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## **XINYI SOLAR HOLDINGS LIMITED**

**信義光能控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00968)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
	<b><i>HK\$ million</i></b>	<b><i>HK\$ million</i></b>	
<b>Revenue</b>	<b>9,697.5</b>	8,074.9	+20.1%
<b>Profit attributable to equity holders of the Company</b>	<b>1,904.6</b>	3,072.4	-38.0%
<b>Earnings per share - Basic</b>	<b>21.42 HK cents</b>	34.87 HK cents	-38.6%
<b>Interim dividend per share</b>	<b>10.0 HK cents</b>	17.0 HK cents	

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Solar Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**” or “**Xinyi Solar**”) presents the unaudited consolidated results of the Group for the six months ended 30 June 2022 (“**1H2022**”), together with the comparative figures for the six months ended 30 June 2021 (“**1H2021**”).

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Revenue</b>	3	<b>9,697,539</b>	8,074,911
Cost of sales	6	<b>(6,394,643)</b>	(3,605,279)
<b>Gross profit</b>		<b>3,302,896</b>	4,469,632
Other income	4	<b>115,239</b>	123,000
Other gains, net	5	<b>4,293</b>	9,402
Selling and marketing expenses	6	<b>(332,825)</b>	(250,236)
Administrative and other operating expenses	6	<b>(431,912)</b>	(356,133)
<b>Operating profit</b>		<b>2,657,691</b>	3,995,665
Finance income	7	<b>67,100</b>	71,322
Finance costs	7	<b>(83,769)</b>	(67,116)
Share of profits of a joint venture	13	<b>16,208</b>	18,756
Share of profits/(losses) of associates		<b>53</b>	(153)
<b>Profit before income tax</b>		<b>2,657,283</b>	4,018,474
Income tax expense	8	<b>(420,222)</b>	(613,124)
<b>Profit for the period</b>		<b>2,237,061</b>	3,405,350
<b>Profit for the period attributable to:</b>			
– the equity holders of the Company		<b>1,904,638</b>	3,072,425
– non-controlling interests		<b>332,423</b>	332,925
		<b>2,237,061</b>	3,405,350
<b>Earnings per share attributable to the equity holders of the Company</b> (Expressed in HK cents per share)			
– <b>Basic</b>	9(a)	<b>21.42</b>	34.87
– <b>Diluted</b>	9(b)	<b>21.40</b>	34.81

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>2,237,061</b>	<b>3,405,350</b>
<b>Other comprehensive (loss)/income for the period, net of tax:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(1,863,808)	204,221
Share of other comprehensive (loss)/income of a joint venture accounted for under equity method		
– Share of currency translation differences	(19,547)	2,778
<b>Total comprehensive income for the period</b>	<b><u>353,706</u></b>	<b><u>3,612,349</u></b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
– the equity holders of the Company	419,711	3,219,623
– non-controlling interests	(66,005)	392,726
	<b><u>353,706</u></b>	<b><u>3,612,349</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June 2022	31 December 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Note		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
	Property, plant and equipment	11 <b>25,844,833</b>	24,844,459
	Right-of-use assets	12 <b>2,014,598</b>	1,917,239
	Intangible assets	<b>22,986</b>	24,081
	Prepayments for land use rights and property, plant and equipment	15 <b>750,894</b>	733,156
	Finance lease receivables	<b>240,009</b>	247,046
	Interests in a joint venture	13 <b>377,093</b>	387,667
	Investments in associates	<b>68,993</b>	68,940
	Deferred income tax assets	<b>75,194</b>	23,185
	<b>Total non-current assets</b>	<b>29,394,600</b>	28,245,773
<b>Current assets</b>			
	Inventories	<b>1,496,755</b>	2,045,318
	Contract assets	<b>27,120</b>	38,987
	Trade receivables	14 <b>8,461,552</b>	7,070,189
	Bills receivables	14 <b>1,892,581</b>	2,400,292
	Prepayments, deposits and other receivables	15 <b>1,057,333</b>	1,670,513
	Finance lease receivables	<b>12,362</b>	12,107
	Current income tax recoverable	<b>113,585</b>	118,634
	Amounts due from related companies	21(b) <b>9,929</b>	10,273
	Amount due from a joint venture	21(b) <b>309</b>	—
	Cash and cash equivalents	<b>7,003,217</b>	7,458,267
	<b>Total current assets</b>	<b>20,074,743</b>	20,824,580
	<b>Total assets</b>	<b>49,469,343</b>	49,070,353
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
	Share capital	17 <b>889,553</b>	889,076
	Share premium and other reserves	<b>11,874,459</b>	13,986,575
	Retained earnings	<b>17,341,070</b>	15,436,432
		<b>30,105,082</b>	30,312,083
	Non-controlling interests	<b>5,691,761</b>	5,585,338
	<b>Total equity</b>	<b>35,796,843</b>	35,897,421

		As at	
		30 June 2022	31 December 2021
	Note	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		128,835	30,497
Bank borrowings	18	2,505,266	4,350,341
Lease liabilities		820,500	793,778
Other payables		256,924	282,303
<b>Total non-current liabilities</b>		<b>3,711,525</b>	<b>5,456,919</b>
<b>Current liabilities</b>			
Bank borrowings	18	4,473,622	3,657,554
Trade and other payables	16	3,741,222	3,717,890
Contract liabilities		137,900	91,098
Lease liabilities		50,446	46,813
Amounts due to related companies	21(b)	87,085	16,740
Amount due to a joint venture	21(b)	3,510	—
Dividend payable		1,263,501	—
Current income tax liabilities		203,689	185,918
<b>Total current liabilities</b>		<b>9,960,975</b>	<b>7,716,013</b>
<b>Total liabilities</b>		<b>13,672,500</b>	<b>13,172,932</b>
<b>Total equity and liabilities</b>		<b>49,469,343</b>	<b>49,070,353</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company (Unaudited)						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
Balance at 1 January 2022	889,076	9,166,467	4,820,108	15,436,432	30,312,083	5,585,338	35,897,421
<b>Comprehensive income</b>							
Profit for the period	—	—	—	1,904,638	1,904,638	332,423	2,237,061
<b>Other comprehensive loss</b>							
Currency translation differences	—	—	(1,465,380)	—	(1,465,380)	(398,428)	(1,863,808)
Share of other comprehensive loss of a joint venture accounted for under equity method	—	—	(19,547)	—	(19,547)	—	(19,547)
<b>Total comprehensive (loss)/ income for the period</b>	—	—	(1,484,927)	1,904,638	419,711	(66,005)	353,706
<b>Transactions with owners</b>							
Employees' share option scheme							
– exercise of employees' share options	477	19,291	(3,549)	—	16,219	—	16,219
– value of employee services	—	—	13,574	—	13,574	—	13,574
Dividend relating to 2021	—	(889,510)	—	—	(889,510)	—	(889,510)
Dividend payable to non-controlling interests	—	—	—	—	—	(373,985)	(373,985)
Changes in ownership interest in subsidiaries without loss of control (Note 19)	—	—	233,005	—	233,005	546,413	779,418
<b>Balance at 30 June 2022</b>	<u>889,553</u>	<u>8,296,248</u>	<u>3,578,211</u>	<u>17,341,070</u>	<u>30,105,082</u>	<u>5,691,761</u>	<u>35,796,843</u>

Attributable to equity holders of the Company (Unaudited)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2021	880,925	9,674,180	3,433,272	12,533,429	26,521,806	5,502,712	32,024,518
<b>Comprehensive income</b>							
Profit for the period	—	—	—	3,072,425	3,072,425	332,925	3,405,350
<b>Other comprehensive income</b>							
Currency translation differences	—	—	144,420	—	144,420	59,801	204,221
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	2,778	—	2,778	—	2,778
<b>Total comprehensive income for the period</b>	—	—	147,198	3,072,425	3,219,623	392,726	3,612,349
<b>Transactions with owners</b>							
Employees' share option scheme							
– exercise of employees' share options	287	10,723	(2,021)	—	8,989	—	8,989
– value of employee services	—	—	5,599	—	5,599	—	5,599
Dividend relating to 2020	—	(1,497,872)	—	—	(1,497,872)	—	(1,497,872)
Dividend paid to non-controlling interests	—	—	—	—	—	(301,873)	(301,873)
Changes in ownership interest in subsidiaries without loss of control	—	—	109,518	—	109,518	(146,627)	(37,109)
<b>Balance at 30 June 2021</b>	<u>881,212</u>	<u>8,187,031</u>	<u>3,693,566</u>	<u>15,605,854</u>	<u>28,367,663</u>	<u>5,446,938</u>	<u>33,814,601</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
Note	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	3,347,259	4,079,474
Interest paid	(70,066)	(61,351)
Income tax paid	(348,112)	(757,755)
	<u>2,929,081</u>	<u>3,260,368</u>
<b>Cash flows from investing activities</b>		
Payment for acquisition of right-of-use assets	(156,888)	(337,895)
Purchases of and prepayments for purchase of property, plant and equipment	(2,798,262)	(2,246,737)
Acquisition of a subsidiary, net of cash acquired	20 —	1
Proceeds from disposal of property, plant and equipment	1,074	920
Repayment from a joint venture	7,235	12,244
Interest received	67,100	71,322
	<u>(2,879,741)</u>	<u>(2,500,145)</u>
<b>Cash flows from financing activities</b>		
Proceeds from changes in ownership interest in subsidiaries without loss of control	779,418	—
Proceeds from exercise of employees' share options	16,219	8,989
Proceeds from bank borrowings	540,000	2,311,080
Repayment of bank borrowings	(1,578,748)	(1,879,551)
Dividend paid to Company's shareholders	—	(3)
Dividend paid to non-controlling interests	—	(301,699)
Principal element of lease payments	(8,896)	(11,580)
	<u>(252,007)</u>	<u>127,236</u>
<b>Net cash (used in)/generated from financing activities</b>	<b>(252,007)</b>	<b>127,236</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(202,667)</b>	<b>887,459</b>
Cash and cash equivalents at beginning of the period	7,458,267	9,291,194
Effect of foreign exchange rate changes	(252,383)	26,890
	<u>7,003,217</u>	<u>10,205,543</u>
<b>Cash and cash equivalents at end of the period</b>	<b>7,003,217</b>	<b>10,205,543</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Xinyi Solar Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the production and sale of solar glass products, which are carried out internationally, through the production complexes located in the People’s Republic of China (the “**PRC**”) and Malaysia. In addition, the Group is also engaged in the development and operation of solar farms in the PRC and the provision of engineering, procurement and construction (“**EPC**”) services.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 1 August 2022.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

### (a) New standards, amendments to standards and accounting guideline adopted by the Group

The Group has adopted the below new standards, amendments to standards and accounting guideline for the first time for its accounting period commencing 1 January 2022. The adoption of these new standards, amendments to standards and accounting guideline did not have a material impact on the Group in the current or prior periods.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments <sup>2</sup>
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>2</sup>

1 Effective for accounting periods beginning on or after 1 April 2021.

2 Effective for accounting periods beginning on or after 1 January 2022.

**(b) New standards, amendments to standards and interpretation issued but not yet effective for the accounting period beginning on 1 January 2022 and not early adopted by the Group**

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards, amendments to standards and interpretation. Preliminary assessment results showed that the adoption of these new standards, amendments to standards and interpretation is not expected to have any significant impact on the financial performance and the financial position of the Group.

### 3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Sales of solar glass	<b>8,090,646</b>	6,597,662
Solar farm business		
– Sales of electricity	<b>806,181</b>	678,915
– Tariff adjustment	<b>712,072</b>	703,923
– EPC services	<b>39,805</b>	94,411
	<b>1,558,058</b>	1,477,249
Unallocated		
– Sales of mining products	<b>48,835</b>	—
Total revenue	<b>9,697,539</b>	8,074,911

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 product type perspective. Generally, the Executive Directors consider the performance of business of each product type within the Group separately. Thus, the performance of each product type within the Group is an individual operating segment.

For the six months ended 30 June 2022, there are two operating segments based on business type: (1) sales of solar glass and (2) solar farm business, which includes solar farm development, solar power generation and EPC services.

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.

The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the interim condensed consolidated income statement.

The segment information for the six months ended 30 June 2022 and 2021 is as follows:

	<b>Six months ended 30 June 2022 (Unaudited)</b>			
	<b>Sales of solar glass HK\$'000</b>	<b>Solar farm business HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue				
Recognised at a point in time	<b>8,090,646</b>	<b>1,518,253</b>	<b>48,835</b>	<b>9,657,734</b>
Recognised over time	<b>—</b>	<b>39,805</b>	<b>—</b>	<b>39,805</b>
Revenue from external customers	<b>8,090,646</b>	<b>1,558,058</b>	<b>48,835</b>	<b>9,697,539</b>
Cost of sales	<b>(5,929,339)</b>	<b>(424,100)</b>	<b>(41,204)</b>	<b>(6,394,643)</b>
Gross profit	<b><u>2,161,307</u></b>	<b><u>1,133,958</u></b>	<b><u>7,631</u></b>	<b><u>3,302,896</u></b>
Segment revenue by geographical area				
Mainland China	<b>6,101,552</b>	<b>1,522,703</b>	<b>48,835</b>	<b>7,673,090</b>
Other areas in Asia	<b>1,601,564</b>	<b>—</b>	<b>—</b>	<b>1,601,564</b>
North America and Europe	<b>365,432</b>	<b>35,355</b>	<b>—</b>	<b>400,787</b>
Others	<b>22,098</b>	<b>—</b>	<b>—</b>	<b>22,098</b>
	<b><u>8,090,646</u></b>	<b><u>1,558,058</u></b>	<b><u>48,835</u></b>	<b><u>9,697,539</u></b>
Depreciation charge of property, plant and equipment	<b>349,611</b>	<b>328,163</b>	<b>2,141</b>	<b>679,915</b>
Depreciation charge of rights-of-use assets	<b>7,628</b>	<b>21,551</b>	<b>—</b>	<b>29,179</b>
Amortisation charge of intangible assets	<b>—</b>	<b>—</b>	<b>857</b>	<b>857</b>
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	<b><u>2,354,071</u></b>	<b><u>667,251</u></b>	<b><u>9,018</u></b>	<b><u>3,030,340</u></b>

Six months ended 30 June 2021 (Unaudited)				
	Sales of solar glass <i>HK\$'000</i>	Solar farm business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Recognised at a point in time	6,597,662	1,382,838	—	7,980,500
Recognised over time	—	94,411	—	94,411
Revenue from external customers	6,597,662	1,477,249	—	8,074,911
Cost of sales	(3,217,454)	(387,825)	—	(3,605,279)
Gross profit	<u>3,380,208</u>	<u>1,089,424</u>	<u>—</u>	<u>4,469,632</u>
Segment revenue by geographical area				
Mainland China	4,493,519	1,381,305	—	5,874,824
Other areas in Asia	1,608,805	—	—	1,608,805
North America and Europe	351,564	95,944	—	447,508
Others	143,774	—	—	143,774
	<u>6,597,662</u>	<u>1,477,249</u>	<u>—</u>	<u>8,074,911</u>
Depreciation charge of property, plant and equipment	218,461	290,040	—	508,501
Depreciation charge of rights-of-use assets	9,780	18,026	—	27,806
Amortisation charge of intangible assets	—	—	646	646
Additions to non-current assets (other than deferred income tax assets)	<u>2,099,069</u>	<u>1,114,429</u>	<u>—</u>	<u>3,213,498</u>

Reportable segment assets/liabilities are as follows:

	Segment assets and liabilities			
	Sales of solar glass <i>HK\$'000</i>	Solar farm business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 30 June 2022 (Unaudited)</b>				
Total assets	<u>24,605,951</u>	<u>24,211,258</u>	<u>652,134</u>	<u>49,469,343</u>
Total liabilities	<u>2,980,204</u>	<u>7,054,945</u>	<u>3,637,351</u>	<u>13,672,500</u>
<b>At 31 December 2021 (Audited)</b>				
Total assets	<u>24,097,990</u>	<u>24,340,485</u>	<u>631,878</u>	<u>49,070,353</u>
Total liabilities	<u>2,570,341</u>	<u>7,450,289</u>	<u>3,152,302</u>	<u>13,172,932</u>

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

	Assets as at		Liabilities as at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Segment assets/(liabilities)	<b>48,817,209</b>	48,438,475	<b>(10,035,149)</b>	(10,020,630)
Unallocated:				
Property, plant and equipment	<b>73,733</b>	70,233	—	—
Right-of-use assets	<b>6,764</b>	7,147	—	—
Intangible assets	<b>9,626</b>	10,892	—	—
Prepayments for land use rights and property, plant and equipment	<b>3,311</b>	4,143	—	—
Investment in a joint venture	<b>377,093</b>	387,667	—	—
Investments in associates	<b>68,993</b>	68,940	—	—
Inventories	<b>9,744</b>	10,814	—	—
Prepayments, deposits and other receivables	<b>53,215</b>	53,173	—	—
Cash and cash equivalents	<b>40,635</b>	9,613	—	—
Deferred income tax assets	<b>9,020</b>	9,256	—	—
Other payables	—	—	<b>(903,177)</b>	(24,626)
Bank borrowings	—	—	<b>(2,734,174)</b>	(3,127,676)
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets/(liabilities)	<b><u>49,469,343</u></b>	<b><u>49,070,353</u></b>	<b><u>(13,672,500)</u></b>	<b><u>(13,172,932)</u></b>

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Segment gross profit	<b>3,295,265</b>	4,469,632
Unallocated gross profit	<b>7,631</b>	—
	<hr/>	<hr/>
Total gross profit	<b>3,302,896</b>	4,469,632
Unallocated:		
Other income	<b>115,239</b>	123,000
Other gains, net	<b>4,293</b>	9,402
Selling and marketing expenses	<b>(332,825)</b>	(250,236)
Administrative and other operating expenses	<b>(431,912)</b>	(356,133)
Finance income	<b>67,100</b>	71,322
Finance costs	<b>(83,769)</b>	(67,116)
Share of profits of a joint venture	<b>16,208</b>	18,756
Share of profits/(losses) of associates	<b>53</b>	(153)
	<hr/>	<hr/>
Profit before income tax	<b>2,657,283</b>	4,018,474
	<hr/> <hr/>	<hr/> <hr/>

An analysis of the Group's non-current assets other than finance lease receivables and deferred income tax assets by geographical area in which the assets are located is as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
The PRC	<b>27,700,771</b>	26,514,054
Other countries	<b>1,378,626</b>	1,461,488
	<hr/>	<hr/>
	<b>29,079,397</b>	27,975,542
	<hr/> <hr/>	<hr/> <hr/>

#### 4 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Rental income	1,503	796
Government grants	42,939	62,559
Scrap sales	48,508	41,174
Tariff adjustments for electricity generation from self-used solar power system	8,383	9,504
Others (Note)	13,906	8,967
	<u>115,239</u>	<u>123,000</u>

*Note:* They mainly comprise insurance claims, compensation for contract disputes and other miscellaneous income.

#### 5 OTHER GAINS, NET

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Foreign exchange gains, net	8,605	9,521
Losses on disposal of property, plant and equipment	(4,312)	(119)
	<u>4,293</u>	<u>9,402</u>

## 6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Amortisation charge of intangible assets	857	646
Depreciation charge of property, plant and equipment	679,915	508,501
Depreciation charge of rights-of-use assets	29,179	27,806
Employee benefit expenses (including directors' emoluments)	442,528	287,644
Cost of inventories sold	5,281,118	2,842,556
Other direct operating costs of solar farms	34,864	20,129
Construction contracts costs	30,067	51,297
Expenses relating to short-term leases	4,011	—
Transportation costs	314,477	233,594
Research and development expenditures	238,804	170,560
Other expenses	103,560	68,915
	<u>7,159,380</u>	<u>4,211,648</u>

## 7 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income		
Interest income from bank deposits	67,100	71,322
Finance costs		
Interest for lease liabilities	24,426	22,442
Interest on bank borrowings	69,662	56,957
	94,088	79,399
Less: Amounts capitalised on qualifying assets	(10,319)	(12,283)
	<u>83,769</u>	<u>67,116</u>

## 8 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
PRC corporate income tax (“CIT”) (Note (a))	<b>374,136</b>	425,973
Overseas income tax (Note (b))	<b>1,575</b>	169,319
Hong Kong profits tax (Note (c))	<b>40</b>	—
	<hr/>	<hr/>
	<b>375,751</b>	595,292
Deferred income tax (Note (d))	<b>44,471</b>	17,832
	<hr/>	<hr/>
Income tax expense	<b>420,222</b>	613,124
	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- (a) The applicable CIT rate for the Group’s subsidiaries in the PRC is 25% except that:
- A subsidiary engaging in solar glass business in Anhui is qualified as “High and New Technology Enterprise” and would be entitled to enjoy a preferential CIT rate of 15% (2021: 15%);
  - A subsidiary engaging in solar glass business in Guangxi is qualified as “Encouraged Enterprise” in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and would be entitled to enjoy a preferential CIT rate of 9% (2021: 9%);
  - Subsidiaries engaging in the operation and management of solar farms enjoyed tax holiday and their profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, their government grants and insurance claims received are subject to the CIT rate of 25% (2021: 25%).
- (b) Taxation on overseas profits mainly include Malaysia income tax which has been calculated on the estimated assessable profits for the period at the standard Malaysia corporate income tax rates of 24% (2021: 24%). Taxation for profits on subsidiaries in Canada has been calculated for the period at statutory tax rates of 27% (2021: 27%).
- (c) Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for a subsidiary of the Group in Hong Kong and 16.5% on the remaining estimated assessable profits for the period (2021: same).
- (d) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

## 9 EARNINGS PER SHARE

### (a) Basic

The 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 during the period.

	Six months ended 30 June	
	2022 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	<b>1,904,638</b>	3,072,425
Weighted average number of ordinary shares in issue (thousands)	<b>8,892,991</b>	8,810,127
Basic earnings per share (HK cents)	<b>21.42</b>	34.87

### (b) 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 Company's dilutive potential ordinary shares comprise of share options.

	Six months ended 30 June	
	2022 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	<b>1,904,638</b>	3,072,425
Weighted average number of ordinary shares in issue (thousands)	<b>8,892,991</b>	8,810,127
Adjustments for share options (thousands)	<b>9,184</b>	14,932
	<b>8,902,175</b>	8,825,059
Diluted earnings per share (HK cents)	<b>21.40</b>	34.81

## 10 DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Final dividend for 2021 of 10.0 HK cents (2020: 17.0 HK cents) per share	<b>889,510</b>	1,497,872
Proposed interim dividend of 10.0 HK cents (2021: 17.0 HK cents) per share	<b>889,560</b>	1,511,234

At a meeting of the Board held on 1 August 2022, the Directors resolved to declare an interim dividend of 10.0 HK cents per share for the six months ended 30 June 2022. The amount of 2022 interim dividend is based on 8,895,601,338 shares in issue as at 31 July 2022. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be deducted from the retained earnings of the Company in the year ending 31 December 2022.

## 11 PROPERTY, PLANT AND EQUIPMENT

	<b>Six months ended 30 June 2022 (Unaudited)</b>						
	Freehold Land	Buildings	Plant and machinery	Solar Farms	Office Equipment	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book amount at 1 January	199,037	1,652,904	5,975,977	14,819,558	9,568	2,187,415	24,844,459
Additions	—	7,847	137,070	4,030	9,424	2,575,926	2,734,297
Transfer	—	221,153	559,648	633,407	831	(1,415,039)	—
Acquisition of a subsidiary (Note 20)	—	—	—	—	—	74,932	74,932
Disposals	—	(4,365)	(686)	(335)	—	—	(5,386)
Depreciation charge	—	(30,354)	(295,376)	(325,298)	(1,478)	—	(652,506)
Currency translation differences	(9,162)	(79,396)	(278,245)	(641,268)	(666)	(142,226)	(1,150,963)
<b>Net book amount at 30 June</b>	<b>189,875</b>	<b>1,767,789</b>	<b>6,098,388</b>	<b>14,490,094</b>	<b>17,679</b>	<b>3,281,008</b>	<b>25,844,833</b>

## 12 RIGHT-OF-USE ASSETS

	<b>Six months ended</b> <b>30 June 2022</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Net book amount at 1 January	1,917,239
Additions	203,195
Acquisition of a subsidiary (Note 20)	17,604
Depreciation charge	(33,242)
Currency translation differences	(90,198)
	<hr/>
<b>Net book amount at 30 June</b>	<b>2,014,598</b>

## 13 INTERESTS IN A JOINT VENTURE

	<b>Six months ended</b> <b>30 June 2022</b> <i>HK\$'000</i> <i>(Unaudited)</i>
At 1 January	387,667
Share of profits	16,208
Repayment from a joint venture	(7,235)
Currency translation differences	(19,547)
	<hr/>
<b>At 30 June</b>	<b>377,093</b>

## 14 TRADE AND BILLS RECEIVABLES

	<b>As at</b>	
	<b>30 June</b> <b>2022</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December</b> <b>2021</b> <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	8,469,848	7,080,238
Less: Provision for impairment of trade receivables	(8,296)	(10,049)
	<hr/>	<hr/>
Trade receivables, net	8,461,552	7,070,189
Bills receivables	1,892,581	2,400,292
	<hr/>	<hr/>
<b>Trade and bills receivables, net</b>	<b>10,354,133</b>	<b>9,470,481</b>

Breakdown of trade and bills receivables by segment is as follows:

	<b>Sales of solar glass HK\$'000</b>	<b>Solar farm business HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 30 June 2022 (Unaudited)</b>			
Sales of solar glass	2,598,797	—	2,598,797
Sales of electricity	—	200,262	200,262
Tariff adjustment	—	5,631,145	5,631,145
EPC service revenue	—	39,644	39,644
<b>Total</b>	<b>2,598,797</b>	<b>5,871,051</b>	<b>8,469,848</b>
<b>At 31 December 2021 (Audited)</b>			
Sales of solar glass	1,819,437	—	1,819,437
Sales of electricity	—	131,791	131,791
Tariff adjustment	—	5,066,506	5,066,506
EPC service revenue	—	62,504	62,504
<b>Total</b>	<b>1,819,437</b>	<b>5,260,801</b>	<b>7,080,238</b>

The ageing analysis of the trade receivables based on invoice date is as follows:

	<b>As at</b>	
	<b>30 June 2022 HK\$'000 (Unaudited)</b>	<b>31 December 2021 HK\$'000 (Audited)</b>
0 - 90 days	8,314,141	6,988,909
91 - 180 days	122,638	70,154
181 - 365 days	8,425	5,302
1 - 2 years	2,894	2,674
Over 2 years	21,750	13,199
	<b>8,469,848</b>	<b>7,080,238</b>

The ageing analysis of trade receivables from solar farm business based on the Group's revenue recognition policy is as follows:

	<b>As at</b>	
	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 - 90 days	<b>682,769</b>	500,542
91 - 180 days	<b>299,469</b>	434,193
181 - 365 days	<b>767,125</b>	791,233
1 - 2 years	<b>1,488,977</b>	1,465,723
Over 2 years	<b>2,593,067</b>	2,006,606
	<b><u>5,831,407</u></b>	<b><u>5,198,297</u></b>

The maturity of the bills receivables is within 1 year. As at 30 June 2022, bills receivables of HK\$38,372,000 (31 December 2021: HK\$63,926,000) was pledged as collaterals for obtaining letter of credit facilities in the PRC.

The credit terms granted by the Group to its customers in respect of sales of solar glass are generally within 90 days.

Receivables from sales of electricity were usually settled on a monthly basis by the state grid companies. Tariff adjustment receivables represented the government subsidies on renewable energy to be received from the state grid companies in accordance with the prevailing government policies.

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract.

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Prepayments	1,142,227	1,243,018
Deposits and other receivables	469,090	432,225
Other tax receivables (Note)	196,910	728,426
	<u>1,808,227</u>	<u>2,403,669</u>
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	(750,894)	(733,156)
Current portion	<u>1,057,333</u>	<u>1,670,513</u>

*Note:* Other tax receivables mainly represent value added tax recoverable.

## 16 TRADE AND OTHER PAYABLES

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	565,556	549,406
Retention payables for EPC services	150	157
	<u>565,706</u>	<u>549,563</u>
Trade payables and retention payables for EPC services	565,706	549,563
Bills payables	743,015	733,986
	<u>1,308,721</u>	<u>1,283,549</u>
Trade, retention and bills payables	1,308,721	1,283,549
Accruals and other payables	2,432,501	2,434,341
	<u>3,741,222</u>	<u>3,717,890</u>

The ageing analysis of the trade payables and retention payables for EPC services based on invoice date is as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
0 - 90 days	496,866	517,566
91 - 180 days	14,773	10,787
181 - 365 days	33,635	4,471
Over 1 year	20,432	16,739
	<u>565,706</u>	<u>549,563</u>

The maturity of the bills payables is within 6 months.

## 17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares <i>(thousands)</i> <i>(unaudited)</i>	Ordinary shares of HK\$ 0.1 each <i>HK\$'000</i> <i>(unaudited)</i>	Share premium <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
<b>Issued and fully paid:</b>				
At 1 January 2022	8,890,763	889,076	9,166,467	10,055,543
Issuance of shares under employees' share option scheme	4,766	477	19,291	19,768
Dividend relating to 2021	—	—	(889,510)	(889,510)
<b>At 30 June 2022</b>	<u>8,895,529</u>	<u>889,553</u>	<u>8,296,248</u>	<u>9,185,801</u>

## 18 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Repayable on demand and within 1 year	4,473,622	3,657,554
Between 1 and 2 years	2,032,102	2,727,774
Between 2 and 5 years	473,164	1,622,567
	<u>6,978,888</u>	<u>8,007,895</u>
Less: Non-current portion	<u>(2,505,266)</u>	<u>(4,350,341)</u>
Current portion	<u>4,473,622</u>	<u>3,657,554</u>

As at 30 June 2022, bank borrowings of HK\$209,938,000 (31 December 2021: HK\$300,000,000) with repayment terms of more than one year and containing repayment on demand clause were classified as current liabilities.

As at 30 June 2022, all bank borrowings bore floating interest rates. These bank borrowings are repayable by instalments up to year 2024 (31 December 2021: year 2024). The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 30 June 2022. The effective interest rates per annum at reporting date were as follows:

	As at	
	30 June 2022 <i>(Unaudited)</i>	31 December 2021 <i>(Audited)</i>
Bank borrowings	<u>1.68%</u>	<u>1.25%</u>

Corporate guarantee was provided by the Company and its subsidiaries for the bank borrowings.

## 19 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 7 April 2022, Xinyi Energy Holdings Limited (“**Xinyi Energy**”), a non-wholly owned subsidiary of the Company, issued and allotted 188,400,000 new ordinary shares at a subscription price of HK\$4.14 each to independent third parties pursuant to two subscription agreements dated 28 March 2022. The gross proceeds and the net proceeds were HK\$780.0 million and HK\$779.4 million, respectively. Immediately after this issuance of new ordinary shares, the Company’s indirect equity interest in Xinyi Energy has been reduced from 50.05% to 48.76%. In relation to this change in equity interest in Xinyi Energy, the Group recognised an increase in equity attributable to equity holders of the Company of HK\$233.0 million and an increase in non-controlling interests of HK\$546.4 million.

## 20 BUSINESS COMBINATION

To build up a more diversified solar farm investment portfolio, Xinyi Energy, through its subsidiaries, acquired 100% equity interest in Baoji Yilin Renewable Energy Limited (“**Baoji Yilin**”) in 2022. Baoji Yilin owns a utility-scale ground-mounted solar farm project located in Shaanxi Province, the PRC with an approved capacity of 40MW.

The consideration paid, the provisional fair value of identifiable assets acquired and liabilities assumed at the acquisition date in relation to the above acquisition are as follows:

	<i>HK\$’000</i> <i>(Unaudited)</i>
Purchases consideration	
Cash consideration	<u>673</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	74,932
Right-of-use assets	17,604
Lease liabilities	(17,775)
Other payables and accruals	<u>(74,259)</u>
Total identifiable net assets	502
Goodwill	<u>171</u>
	<u>673</u>
Net cash outflow arising from the acquisition	
Cash consideration	673
Less: Cash consideration payable	<u>(673)</u>
	<u>—</u>

*Notes:*

(a) Revenue and profits contribution

No revenue and the profits in the condensed consolidated income statement was contributed by the acquired business since its acquisition date during the period.

If the acquisition had occurred on 1 January 2022, the condensed consolidated income statement would show pro-forma revenue and profit of approximately HK\$9,697,539,000 and HK\$2,236,890,000 respectively.

(b) Acquired receivables

No trade receivables, other receivables and prepayments were acquired during the period.

(c) Goodwill

The Group recognised goodwill of approximately HK\$171,000 in the condensed consolidated balance sheet in connection with the acquisition. The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. The goodwill is attributable to the synergies expected to arise after the acquisition and the saving of certain administrative and operating costs. The goodwill will not be deductible for tax purposes.

## 21 RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

Material related party transactions during the period are as follows:

	Note	Six months ended 30 June	
		2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
Related party transactions with subsidiaries of Xinyi Glass Holdings Limited*			
– Purchases of machineries	i, ii	126,116	91,825
– Purchases of glass products	i, iii	3,154	118,122
– Sales of silica sand	i, iv	44,363	21,161
– Sales of consumables	vii, viii	2,360	2,607
– Purchases of consumables	vii, viii	1,006	7,402
– Maintenance and service charges received	vii, viii	985	1,305
– Purchases of fixed assets	vii, viii	635	—
– Consultancy fee paid	vii, viii	388	435
– Purchases of packing materials	vii, viii	8	—
– Rental expenses paid	vii, ix	3,448	—
– Rental income received	vii, ix	559	553
– EPC service income received	vii, x	412	3,847
Related party transactions with a subsidiary of Xinyi Energy Holdings Limited^			
– Solar farm management fee paid	i, v	4,602	4,624
Related party transactions with subsidiaries of Xinyi Electric Storage Holdings Limited#			
– Purchases of battery pack, and energy storage facilities	i, vi	8,470	302
– Operation and management service fee paid	vii, viii	1,344	—
– Rental expenses paid	vii, viii	20	—
– Sales of electricity	vii, viii	—	226
– Purchases of consumables	vii, viii	—	6

\* Companies under control of a company which has a significant influence on the Group.

# Company with its issued share capital owned as to more than 30% in aggregate by the various directors of the Company, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P., Mr. LI Man Yin and their respective associates.

^ Connected subsidiary of the Company.

*Notes:*

- (i) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) The purchases of machineries were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 29 December 2021.
- (iii) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 29 December 2021.
- (iv) The sales of silica sand were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 2 January 2022.
- (v) The management fee was charged in accordance with renewal memorandum dated 31 December 2021 to confirm the renewal of the solar farm operation and management agreement dated 5 December 2018. Details of the transactions were disclosed in the Company's announcement dated 31 December 2021.
- (vi) The purchases of battery pack and energy storage facilities was charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 8 April 2021.
- (vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.
- (viii) The transactions were conducted at mutually agreed prices and terms.
- (ix) The leases of premises were charged at mutually agreed rental.
- (x) The EPC services income received were charged at mutually agreed prices.

(b) Balances with related parties

	As at	
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Amount due from a joint venture		
– Xinyi Solar (Lu'an) Company Limited	<u>309</u>	<u>—</u>
Amounts due from related companies		
– Guangxi Xinyi Supply Chain Management Company Limited*	9,049	7,773
– Xinyi Glass (Guangxi) Company Limited*	424	405
– Anhui Xinyi Intelligent Machinery Company Limited*	456	—
– Xinyi Power (Suzhou) Company Limited#	—	2,090
– Xinyi Energy Smart (Wuhu) Company Limited*	—	5
	<u>9,929</u>	<u>10,273</u>
Amount due to a joint venture		
– Xinyi Solar (Lu'an) Company Limited	<u>(3,510)</u>	<u>—</u>
Amounts due to related companies		
– Wuhu Jinsanshi Numerical Control Technology Company Limited*	(82,805)	(10,731)
– Xinyi Energy Smart (Malaysia) Sdn Bhd*	(3,932)	(3,798)
– Xinyi Glass Japan Company Limited*	(173)	(203)
– Xinyi Power (Suzhou) Company Limited#	(170)	—
– Polaron Energy Corp.#	(5)	(2,008)
	<u>(87,085)</u>	<u>(16,740)</u>

\* Companies under control of a company which has a significant influence on the Group.

# Subsidiary of a company with its issued share capital owned as to more than 30% in aggregate by the various directors of the Company, namely Dr. Lee Yin Yee, B.B.S., Tan Sir Datuk TUNG Ching Sai, P.S.M, D.M.S.M, J.P., Mr. LI Man Yin and their respective associates.

The amounts due from/to a joint venture and related companies are unsecured, interest free and repayable on demand. The amounts approximate their fair values and are denominated in Renminbi, Malaysian Ringgit and Canadian dollar.

Key management compensation amounted to HK\$17,621,000 for the six month ended 30 June 2022 (2021: HK\$27,290,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

Despite high module prices and unresolved supply chain bottlenecks, the global photovoltaic (“PV”) installations continued to grow rapidly during the 1H2022 amid the global inflationary pressures, soaring fuel costs, regional energy crises and rising geopolitical tensions. The strong growth in the downstream PV installation has also led to a significant increase in the demand for solar glass and thus absorbed the increases in the supply from the solar glass industry. As a result, the overall supply and demand situation in the solar glass market remained relatively balanced during the 1H2022. Driven by the growth in market demand, the Group’s solar glass sales volume increased significantly by 44.6% year-on-year during the 1H2022. However, the lower average selling prices (“ASP”) and the higher raw material and energy costs offset the increase in the sales volume, resulting a lower gross profit contribution from the Group’s solar glass segment compared to 1H2021. As such, the Group’s consolidated net profit decreased in 1H2022.

During the 1H2022, the Group achieved consolidated revenue of HK\$9,697.5 million, representing a 20.1% increase as compared to the 1H2021. Profit attributable to equity holders of the Company decreased by 38.0% to HK\$1,904.6 million. Basic earnings per share were 21.42 HK cents for the 1H2022, compared to 34.87 HK cents for the 1H2021.

### BUSINESS REVIEW

***Solar competitiveness continues to increase amidst the global inflationary pressure, regional energy crises and the rising geopolitical tensions***

The high-cost environment in the solar value chain did not experience any material change during the 1H2022 as the polysilicon shortage, a demand-driven supply chain bottleneck, was still far from over. Slower-than-expected ramp-up of the new capacity and the strong demand have kept polysilicon prices high. Although this supply chain issue could not be fully resolved in the near future, the tight supply situation is expected to gradually improve in the second half of 2022 and 2023 as more new capacity will come on stream.

Besides that, the solar industry was challenged by other supply chain issues and policy uncertainties, including soaring commodity and energy prices, logistics disruption and the elevated freight charges caused by the COVID-19 pandemic and the uncertainty over tariffs on the solar modules exported to the United States (the “U.S.”) from certain Southeast Asian countries. Nonetheless, the global PV development continued to show resilience, with many countries seeing better-than-expected PV capacity growth during the 1H2022.

The installation costs showed no drop in general or even some increases during the 1H2022 but the competitiveness of solar power has increased amidst the global inflationary pressure and the significant increases in the energy costs. In addition, the escalating geopolitical tensions have increased the urgency for some countries to accelerate the clean energy transition to secure energy sovereignty for the purpose of reducing the extreme energy price risk.

Given that the above positive drivers are expected to continue whilst the negative drivers would gradually ease, the growth rate of the global PV installation is expected to accelerate in the next two to three years.

### ***Global PV installations continued to grow rapidly despite various challenges***

With the continuous technology improvements and the increasing variety of applications, the role of solar power in the global energy transition is becoming more prominent. Despite the increase in the solar component costs and other challenges, the annual global PV installations reached a new all-time high in 2021.

According to the Snapshot of Global PV Markets 2022 issued by the International Energy Agency, PV capacity of at least 175 gigawatts (“GW”) were installed and commissioned globally in the year of 2021, representing an increase of 20.7% as compared to 145GW in 2020. China continued to be the world’s largest PV market in terms of annual installed capacity, accounting for around 31% of the global new installations in 2021. On the other hand, the rest of the global PV market also grew significantly from 97GW in 2020 to at least 120GW in 2021, representing a year-on-year increase of 24%. There were at least 20 countries with more than 1GW installation and all top ten PV markets each had at least 3GW installation.

PV installations not only grew rapidly in major markets, but also in many other regions around the world. A more diversified PV market could help to reduce global PV demand fluctuations caused by changes in the PV policies each of individual countries and international trade disputes, which is conducive to the Company's capacity expansion plans.

Hampered by the uncertain regulatory policies related to the import of solar modules, PV installations in the U.S. fell far short of initial expectations during the 1H2022. The global PV growth during the 1H2022 was mainly driven by the strong demand from China, the European Union and India, which more than offset the decline in the U.S.

***Distributed generation continued to be a key growth driver of China's PV installations during the 1H2022***

For China's PV development during the 1H2022, the growth in the utility-scale centralised segment was still affected by high system costs, land availability, mandatory energy storage and other policy requirements. In contrast, the distributed generation market continued to grow rapidly due to lower price sensitivity, policies support and subsidies from local governments. According to the statistics compiled by the National Energy Administration ("NEA"), the newly installed PV capacity grew by 137% year-on-year to 30.88GW in 1H2022 and new distributed installations accounted for 63.6% of the total increase, up 157% year-on-year.

The PRC government has stepped up its efforts to promote distributed PV deployments across the country. Distributed PV generation will play an important role in driving the energy reform in China to achieve the dual carbon goal, reduce the risk of power curtailment and mitigate the pressure of rising energy prices.

In addition to those distributed PV generation projects, the implementation of “power generation, grid, loads and storage” integration projects and the development of mega-sized wind and PV power generation bases is also an important measure for the promotion of China’s green and low-carbon energy transition. In 2021, the government introduced a number of guiding policies to accelerate the construction of mega-sized wind and PV power generation bases in desert areas. It is expected that the solar value chain, including the solar glass industry, will soon usher in more development opportunities following the details of such guiding policies announced.

***Downward pressure on margins due to significant increase in production costs and increased competition***

The overall supply and demand situation in the solar glass market remained relatively balanced during the 1H2022, but solar glass manufacturers have faced increasing pressure on gross margins as production costs rose sharply.

Demand for solar glass continued to increase under the growing trend of the global PV installations, but tight supply and high prices of polysilicon inhibited the full release of downstream PV demand. As a result, solar glass prices rose only modestly during the 1H2022 amid rising but suppressed demand and substantial supply growth. The price increases were triggered partly by growing demand and partly by rising production costs.

Substantial growth in solar glass supply has led to increasingly fierce competition in the industry. During the 1H2022, the total daily melting capacity of the industry increased by around 16,700 tonnes, representing a rise of 36.8% from the beginning of the year. Many manufacturers, including certain new players, launched capacity expansion plans aggressively during the industry’s “highly profitable” period in the second half of 2020. Part of this capacity will eventually come online in 2022 and 2023. However, some of them may be delayed, curtailed or even cancelled due to lower solar glass prices, inflated production costs and other changes in market condition.

In addition to the competitive market environment, solar glass manufacturers have also been confronted by rising production costs. Prices of major raw materials and fuels showed double-digit year-on-year increases during the 1H2022, and even with occasional pullbacks, the adjustments were only short-term and modest.

***Capacity expansion to capture market growth, expand market share and mitigate the downward pressure on margins***

Solar glass prices remained at exceptionally high levels in the first quarter of 2021, but have returned to reasonable and sustainable levels since the sharp decline in the second quarter of 2021. Average market prices for mainstream 3.2mm and 2.0mm solar glass declined by 12.5% and 15.5%, respectively, during the 1H2022 compared to the high base of a year ago. The lower ASP, coupled with the significantly higher procurement costs, resulted in a decrease in the gross profit margin of the Group's solar glass segment from 51.2% in 1H2021 to 26.7% in 1H2022.

The negative impact on segment profit due to margin squeeze was partially offset by higher sales volume. The Group has accelerated its capacity expansion by adding four and three new solar glass production lines with a daily melting capacity of 1,000 tonnes each in 2021 and the 1H2022, respectively. In addition, two production lines with a daily melting capacity of 900 tonnes, which had been undergoing cold repairs since November 2021, resumed commercial operations in April and June 2022. As at 30 June 2022, the Group's total solar glass melting capacity reached 16,800 tonnes per day. As the new production lines have adopted advanced designs and production techniques, they not only expanded the Group's scale of operation, but also enhanced the overall production efficiency and cost advantages of the Group. By leveraging its increased production capacity and strong market presence, the Group has improved its inventory turnover and achieved year-on-year growth of 44.6% in sales volume (in tonnage) and 22.6% in revenue of solar glass in 1H2022.

Given that the global PV installation market has entered into a new stage of fast-paced development with more rapid growth expected in the coming years, the timely expansion of solar glass production capacity allows the Group to capture new market opportunities, expand its market share and reinforce its market-leading position. The Group will further expand solar glass production capacity in an orderly manner with a view to achieving a faster growth rate than global PV installations and gaining more market share.

As for the product mix, the Group has continued to further develop the thin glass and large-format glass market so as to maintain its industry leadership and focus on niche areas in which it enjoys strong competitive advantages. During the 1H2022, the Group's thin glass and large-format glass sales continued to increase, as double-glass, bifacial and high-power modules became increasingly popular. However, as a large portion of the new PV installations in China during the 1H2022 were distributed generation projects (with site constraints resulting in lower adoption of double-glass and bifacial power generation modules), thin glass sales as a percentage of total sales increased less than previously expected.

### ***Energy saving, efficiency improvement and more environmentally friendly production***

As an industry leader and a socially responsible company, the Group has continued to strengthen its efforts in energy saving and emission reduction. All furnaces of the Group's solar glass production lines use natural gas as the main fuel, which can significantly reduce carbon emissions compared to heavy oil. Large-scale production lines and production bases can provide greater economies of scale, such as lower procurement, logistics and production costs, as well as reduced raw material and energy consumption, thereby producing more environmentally friendly products for the solar value chain. In addition, all of the Group's production bases have been equipped with residual heat power generation systems and rooftop PV facilities to reduce the purchases of electricity from external sources and to use more clean energy.

Following the tightening of energy consumption and emission standards by many provincial and municipal governments in the PRC, it becomes more difficult for solar glass manufacturers to obtain the approval for adding new capacity. Currently, all new solar glass projects have to go through a hearing process in which designated industry associations or professional agencies will evaluate the project in terms of its technology standards, energy consumption and environmental performance. The Group has already completed the hearing processes for its solar glass expansion projects in five different provinces in the PRC. With its consistent leading edge in technological innovation, energy conservation and emission reduction, the Group has an advantage in obtaining new capacity quotas.

### ***Steady growth of contribution from solar farm business***

High module prices, mandatory energy storage requirements, land availability and quarantine restrictions have affected the Group's new solar farm development in 1H2022. Due to the increase in technical and non-technical costs, the Group has postponed the construction work of its self-developed solar farm projects to balance the risks and rewards. In 1H2022, the Group had two solar farm projects newly connected to the grid, including a 2 megawatts ("MW") rooftop distributed generation project developed by its own EPC team and a 40MW utility-scale ground-mounted project acquired by Xinyi Energy Holdings Limited ("**Xinyi Energy**") and its subsidiaries (collectively, the "**Xinyi Energy Group**") from an independent third party.

After years of development, the Group has already established solar farms in eleven different provinces and municipalities in China. The widely distributed portfolio can help the Group reduce the risk brought by extreme weather in certain regions, thereby improving the stability of electricity generation income. The total electricity generated from the Group's solar farm portfolio grew steadily in 1H2022, primarily due to the capacity added in 2021. During 1H2022, revenue and gross profit of the Group's solar farm business increased by 5.5% and 4.1% year-on-year, respectively.

As at 30 June 2022, the accumulated approved grid-connected capacity of the Group's solar farm projects was 4,115MW, of which 3,884MW was for utility-scale ground-mounted projects and 231MW was for rooftop distributed generation projects with electricity generated for self-consumption or for sale to the grid. In terms of ownership, solar farm projects with a capacity of 2,534MW were held through Xinyi Energy Group, a subsidiary owned as to 48.76% by the Company; solar farm projects with a capacity of 1,481MW were held through wholly-owned subsidiaries of the Company; and a solar farm project with a capacity of 100MW was held by a joint venture in which the Group has 50% ownership.

As at 30 June 2022, out of the 3,884MW utility-scale ground-mounted projects owned by the Group, solar farms with a capacity of 2,104MW have already been enlisted on the Renewable Energy Power Generation Project List and solar farms with a capacity of 1,720MW are grid parity projects.

## FINANCIAL REVIEW

### Revenue

Revenue for 1H2022 was mainly derived from two core business segments, namely: (i) sales of solar glass; and (ii) solar farm business which includes solar farm development, solar power generation and the provision of engineering, procurement and construction (“EPC”) services.

### Revenue – By Segment

	1H2022		1H2021		Increase/(Decrease)	
	<i>HK\$</i>	<i>% of</i>	<i>HK\$</i>	<i>% of</i>	<i>HK\$</i>	<i>%</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>%</i>
Sales of solar glass	<b>8,090.6</b>	<b>83.4</b>	6,597.7	81.7	1,492.9	22.6
Solar farm business	<b>1,558.1</b>	<b>16.1</b>	1,477.2	18.3	80.9	5.5
Unallocated	<b>48.8</b>	<b>0.5</b>	—	—	48.8	n/a
Total external revenue*	<b><u>9,697.5</u></b>	<b><u>100.0</u></b>	<b><u>8,074.9</u></b>	<b><u>100.0</u></b>	1,622.6	20.1

\* Because of rounding off, the sum of the individual amounts may not be the same as the actual total amount.

### Solar Glass Revenue – By Geographical Area

	1H2022		1H2021		Increase/(Decrease)	
	<i>HK\$</i>	<i>% of</i>	<i>HK\$</i>	<i>% of</i>	<i>HK\$</i>	<i>%</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>%</i>
Mainland China	<b>6,101.6</b>	<b>75.4</b>	4,493.5	68.1	1,608.1	35.8
Other areas in Asia	<b>1,601.6</b>	<b>19.8</b>	1,608.8	24.4	(7.2)	(0.4)
North America and Europe	<b>365.4</b>	<b>4.5</b>	351.6	5.3	13.8	3.9
Others	<b>22.1</b>	<b>0.3</b>	143.8	2.2	(121.7)	(84.6)
Total solar glass revenue*	<b><u>8,090.6</u></b>	<b><u>100.0</u></b>	<b><u>6,597.7</u></b>	<b><u>100.0</u></b>	1,492.9	22.6

\* Because of rounding off, the sum of the individual amounts may not be the same as the actual total amount.

The Group's solar glass revenue increased 22.6% year-on-year to HK\$8,090.6 million in 1H2022. The increase was mainly due to higher sales volume, partially offset by lower ASP.

By adding four and three new solar glass production lines with a daily melting capacity of 1,000 tonnes each in 2021 and the 1H2022, respectively, the Group has substantially increased its aggregate daily melting capacity from 9,800 tonnes at the beginning of 2021 to 16,800 tonnes at the end of June 2022. Increased capacity and continued growth in downstream PV demand – albeit somewhat constrained by high solar module prices – drove the sales growth of the Group's solar glass business in 1H2022. During the 1H2022, the Group's solar glass sales volume (in tonnage) rose 44.6% year-on-year.

Solar glass prices were on an upward trend in 1H2022 amid growing demand and surging production costs. During the 1H2022, prices for mainstream 3.2mm and 2.0mm solar glass increased by 11.8% and 9.6%, respectively. However, given the last year's high base, the average market prices of these two types of solar glass still experienced year-on-year declines of 12.5% and 15.5%, respectively.

In terms of geographic mix, overseas sales and sales in Mainland China accounted for 24.6% (1H2021: 31.9%) and 75.4% (1H2021: 68.1%), respectively, of the Group's total solar glass sales in 1H2022. The geographic mix of the Group's solar glass sales was generally consistent with the distribution of the global solar module production capacity. During the 1H2022, the Group's solar glass sales in Mainland China showed faster growth than other markets, mainly due to the rapid growth of PV installation in China, which led to a faster increase in demand for solar modules and solar glass. In addition, the COVID-19 pandemic and the US trade restrictions on solar module imports from certain Southeast Asian countries affected the demand for solar glass from these Southeast Asian countries.

Revenue from the Group’s solar farm segment increased by 5.5% from HK\$1,477.2 million in 1H2021 to HK\$1,558.1 million in 1H2022. The revenue of this segment comprised electricity generation income and EPC service revenue. Electricity generation income, amounting to HK\$1,518.3 million during the 1H2022 – an increase of 9.8% compared to the HK\$1,382.8 million recorded during the 1H2021 – was mainly derived from the solar farms located in the PRC as set forth below. EPC revenue, amounting to HK\$39.8 million during the 1H2022 (1H2021: HK\$94.4 million), was mainly derived from the distributed generation PV projects developed by a 60%-owned subsidiary in Canada.

	<b>Approved grid-connected capacity</b>		
	<b>As at 30 June 2022 MW</b>	<b>As at 31 December 2021 MW</b>	<b>As at 30 June 2021 MW</b>
Utility-scale ground-mounted solar farms			
Anhui	<b>1,520</b>	1,520	1,460
Hubei	<b>630</b>	630	530
Guangdong	<b>450</b>	450	450
Guangxi	<b>400</b>	400	400
Others (Tianjin, Henan, Hebei, etc.)	<b>784</b>	744	444
Subtotal	<b>3,784</b>	3,744	3,284
Commercial distributed generation projects	<b>64</b>	62	38
Total	<b>3,848</b>	3,806	3,322
Total number of solar farms	<b>51</b>	49	42
Weighted average feed-in-tariff (“FiT”) * (RMB/kWh)	<b>0.68</b>	0.69	0.73

\* The weighted average FiT rate is proportionately weighted in accordance with the approved grid connection capacity of each solar farm.

The growth in electricity generation revenue during the 1H2022 was mainly driven by the capacity added in 2021. The Group has postponed the construction of some self-developed solar farm projects as solar module prices hovered at high levels. Except for a 40MW solar farm project acquired by Xinyi Energy Group from an independent third party and a 2MW self-developed rooftop distributed generation project, no new solar farm project was connected to the grid by the Group during the 1H2022.

Similar to other PRC's solar farm operators, the Group has experienced delays in collecting subsidies from the government in relation to the electricity generation of its subsidised solar farm projects. As at 30 June 2022, the outstanding tariff adjustment (subsidy) receivable by the Group amounted to HK\$5,631.1 million. Receivables from sales of electricity are generally settled on a monthly basis by state grid companies, while tariff adjustment (subsidy) receivables are settled in accordance with prevailing government policies.

### **Gross profit**

The Group's gross profit decreased by HK\$1,166.7 million, or 26.1%, from HK\$4,469.6 million in 1H2021 to HK\$3,302.9 million in the 1H2022. The Group's overall gross profit margin decreased to 34.1% (1H2021: 55.4%). The declines were primarily due to the decrease in profitability of the solar glass business of the Group.

During the 1H2022, the gross profit margin of the solar glass business dropped by 24.5 percentage points to 26.7% (1H2021: 51.2%). The decrease in the gross profit margin was mainly attributable to: (i) a relatively lower ASP compared to the last corresponding period (despite the increases in 1H2022, the average market prices of mainstream 3.2mm and 2.0mm solar glass still dropped by 12.5% and 15.5%, respectively, year-on-year) and (ii) the sharp increase in the procurement costs of raw materials and energy, such as soda ash and natural gas, and such negative impact was partially offset by efficiency improvement as a result of new capacity ramp-up, optimised and streamlined operations and tighter cost control.

The gross profit contribution from the solar farm business increased steadily by 4.1% during the 1H2022 to HK\$1,134.0 million (1H2021: HK\$1,089.4 million). The gross profit margin of this segment decreased slightly from 73.7% during the 1H2021 to 72.8% during the 1H2022. Grid parity projects – without government subsidies – contributed a larger share of the Group's electricity generation revenue in 1H2022 than in 1H2021, thereby reducing the weighted average FiT. This resulted in the segment's revenue growth being lower than the increase in its cost of sales.

### **Other income**

During the 1H2022, the Group's other income decreased by HK\$7.8 million to HK\$115.2 million, as compared to the HK\$123.0 million recorded during the 1H2021. The decrease was principally due to the decline in government grant income, partially offset by the increase in sales of scrap materials.

## **Other gains, net**

Other gains, net decreased by HK\$5.1 million to HK\$4.3 million during the 1H2022. The decline was mainly due to the decrease in foreign exchange gains and increase in losses on disposal of property, plant and equipment.

## **Selling and marketing expenses**

The Group's selling and marketing expenses increased by 33.0% from HK\$250.2 million during the 1H2021 to HK\$332.8 million during the 1H2022. The increase primarily stemmed from: (i) additional transportation costs as a result of increased solar glass sales and (ii) extra freight and other charges for domestic sales in the PRC due to COVID-19 pandemic prevention and control measures. During the 1H2022, the Group's solar glass sales volume increased by 44.6%, while its transportation costs increased by 34.6%, mainly due to the lower proportion of overseas sales compared to 1H2021. The selling and marketing expenses to revenue ratio increased from 3.1% in 1H2021 to 3.4% in 1H2022.

## **Administrative and other operating expenses**

Administrative and other operating expenses increased by HK\$75.8 million, or 21.3%, from HK\$356.1 million during the 1H2021 to HK\$431.9 million during the 1H2022. The increase was mainly due to an increase in research and development expenses of HK\$69.0 million and an increase in business tax and surtax of HK\$8.2 million. With higher spending on research and development, the ratio of administrative and other operating expenses to revenue increased slightly from 4.4% during the 1H2021 to 4.5% during the 1H2022.

## **Finance costs**

The Group's finance costs increased from HK\$67.1 million (or HK\$79.4 million before capitalisation) during the 1H2021 to HK\$83.8 million (or HK\$94.1 million before capitalisation) during the 1H2022. The increase was principally due to the increase in the Group's average debt level and the increase in interest rates. During the 1H2022, an interest expense of HK\$10.3 million (1H2021: HK\$12.3 million) was capitalised into the costs of solar farms and solar glass production facilities under construction. The capitalised amounts will depreciate along with the relevant assets over their estimated useful lives.

## **Share of profit of a joint venture**

The Group's share of profit of a joint venture amounted to HK\$16.2 million for the 1H2022 (1H2021: HK\$18.8 million), which was contributed by a 50%-owned joint venture, Xinyi Solar (Lu'an) Company Limited, engaging in the management and operation of a 100MW solar farm in Lu'an, Anhui Province, the PRC.

## **Income tax expense**

The Group's income tax expense decreased from HK\$613.1 million during the 1H2021 to HK\$420.2 million during the 1H2022. The decrease was primarily attributable to a decline in profit contribution from the solar glass business. The effective tax rate of the Group increased slightly from 15.3% during the 1H2021 to 15.8% during the 1H2022 as the income tax exemption/reduction period of certain solar farms have expired.

The Group's solar farms are eligible for CIT exemption in the first three years from the year they began recording revenue after offsetting prior year losses, and a 50% tax reduction in the subsequent three years.

## **EBITDA and net profit**

During the 1H2022, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) amounted to HK\$3,451.0 million, representing a decrease of 25.3% when compared to the HK\$4,622.5 million recorded in 1H2021. The EBITDA margin (calculated based on total revenue for the period) was 35.6% for the 1H2022 as compared to 57.2% for the 1H2021.

Net profit attributable to equity holders of the Company for the 1H2022 was HK\$1,904.6 million, representing a decrease of 38.0% as compared to HK\$3,072.4 million for the 1H2021. Net profit margin decreased to 19.6% for the 1H2022 from 38.0% for the 1H2021, mainly due to (i) the decline in operating profit from the solar glass business and (ii) lower finance income and higher finance costs.

## Financial Resources and Liquidity

During the 1H2022, the total assets of the Group increased by 0.8% to HK\$49,469.3 million while shareholders' equity decreased by 0.7% to HK\$30,105.1 million. The decline in shareholders' equity was mainly due to the 2021 final dividend payment of HK\$889.5 million and the changing of the Group's exchange reserve from a credit balance of HK\$996.6 million at 31 December 2021 to a debit balance of HK\$488.4 million at 30 June 2022 as a result of depreciation of Renminbi (“RMB”) against Hong Kong dollar (“HKD”), partially offset by the net profit for 1H2022. The Group's current ratio as at 30 June 2022 was 2.0, compared to 2.7 as at 31 December 2021. The decrease in current ratio was primarily due to the increase in current liabilities, including bank borrowings and dividend payable.

During 1H2022, the Group's primary source of funding included cash generated from the Group's operating activities and the equity capital raised by Xinyi Energy. Net cash inflow from operating activities amounted to HK\$2,929.1 million (1H2021: HK\$3,260.4 million). The decrease in net cash inflow was primarily attributable to the decline in profitability of the solar glass segment. Net cash used for investing activities amounted to HK\$2,879.7 million (1H2021: HK\$2,500.1 million). The increase was primarily due to capital expenditures in relation to the expansion of solar glass capacity and investments in new solar farm projects. Net cash used in financing activities amounted to HK\$252.0 million (1H2021: net cash generated HK\$127.2 million). During 1H2022, the Group secured new bank borrowings of HK\$540.0 million and repaid bank borrowings of HK\$1,578.7 million. In addition, the Group's non-wholly owned subsidiary, Xinyi Energy, raised net proceeds of approximately HK\$779.4 million by the issuance of 188,400,000 new shares to independent third parties in April 2022.

The Group's liquidity remains strong, with net cash (cash and cash equivalents less bank borrowings) amounted to HK\$24.3 million at 30 June 2022. The Group's net gearing ratio (calculated as bank borrowings less cash and cash equivalents divided by total equity) was 1.5% at 31 December 2021.

## **BUSINESS OUTLOOK**

There has been a worldwide consensus on carbon reduction to address climate change. Many countries have launched green recovery plans to revitalise the economy and promote renewable energy applications. With years of technological advances and cost reductions, the solar energy has already become the most important renewable energy source, and its annual incremental share has greatly exceeded that of other renewable energy sources. However, solar energy only accounted for about 4% of global electricity consumption in 2021. It has great potential for further development in the future.

The deepening of the regional energy crises may bring changes to the energy policies of some countries. In order to reduce the dependence on external energy supply and mitigate the impact of rising fossil fuel prices, many countries (especially those in Europe) have accelerated the development of renewable energy, which will bring new input for PV demand.

In addition to the above, declining installation costs remain critical for further growth in the downstream PV demand. It is expected that the tight supply of polysilicon can be gradually resolved through capacity expansion, which will help the rationalisation of the economic benefits allocation amongst different segments along the solar value chain and provide more impetus for the PV installation costs to return to a downward trajectory.

The increase in the global PV installations will continue to drive the growth in the demand for solar glass. The Group will continuously expand its solar glass production capacity so as to enlarge its market share and sustain further growth. The Group's plan is to add eight new solar glass production lines with a daily melting capacity of 1,000 tonnes each, four of which are located in Zhangjiagang, Jiangsu Province, and another four are located in Wuhu, Anhui Province. Among these eight new production lines, three have started operation in the second quarter of 2022. Subject to factors such as the results of the hearing process, market conditions and energy prices, the remaining five new production lines are expected to begin operation in the second half of 2022.

Furthermore, the Group has in its pipeline the construction of twelve new solar glass production lines, of which eight lines (with a daily melting capacity of 1,000 tonnes each) are to be located in Wuhu, Anhui Province, two lines (with a daily melting capacity of 1,200 tonnes each) are to be located in Qujing, Yunnan Province, and two lines (with a daily melting capacity of 1,200 tonnes each) are to be located in Malaysia. The commissioning time of

these twelve new production lines has not yet been determined. The Group will constantly review and adjust its expansion plan based on the changing market conditions. The Group will monitor the future geographical distribution of production capacity of major solar module manufacturers and make strategic deployment of new solar glass production capacity in the PRC and overseas accordingly.

The Group is well positioned to capture the accelerated growth of global PV installations in the next few years. In order to better cope with the competition arising from increased industry supply, the Group will continue to pursue excellence in production processes, product differentiation and innovation by expanding, upgrading and improving its solar glass production facilities, enhancing production efficiency and optimising product mix to boost sales of value-added products such as thin glass and large-format glass, thereby effectively mitigating the pressure on margins due to rising costs and maintaining its leading position in the industry.

As for the solar farm business, the Group will further explore development opportunities in different regions of China so as to strengthen its project pipeline. As the implementation schedule of new solar farm projects in the second half of 2022 may still be affected by factors such as solar module prices, land availability and mandatory storage and other policy requirements, the capacity of new solar farm projects to be added by Group in 2022 will be likely lower than the original target of 720MW, and the Group will make flexible adjustments according to market conditions and the specific circumstances of each project.

Regarding the construction of a 60,000 tonnes/year polysilicon production facility in Qujing, Yunnan Province, the preparatory work for the project is progressing well, and it is expected to start operation in the second half of 2023 ahead of schedule.

In light of global inflationary pressure, rising raw material and energy prices and uncertain market conditions, the Group will relentlessly focus on improving production efficiency, effective cost control and product innovation to further strengthen its competitive edge. The Directors believe that the Group will continue to enjoy the benefits of further industry expansion, strong downstream demand and its own economies of scale. The Group's solid business foundation and strong management execution capabilities will enable it to navigate through different market cycles and facilitate the continued growth of its solar glass and solar farm businesses.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

The Group incurred capital expenditures of HK\$2,955.2 million for 1H2022 which were primarily used in the expansion and upgrade of solar glass production capacity and the development of the solar farm projects in the PRC. Capital commitments contracted for but not incurred by the Group as at 30 June 2022 amounted to HK\$3,365.4 million, which were mainly related to the expansion of solar glass production capacity, establishment of polysilicon production facility and the development and construction of solar farm projects in the PRC.

## **PLEDGE OF ASSETS**

As at 30 June 2022, bills receivables of HK\$38.4 million were pledged as collaterals for obtaining letter of credit facilities in the PRC.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group did not have any significant contingent liabilities.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES**

Save as disclosed in note 20 to the condensed consolidated financial information, there was no material acquisition and disposal of subsidiaries and associated companies during 1H2022.

## **TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES**

The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and United States Dollar (“USD”). The exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group’s performance and asset value. The Directors do not foresee that the Group is subject to any significant foreign exchange risk for transactions conducted in HKD or USD. The exchange rate fluctuations between Malaysian Ringgit and HKD could also affect the Group’s performance and asset value.

The presentation currency of the Group's consolidated financial statements is HKD. Due to the depreciation of RMB against HKD in 1H2022, the Group reported non-cash translation losses, which represent a decline in the reserve of its consolidated balance sheet, in the translation of the RMB-denominated assets into HKD. Exchanges losses of HK\$1,485.0 million were recorded as the exchange reserve movement in 1H2022. As a result, the Group's consolidated exchange reserve account changed from a credit balance of HK\$996.6 million as at 31 December 2021 to a debit balance of HK\$488.4 million as at 30 June 2022.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a deliberate balance between the risk of currency mismatch and the advantage of the lower interest rates in HKD borrowings, as compared to those of the RMB. As at 30 June 2022, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During 1H2022, the Group did not use any financial instrument for hedging purpose.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group had about 7,492 full-time employees of whom 6,626 were based in Mainland China and 866 were based in Malaysia, Hong Kong, and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK\$442.5 million for 1H2022.

The Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are generally competitive and are reviewed on a regular basis. Apart from basic remuneration and the statutory retirement benefit scheme, discretionary bonuses may be provided to selected employees taking into consideration the performance of the relevant employee and the overall performance of the Group.

## **SHARE OPTION SCHEME**

Pursuant to the share option scheme adopted by the Company in June 2014, an aggregate of 17,753,500 share options were granted to selected employees and an executive director in March 2022. The share options are valid from 31 March 2022 to 31 March 2026. One third of the share options would be vested on each year-end date of 2022, 2023 and 2024 if the relevant grantee has satisfied the conditions of vesting as stated in the letter of grant.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to declare an interim dividend of 10.0 HK cents per share for 1H2022 (1H2021: 17.0 HK cents) to be paid to all shareholders (the “**Shareholders**”) of the Company with their names recorded on the register of members of the Company at the close of business on Wednesday, 17 August 2022. The interim dividend is expected to be payable on or about Tuesday, 6 September 2022. The Company’s register of members will be closed from Monday, 15 August 2022 to Wednesday, 17 August 2022 (both days inclusive), and during such period no transfer of shares will be registered. In order to qualify for the interim 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 Friday, 12 August 2022.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES**

For the 1H2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company has complied with the applicable code provisions as contained in the Corporate Governance Code (the “**Code**”) set forth in Part 2 of Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during 1H2022.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company 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. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during 1H2022.

## **REVIEW OF THE INTERIM RESULTS**

The Company’s interim results for 1H2022 have not been audited but have been reviewed by the Company’s audit committee of the Board. The members of the audit committee of the Board are Ms. LEONG Chong Peng, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin, all of them are independent non-executive Directors.

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for 1H2022 containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Xinyi Solar Holdings Limited**  
**Dr. LEE Yin Yee, B.B.S.**  
*Chairman*

Hong Kong, 1 August 2022

*As at the date of this announcement, the Board comprises four executive Directors, namely Dr. LEE Yin Yee, B.B.S. (Chairman of the Board), Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. and Mr. LEE Shing Put, B.B.S., and three independent non-executive Directors, namely Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin and Ms. LEONG Chong Peng.*

*This announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.xinyisolar.com](http://www.xinyisolar.com).*