Yee	300	49	65,160	—	65,509
TUNG Ching Bor	300	2,625	27,926	18	30,869
TUNG Ching Sai	300	7,516	64,266	18	72,100
LEE Shing Kan	300	2,422	27,926	18	30,666
NG Ngan Ho	300	—	—	—	300
LI Ching Wai	300	—	—	—	300
SZE Nang Sze	300	—	—	—	300
LI Ching Leung	300	—	—	—	300
LAM Kwong Siu	300	—	—	—	300
WONG Chat Chor, Samuel	300	—	—	—	300
WONG Ying Wai	300	—	—	—	300
TRAN Chuen Wah, John	300	—	—	—	300
TAM Wai Hung, David	300	—	—	—	300

Notes

i) During the year ended 31 December 2022, none of the directors of the Company (a) received any allowances and benefits in kind; (b) received or paid emoluments in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking, except for the director set out in Note (iv) below; and (c) received or paid any remuneration in respect of accepting office (2021: same).

(ii) The remuneration shown above represents remuneration received from the Group by these directors in respect of their services as directors and/or in their respect of their services as employees of the Company or its subsidiaries undertaking (2021: same).

(iii) No director of the Company was appointed/resigned during the year (2021: same).

(iv) TUNG Ching Sai is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

35 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(B) DIRECTORS' TERMINATION BENEFITS

During the year ended 31 December 2022, none of the directors of the Company received termination benefits. (2021: same).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2022, the Company did not paid any consideration to third party for making available services of director (2021: same).

(D) DIRECTORS' LOANS, QUASI-LOANS AND OTHER DEALINGS

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors (2021: same).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those transactions disclosed in Note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: same).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is presented below.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**25,745,990**	30,459,120	18,615,879	16,258,489	16,014,490
Cost of sales	**(17,059,615)**	(14,681,992)	(10,844,444)	(10,375,212)	(10,139,138)
Gross profit	**8,686,375**	15,777,128	7,771,435	5,883,277	5,875,352
Profit before income tax	**5,999,966**	13,501,721	7,330,342	5,015,811	4,970,140
Income tax expense	**(855,762)**	(1,931,041)	(899,083)	(533,132)	(722,564)
Profit for the year	**5,144,204**	11,570,680	6,431,259	4,482,679	4,247,576
Profit attributable to					
– equity holders of the Company	**5,127,154**	11,555,887	6,422,213	4,477,792	4,236,806
– non-controlling interests	**17,050**	14,793	9,046	4,887	10,770
	5,144,204	11,570,680	6,431,259	4,482,679	4,247,576
Dividends	**2,519,606**	5,734,355	3,198,391	2,208,191	2,081,637

Asset and Liabilities	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**52,231,789**	56,498,665	45,071,089	36,254,298	32,679,267
Total liabilities	**20,144,166**	21,792,141	17,097,740	15,326,872	13,977,006
	32,087,623	34,706,524	27,973,349	20,927,426	18,702,261
Equity attributable to equity holders of the Company	**31,972,670**	34,598,647	27,881,574	20,846,341	18,624,727
Non-controlling interests	**114,953**	107,877	91,775	81,085	77,534
	32,087,623	34,706,524	27,973,349	20,927,426	18,702,261