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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 2023**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
	<b><i>HK\$ million</i></b>	<b><i>HK\$ million</i></b>	
<b>Revenue</b>	<b>12,141.9</b>	9,697.5	+25.2%
<b>Profit attributable to equity holders of the Company</b>	<b>1,391.5</b>	1,904.6	-26.9%
<b>Earnings per share - Basic</b>	<b>15.63 HK cents</b>	21.42 HK cents	-27.0%
<b>Interim dividend per share</b>	<b>7.5 HK cents</b>	10.0 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**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 (the “**1H2023**”), together with the comparative figures for the six months ended 30 June 2022 (the “**1H2022**”); as follows:

### Condensed Consolidated Income Statement

	Note	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>(Restated)</i>
<b>Revenue</b>	3	<b>12,141,921</b>	9,697,539
Cost of sales	6	<b>(9,469,604)</b>	(6,716,965)
<b>Gross profit</b>		<b>2,672,317</b>	2,980,574
Other income	4	<b>138,712</b>	115,239
Other (losses)/gains, net	5	<b>(18,648)</b>	4,293
Selling and marketing expenses	6	<b>(57,524)</b>	(10,503)
Administrative and other operating expenses	6	<b>(565,328)</b>	(431,912)
Net impairment losses on financial and contract assets		<b>(12,214)</b>	—
<b>Operating profit</b>		<b>2,157,315</b>	2,657,691
Finance income	7	<b>15,727</b>	67,100
Finance costs	7	<b>(172,226)</b>	(83,769)
Share of net profits of investments accounted for using the equity method	13	<b>17,343</b>	16,261
<b>Profit before income tax</b>		<b>2,018,159</b>	2,657,283
Income tax expense	8	<b>(334,497)</b>	(420,222)
<b>Profit for the period</b>		<b>1,683,662</b>	2,237,061
<b>Profit for the period attributable to:</b>			
– the equity holders of the Company		<b>1,391,509</b>	1,904,638
– non-controlling interests		<b>292,153</b>	332,423
		<b>1,683,662</b>	2,237,061
<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>15.63</b>	21.42
– <b>Diluted</b>	9(b)	<b>15.63</b>	21.40

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Profit for the period</b>	<b>1,683,662</b>	2,237,061
<b>Other comprehensive (loss)/income for the period, net of tax:</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	<b>(308,605)</b>	—
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>(1,175,103)</b>	(1,863,808)
Share of other comprehensive loss of investments accounted for using the equity method		
– Share of currency translation differences	<b>(28,198)</b>	(19,547)
<b>Total comprehensive income for the period</b>	<b><u>171,756</u></b>	<b><u>353,706</u></b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
– the equity holders of the Company	<b>188,208</b>	419,711
– non-controlling interests	<b>(16,452)</b>	(66,005)
	<b><u>171,756</u></b>	<b><u>353,706</u></b>

## Condensed Consolidated Balance Sheet

		As at	
		30 June 2023	31 December 2022
	Note	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>29,089,609</b>	27,437,887
Right-of-use assets	12	<b>2,306,304</b>	2,166,912
Intangible assets		<b>32,359</b>	21,477
Prepayments for land use rights and property, plant and equipment	15	<b>1,618,300</b>	1,124,167
Finance lease receivables		<b>218,855</b>	219,820
Investments accounted for using the equity method	13	<b>345,535</b>	356,390
Deferred income tax assets		<b>151,413</b>	140,308
<b>Total non-current assets</b>		<b>33,762,375</b>	31,466,961
<b>Current assets</b>			
Inventories		<b>2,041,010</b>	2,029,241
Contract assets		<b>43,639</b>	41,710
Trade receivables	14	<b>8,401,098</b>	7,215,736
Bills receivables at amortised cost	14	<b>2,389,633</b>	2,351,187
Bills receivables at fair value through over comprehensive income (“FVOCI”)	14	<b>666,856</b>	858,689
Prepayments, deposits and other receivables	15	<b>1,166,591</b>	1,018,466
Finance lease receivables		<b>12,727</b>	12,035
Current tax assets		<b>3,502</b>	101,814
Amounts due from related parties	20(b)	<b>10,092</b>	8,403
Amount due from investments accounted for using the equity method	20(b)	<b>12</b>	100,371
Financial assets at fair value through profit and loss	21	<b>66,639</b>	—
Restricted cash	22	<b>526,847</b>	44,731
Cash and cash equivalents		<b>3,951,921</b>	5,325,714
<b>Total current assets</b>		<b>19,280,567</b>	19,108,097
<b>Total assets</b>		<b>53,042,942</b>	50,575,058

		As at	
		30 June 2023	31 December 2022
	Note	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	17	890,310	889,624
Share premium and other reserves		8,827,173	10,931,450
Retained earnings		19,310,760	17,927,338
		<u>29,028,243</u>	<u>29,748,412</u>
Non-controlling interests		5,787,540	5,482,965
		<u>34,815,783</u>	<u>35,231,377</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		201,599	174,962
Borrowings	18	2,630,122	3,674,172
Lease liabilities		966,545	830,342
Other payables		202,946	53,849
		<u>4,001,212</u>	<u>4,733,325</u>
<b>Current liabilities</b>			
Borrowings	18	5,820,622	4,358,088
Trade and other payables	16	6,122,944	5,421,742
Contract liabilities		108,727	109,656
Lease liabilities		76,181	50,051
Amounts due to related parties	20(b)	703,154	450,205
Dividend payable		1,187,724	—
Current income tax liabilities		206,595	220,614
		<u>14,225,947</u>	<u>10,610,356</u>
<b>Total current liabilities</b>		<u>14,225,947</u>	<u>10,610,356</u>
<b>Total liabilities</b>		<u>18,227,159</u>	<u>15,343,681</u>
<b>Total equity and liabilities</b>		<u>53,042,942</u>	<u>50,575,058</u>

## Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)						Total equity <i>HK\$'000</i>
	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>	
Balance at 1 January 2023	889,624	8,299,427	2,632,023	17,927,338	29,748,412	5,482,965	35,231,377
<b>Comprehensive income</b>							
Profit for the period	—	—	—	1,391,509	1,391,509	292,153	1,683,662
<b>Other comprehensive loss</b>							
Currency translation differences	—	—	(1,175,103)	—	(1,175,103)	(308,605)	(1,483,708)
Share of other comprehensive loss of investments accounted for using the equity method	—	—	(28,198)	—	(28,198)	—	(28,198)
<b>Total comprehensive (loss)/income for the period</b>	<b>—</b>	<b>—</b>	<b>(1,203,301)</b>	<b>1,391,509</b>	<b>188,208</b>	<b>(16,452)</b>	<b>171,756</b>
<b>Transactions with owners</b>							
Employee's share option scheme							
– exercise of employees' share options	686	31,750	(5,835)	—	26,601	—	26,601
– value of employee services	—	—	23,988	—	23,988	532	24,520
Dividend relating to 2022	—	(890,254)	—	—	(890,254)	—	(890,254)
Dividend payable to non-controlling interests	—	—	—	—	—	(297,462)	(297,462)
Appropriation to safety reserves	—	—	8,087	(8,087)	—	—	—
Capital contributions from non-controlling interests, net of transaction costs	—	—	—	—	—	60,417	60,417
Changes in ownership interest in subsidiaries without loss of control (Note 19)	—	—	(68,712)	—	(68,712)	557,540	488,828
<b>Balance at 30 June 2023</b>	<b>890,310</b>	<b>7,440,923</b>	<b>1,386,250</b>	<b>19,310,760</b>	<b>29,028,243</b>	<b>5,787,540</b>	<b>34,815,783</b>

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 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 investments accounted for using the equity method	—	—	(19,547)	—	(19,547)	—	(19,547)
<b>Total comprehensive (loss)/income for the period</b>	<u>—</u>	<u>—</u>	<u>(1,484,927)</u>	<u>1,904,638</u>	<u>419,711</u>	<u>(66,005)</u>	<u>353,706</u>
<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	—	—	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>

## Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<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	<b>2,612,152</b>	3,347,259
Interest paid	<b>(203,631)</b>	(70,066)
Income tax paid	<b>(219,559)</b>	(348,112)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>2,188,962</b>	2,929,081
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<b>Cash flows from investing activities</b>		
Payments for acquisition of right-of-use assets	<b>(49,490)</b>	(156,888)
Payments for purchases of property, plant and equipment	<b>(4,341,925)</b>	(2,798,262)
Payments for purchases of intangible assets	<b>(5,493)</b>	—
Receipts of government grants relating to property, plant and equipment	<b>226,593</b>	—
Proceeds from disposal of property, plant and equipment	<b>9,488</b>	1,074
Repayment from investments accounted for using the equity method	<b>—</b>	7,235
Dividend received from an investment accounted for using the equity method	<b>100,359</b>	—
Net proceeds from financial assets at fair value through profit or loss	<b>19,937</b>	—
Interest received	<b>15,727</b>	67,100
Restricted cash pledged for letter of guarantees and bank acceptance bills	<b>(404,964)</b>	—
Restricted cash release from letter of guarantees and bank acceptance bills	<b>39,767</b>	—
Investment in financial assets at fair value through profit and loss	<b>(66,122)</b>	—
Withholding tax paid	<b>(146,302)</b>	—
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(4,602,425)</b>	(2,879,741)
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	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from financing activities</b>		
Proceeds from changes in ownership interest in subsidiaries without loss of control	<b>497,624</b>	779,418
Capital contributions from non-controlling interests	<b>60,417</b>	—
Proceeds from exercise of employees' share options	<b>26,601</b>	16,219
Proceeds from borrowings	<b>3,575,927</b>	540,000
Repayment of borrowings	<b>(3,274,311)</b>	(1,578,748)
Cash advance from non-controlling interests	<b>341,711</b>	—
Principal element of lease payments	<b>(11,946)</b>	(8,896)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>	<b>1,216,023</b>	(252,007)
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<b>Net decrease in cash and cash equivalents</b>	<b>(1,197,440)</b>	(202,667)
Cash and cash equivalents at beginning of the period	<b>5,325,714</b>	7,458,267
Effect of foreign exchange rate changes	<b>(176,353)</b>	(252,383)
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<b>Cash and cash equivalents at end of the period</b>	<b>3,951,921</b>	7,003,217
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# 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.

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 31 July 2023.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, 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 2022, as described in those annual financial statements.

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

The Group has adopted the below new standards and amendments to standards for the first time for its accounting period commencing 1 January 2023. The adoption of these new standards and amendments to standards did not have a material impact on the Group in the current or prior periods.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
HKFRS 17	Insurance Contracts and the Related Amendments <sup>1</sup>

1 Effective for accounting periods beginning on or after 1 January 2023.

- (b) The following amendments to standards and interpretation have been issued but are not effective for the accounting period beginning on 1 January 2023 and have not been 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 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
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 assessing the impact of these new standards, amendments to standards and interpretation. The preliminary assessment indicated that the adoption of which is not expected to have any significant impact on the financial performance and the financial position of the Group.

- (c) Changes in the classification of expenses for comparative figures

As disclosed in the notes to the consolidated financial statements of the Group for the year ended 31 December 2022, in order to provide more reliable and more relevant information and to enhance the comparability of the financial statements with other peers in the industry, the Group has changed the classification of transportation and related expenses, which are part of the contract fulfilment costs incurred before the control of the solar glass products transferred to the customers, from “Selling and marketing expenses” to “Cost of sales”. Accordingly, comparative figures for the six months ended 30 June 2022 have been reclassified to conform to the current period presentation.

### 3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Sales of solar glass	<b>10,578,891</b>	8,090,646
Solar farm business		
– Sales of electricity	<b>872,756</b>	806,181
– Tariff adjustment	<b>617,919</b>	712,072
	<b>1,490,675</b>	1,518,253
Unallocated		
– Sales of raw materials	<b>51,780</b>	48,835
– Other service income	<b>20,575</b>	39,805
	<b>72,355</b>	88,640
Total revenue	<b>12,141,921</b>	9,697,539

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 2023, there are two operating segments based on business type: (1) sales of solar glass and (2) solar farm business, which includes solar farm development and solar power generation. As disclosed in the notes to the consolidated financial statements of the Group for the year ended 31 December 2022, since engineering, procurement and construction (“EPC”) services are no longer considered as a core business of the Group, they have been classified as “unallocated” in the segment information. Certain comparative figures for the six months ended 30 June 2022 have thus been represented to conform to current period presentation.

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 2023 and 2022 is as follows:

	<b>Six months ended 30 June 2023 (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>10,578,891</b>	<b>1,490,675</b>	<b>51,780</b>	<b>12,121,346</b>
Recognised over time	<b>—</b>	<b>—</b>	<b>20,575</b>	<b>20,575</b>
	<b>10,578,891</b>	<b>1,490,675</b>	<b>72,355</b>	<b>12,141,921</b>
Revenue from external customers	<b>10,578,891</b>	<b>1,490,675</b>	<b>72,355</b>	<b>12,141,921</b>
Cost of sales (Note)	<b>(8,966,446)</b>	<b>(440,776)</b>	<b>(62,382)</b>	<b>(9,469,604)</b>
	<b>1,612,445</b>	<b>1,049,899</b>	<b>9,973</b>	<b>2,672,317</b>
Gross profit	<b>1,612,445</b>	<b>1,049,899</b>	<b>9,973</b>	<b>2,672,317</b>
Segment revenue by geographical area				
Mainland China	<b>8,040,565</b>	<b>1,489,285</b>	<b>57,015</b>	<b>9,586,865</b>
Other areas in Asia	<b>1,996,306</b>	<b>—</b>	<b>—</b>	<b>1,996,306</b>
North America and Europe	<b>531,333</b>	<b>1,390</b>	<b>15,340</b>	<b>548,063</b>
Others	<b>10,687</b>	<b>—</b>	<b>—</b>	<b>10,687</b>
	<b>10,578,891</b>	<b>1,490,675</b>	<b>72,355</b>	<b>12,141,921</b>
Depreciation charge of property, plant and equipment	<b>486,567</b>	<b>332,043</b>	<b>3,442</b>	<b>822,052</b>
Depreciation charge of rights-of-use assets	<b>10,423</b>	<b>28,881</b>	<b>2,120</b>	<b>41,424</b>
Amortisation charge of intangible assets	<b>—</b>	<b>—</b>	<b>655</b>	<b>655</b>
Additions to non-current assets (other than finance lease receivables and deferred tax income tax assets)	<b>2,330,821</b>	<b>1,290,976</b>	<b>839,575</b>	<b>4,461,372</b>

	Six months ended 30 June 2022 (Restated) (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	8,090,646	1,518,253	48,835	9,657,734
Recognised over time	—	—	39,805	39,805
Revenue from external customers	8,090,646	1,518,253	88,640	9,697,539
Cost of sales (Note)	(6,251,660)	(394,033)	(71,272)	(6,716,965)
Gross profit	<u>1,838,986</u>	<u>1,124,220</u>	<u>17,368</u>	<u>2,980,574</u>
Segment revenue by geographical area				
Mainland China	6,101,552	1,517,146	54,392	7,673,090
Other areas in Asia	1,601,564	—	—	1,601,564
North America and Europe	365,432	1,107	34,248	400,787
Others	22,098	—	—	22,098
	<u>8,090,646</u>	<u>1,518,253</u>	<u>88,640</u>	<u>9,697,539</u>
Depreciation charge of property, plant and equipment	349,611	327,403	2,901	679,915
Depreciation charge of rights-of-use assets	7,628	20,683	868	29,179
Amortisation charge of intangible assets	—	—	857	857
Additions to non-current assets (other than finance lease receivables and deferred tax income tax assets)	<u>2,354,071</u>	<u>667,079</u>	<u>9,190</u>	<u>3,030,340</u>

*Note:* As mentioned in Note 2(c), the transportation and related expenses were previously recognised as selling and marketing expenses in the condensed consolidated income statement for the six months ended 30 June 2022. Certain comparative figures have been reclassified to conform to the current period presentation.

Reportable segment assets/liabilities are as follows:

	<b>Segment assets and liabilities</b>			<b>Total</b>
	<b>Sales of solar glass HK\$'000</b>	<b>Solar farm business HK\$'000</b>	<b>Unallocated HK\$'000</b>	
<b>At 30 June 2023 (Unaudited)</b>				
Total assets	27,247,238	22,768,513	3,027,191	53,042,942
Total liabilities	<u>8,376,726</u>	<u>5,295,040</u>	<u>4,555,393</u>	<u>18,227,159</u>
<b>At 31 December 2022 (Audited)</b>				
Total assets	26,033,422	22,681,819	1,859,817	50,575,058
Total liabilities	<u>4,789,870</u>	<u>7,072,300</u>	<u>3,481,511</u>	<u>15,343,681</u>

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

	Assets as at		Liabilities as at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Segment assets/(liabilities)	50,015,751	48,715,241	(13,671,766)	(11,862,170)
Unallocated:				
Property, plant and equipment	539,796	99,480	—	—
Right-of-use assets	147,914	152,554	—	—
Intangible assets	9,415	10,440	—	—
Prepayments for land use rights and property, plant and equipment	1,027,661	672,155	—	—
Finance lease receivables	231,582	231,855	—	—
Investments accounted for using the equity method	345,535	356,390	—	—
Inventories	13,891	10,123	—	—
Trade and bills receivables	20,205	6,401	—	—
Prepayments, deposits and other receivables	73,103	19,370	—	—
Contract assets	11,078	41,710	—	—
Amount due from related parties	10,092	12,077	—	—
Amount due from investments accounted for using the equity method	—	100,371	—	—
Financial assets at fair value through profit and loss	66,639	—	—	—
Restricted cash	412,070	—	—	—
Cash and cash equivalents	108,997	138,058	—	—
Deferred income tax assets	9,213	8,833	—	—
Dividend payable	—	—	(1,187,724)	—
Trade and other payables	—	—	(700,540)	(166,162)
Contract liabilities	—	—	(8,298)	(8,196)
Current income tax liabilities	—	—	(2,989)	(1,823)
Lease liabilities	—	—	(2,700)	(1,333)
Amounts due to related parties	—	—	(602,804)	(285,614)
Deferred income tax liabilities	—	—	(15,478)	(15,051)
Borrowings	—	—	(2,034,860)	(3,003,332)
Total assets/(liabilities)	<u>53,042,942</u>	<u>50,575,058</u>	<u>(18,227,159)</u>	<u>(15,343,681)</u>

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<i>(Unaudited)</i>
		<i>(Restated)</i>
Segment gross profit	<b>2,662,344</b>	2,963,206
Unallocated gross profit	<b>9,973</b>	17,368
	<hr/>	<hr/>
Total gross profit	<b>2,672,317</b>	2,980,574
Unallocated:		
Other income	<b>138,712</b>	115,239
Other (losses)/gains, net	<b>(18,648)</b>	4,293
Selling and marketing expenses	<b>(57,524)</b>	(10,503)
Administrative and other operating expenses	<b>(565,328)</b>	(431,912)
Net impairment losses on financial and contract assets	<b>(12,214)</b>	—
Finance income	<b>15,727</b>	67,100
Finance costs	<b>(172,226)</b>	(83,769)
Share of net profits of investments accounted for using the equity method	<b>17,343</b>	16,261
	<hr/>	<hr/>
Profit before income tax	<b>2,018,159</b>	2,657,283
	<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>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<i>(Audited)</i>
The PRC	<b>31,890,171</b>	29,594,409
Other countries	<b>1,501,936</b>	1,512,424
	<hr/>	<hr/>
	<b>33,392,107</b>	31,106,833
	<hr/> <hr/>	<hr/> <hr/>

#### 4 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Government grants	86,040	42,939
Scrap sales	27,824	48,508
Tariff adjustments for electricity generation from self-used solar power system	7,711	8,383
Rental income	1,166	1,503
Others	15,971	13,906
	<u>138,712</u>	<u>115,239</u>

#### 5 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net fair value gains on financial assets at fair value through profit or loss	20,454	—
Foreign exchange gains, net	21,761	8,605
Losses on disposal of bills receivables at FVOCI	(29,901)	—
Loss on disposal of property, plant and equipment	(30,962)	(4,312)
	<u>(18,648)</u>	<u>4,293</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Amortisation charge of intangible assets	655	857
Depreciation charge of property, plant and equipment	822,052	679,915
Depreciation charge of rights-of-use assets	41,424	29,179
Employee benefit expenses (including directors' emoluments)	558,478	442,528
Cost of inventories sold	7,724,295	5,281,118
Other direct operating costs of solar farms	50,678	34,864
Construction contracts costs	11,347	30,067
Reversal of impairment losses on inventories	(657)	—
Payments in relation to short term leases of land and buildings	3,369	4,011
Transportation costs	377,303	314,477
Research and development expenditures	317,379	238,804
Other expenses	186,133	103,560
	<u>10,092,456</u>	<u>7,159,380</u>

## 7 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income		
Interest income from bank deposits	<u>15,727</u>	<u>67,100</u>
Finance costs		
Interest for lease liabilities	30,452	24,426
Interest on borrowings	<u>194,461</u>	<u>69,662</u>
	224,913	94,088
Less: Amounts capitalised on qualifying assets	<u>(52,687)</u>	<u>(10,319)</u>
	<u>172,226</u>	<u>83,769</u>

## 8 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
PRC corporate income tax (“CIT”) (Note (b))	<b>278,840</b>	374,136
Overseas income tax (Note (c))	<b>34,626</b>	1,575
PRC withholding tax	<b>1,445</b>	—
Hong Kong profits tax	—	40
	<hr/>	<hr/>
	<b>314,911</b>	375,751
Deferred income tax (Note (d))	<b>19,586</b>	44,471
	<hr/>	<hr/>
Income tax expense	<b>334,497</b>	420,222
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.
- (b) The applicable CIT rate for the Group’s major subsidiaries in the PRC is 25% except that:
- For the six months ended 30 June 2023, three (2022: one) subsidiaries engaging in solar glass business and one (2022: one) subsidiary engaging in solar farm business are qualified as “High and New Technology Enterprise” and can enjoy a preferential CIT rate of 15% (2022: 15%).
  - For the six months ended 30 June 2023 and 2022, a subsidiary engaging in solar glass business, a subsidiary engaging in solar farm business and a subsidiary in the unallocated segment are qualified as “Encouraged Enterprise” in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and can enjoy a preferential CIT rate of 9% (2022: 9%).
  - Subsidiaries engaging in the operation and management of solar farms 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% (2022: 25%).
- (c) 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% (2022: 24%).
- (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	
	2023 <i>(Unaudited)</i>	2022 <i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	<b>1,391,509</b>	1,904,638
Weighted average number of ordinary shares in issue (thousands)	<b>8,900,217</b>	8,892,991
Basic earnings per share (HK cents)	<b>15.63</b>	21.42

### (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	
	2023 <i>(Unaudited)</i>	2022 <i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	<b>1,391,509</b>	1,904,638
Weighted average number of ordinary shares in issue (thousands)	<b>8,900,217</b>	8,892,991
Adjustments for share options (thousands)	<b>2,926</b>	9,184
	<b>8,903,143</b>	8,902,175
Diluted earnings per share (HK cents)	<b>15.63</b>	21.40

*Note:* Share options granted by a subsidiary of the Group, Xinyi Energy Holdings Limited (“**Xinyi Energy**”), is immaterial to diluted earnings per share.

## 10 DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Final dividend for 2022 of 10.0 HK cents (2021: 10.0 HK cents) per share	<b>890,254</b>	889,510
Proposed interim dividend of 7.5 HK cents (2022: 10.0 HK cents) per share	<b>667,732</b>	889,562

At a meeting of the Board held on 31 July 2023, the Directors resolved to declare an interim dividend of 7.5 HK cents per share for the six months ended 30 June 2023. The amount of 2023 interim dividend is based on 8,903,098,838 shares in issue as at 30 June 2023. 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 2023.

## 11 PROPERTY, PLANT AND EQUIPMENT

	<b>Six months ended 30 June 2023 (Unaudited)</b>						
	<b>Freehold Land</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Solar Farms</b>	<b>Office Equipment</b>	<b>Construction in progress</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Net book amount at							
1 January	368,397	1,749,624	7,138,869	14,475,235	19,745	3,686,017	27,437,887
Additions	—	22,841	59,602	31,077	6,513	3,613,140	3,733,173
Transfer	—	866,570	2,307,578	1,312,078	1,600	(4,487,826)	—
Government grant netted off	—	—	(97,199)	—	—	—	(97,199)
Disposals	—	—	(40,014)	(160)	—	(276)	(40,450)
Depreciation charge	—	(34,949)	(466,398)	(329,236)	(1,784)	—	(832,367)
Currency translation differences	(19,193)	(106,971)	(346,634)	(532,505)	(942)	(105,190)	(1,111,435)
<b>Net book amount at 30 June</b>	<b>349,204</b>	<b>2,497,115</b>	<b>8,555,804</b>	<b>14,956,489</b>	<b>25,132</b>	<b>2,705,865</b>	<b>29,089,609</b>

## 12 RIGHT-OF-USE ASSETS

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>
Net book amount at 1 January	2,166,912
Additions	268,278
Depreciation charge	(43,481)
Currency translation differences	(85,405)
	<hr/>
<b>Net book amount at 30 June</b>	<b>2,306,304</b>
	<hr/> <hr/>

## 13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>Six months ended 30 June 2023 HK\$'000 (Unaudited)</b>
At 1 January	356,390
Share of net profits	17,343
Currency translation differences	(28,198)
	<hr/>
<b>At 30 June</b>	<b>345,535</b>
	<hr/> <hr/>

## 14 TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables	8,458,939	7,267,050
Less: Loss allowance	<u>(57,841)</u>	<u>(51,314)</u>
Trade receivables, net	<u>8,401,098</u>	<u>7,215,736</u>
Bills receivables at amortised cost	2,392,898	2,353,144
Less: Loss allowance	<u>(3,265)</u>	<u>(1,957)</u>
Bills receivables at amortised cost, net	<u>2,389,633</u>	<u>2,351,187</u>
Bills receivables at FVOCI	<u>666,856</u>	<u>858,689</u>

Breakdown of trade receivables by segment is as follows:

	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 2023 (Unaudited)</b>				
Sales of solar glass	3,962,732	—	—	3,962,732
Sales of electricity	—	330,673	—	330,673
Tariff adjustment	—	4,149,267	—	4,149,267
Other service revenue	—	—	16,267	16,267
<b>Total</b>	<u>3,962,732</u>	<u>4,479,940</u>	<u>16,267</u>	<u>8,458,939</u>
<b>At 31 December 2022 (Audited)</b>				
Sales of solar glass	3,483,978	—	—	3,483,978
Sales of electricity	—	152,089	—	152,089
Tariff adjustment	—	3,614,662	—	3,614,662
Other service revenue	—	—	16,321	16,321
<b>Total</b>	<u>3,483,978</u>	<u>3,766,751</u>	<u>16,321</u>	<u>7,267,050</u>

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

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
0 - 90 days	8,280,375	7,123,702
91 - 180 days	143,006	124,928
181 - 365 days	23,782	9,357
1 - 2 years	8,630	234
Over 2 years	3,146	8,829
	<u>8,458,939</u>	<u>7,267,050</u>

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

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
0 - 90 days	620,774	450,950
91 - 180 days	359,784	442,087
181 - 365 days	741,253	708,047
1 - 2 years	1,395,813	1,069,889
Over 2 years	1,362,316	1,095,778
	<u>4,479,940</u>	<u>3,766,751</u>

The maturity of the bills receivables is within 1 year. As at 30 June 2023, bills receivables of HK\$46,560,000 (31 December 2022: HK\$14,303,000) 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.

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
Prepayments	2,063,468	1,544,814
Deposits and other receivables	244,868	315,380
Other tax receivables (Note)	481,779	287,691
	<u>2,790,115</u>	<u>2,147,885</u>
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	<u>(1,618,300)</u>	<u>(1,124,167)</u>
Current portion	1,171,815	1,023,718
Less: Loss allowance of deposits and other receivables	<u>(5,224)</u>	<u>(5,252)</u>
	<u><u>1,166,591</u></u>	<u><u>1,018,466</u></u>

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

## 16 TRADE AND OTHER PAYABLES

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	1,680,826	1,664,697
Bills payables	1,848,079	873,254
	<u>3,528,905</u>	<u>2,537,951</u>
Trade and bills payables	3,528,905	2,537,951
Accruals and other payables	<u>2,594,039</u>	<u>2,883,791</u>
	<u><u>6,122,944</u></u>	<u><u>5,421,742</u></u>

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

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
0 - 90 days	1,567,847	1,501,983
91 - 180 days	39,720	92,519
181 - 365 days	30,648	51,669
Over 1 year	42,611	18,526
	<u>1,680,826</u>	<u>1,664,697</u>

The maturity of the bills payables is within 6 months.

## 17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares <i>(thousands)</i>	Ordinary shares of HK\$ 0.1 each <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Issued and fully paid:</b>				
At 1 January 2023	8,896,240	889,624	8,299,427	9,189,051
Issuance of shares under employees' share option scheme	6,859	686	31,750	32,436
Dividend relating to 2022	—	—	(890,254)	(890,254)
<b>At 30 June 2023</b>	<u>8,903,099</u>	<u>890,310</u>	<u>7,440,923</u>	<u>8,331,233</u>

## 18 BORROWINGS

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
Non-current		
Unsecured bank borrowings	2,628,843	3,674,172
Other secured borrowings	1,279	—
	<u>2,630,122</u>	<u>3,674,172</u>
Current		
Unsecured bank borrowings	5,818,917	4,358,088
Other secured borrowings	1,705	—
	<u>5,820,622</u>	<u>4,358,088</u>
Total borrowings	<u><u>8,450,744</u></u>	<u><u>8,032,260</u></u>

The maturity profile of borrowings is as follows:

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
Repayable on demand and within 1 year	5,820,622	4,358,088
Between 1 and 2 years	1,542,710	2,644,901
Between 2 and 5 years	653,832	1,029,271
Over 5 years	433,580	—
	<u><u>8,450,744</u></u>	<u><u>8,032,260</u></u>

The carrying amounts of the Group's borrowings are approximate their fair values as at 30 June 2023 and denominated in the following currencies:

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
HKD	6,232,495	7,957,112
RMB	2,218,249	75,148
Total	<u>8,450,744</u>	<u>8,032,260</u>

As at 30 June 2023, the majority of borrowings bore floating interest rates. These borrowings are repayable by installments up to year 2038 (31 December 2022: year 2024).

The effective interest rates per annum at reporting date were as follows:

	As at	
	30 June 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Borrowings	<u>5.18%</u>	<u>5.57%</u>

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

## 19 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 24 February 2023, a wholly owned subsidiary of the Group completed the disposal of all issued shares of Xinyi Solar (Haikou) Limited and Xinchuang Green Agriculture (Haikou) Limited (the “**Disposal Group**”) (the “**Disposal**”) to Xinyi Energy at a cash consideration of HK\$146.2 million pursuant to a sale and purchase agreement dated 11 April 2022. The Disposal Group owns and operates a solar farm project in the PRC. Upon completion of the Disposal, the Company's indirect equity interest in the Disposal Group had been reduced from 100% to 49.03% without loss of control. Hence, the Group recognised a transaction with non-controlling interests, resulting in a decrease of non-controlling interests amounting to HK\$44.8 million in relation to the Disposal.

On 1 June 2023, Xinyi Energy allotted 744,040,025 rights shares on the basis of one rights share for every ten shares in issue at an issue price of HK\$2.19 per rights share (“**Rights Issue**”). The Rights Issue was fully subscribed. Gross proceeds and net proceeds, amounting to HK\$1,629.5 million and HK\$1,627.8 million respectively, were received by Xinyi Energy. Upon completion of the Rights Issue, an aggregate of 516,583,042 rights shares were allotted and received by Xinyi Power (BVI) Limited, a wholly-owned subsidiary of the Company, which increased Company’s indirect equity interest in Xinyi Energy from 49.03% to 50.89%. In relation to the Rights Issue, the Group recognised a decrease in equity attributable to owners of the Company of HK\$104.7 million and an increase in non-controlling interests of HK\$602.4 million.

The effect of the above transactions with non-controlling interests on the equity attributable to equity holders of the Company for the six months ended 30 June 2023 is summarised as follows:

	<b>Disposal</b> <b>HK\$’000</b> <b>(Unaudited)</b>	<b>Rights Issue</b> <b>HK\$’000</b> <b>(Unaudited)</b>	<b>Total</b> <b>HK\$’000</b> <b>(Unaudited)</b>
Increase/(decrease) in equity attributable to equity holders of the Company	36,021	(104,733)	(68,712)
Increase/(decrease) in non-controlling interests	(44,817)	602,357	557,540
Increase/(decrease) in total equity	<u>(8,796)</u>	<u>497,624</u>	<u>488,828</u>

## 20 RELATED PARTY TRANSACTIONS

As at 30 June 2023, the Group is controlled by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, 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 (together, the “**Controlling Shareholders**”), which in aggregate owns 26.02% of the Company’s shares. 23.22% of the shares are held by Xinyi Glass Holdings Limited (“**Xinyi Glass**”) and its subsidiary, and the remaining 50.76% of the shares are widely held.

(a) Transactions with related parties

Material related party transactions during the period are as follows:

		<b>Six months ended 30 June</b>	
	Note	<b>2023</b>	<b>2022</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Related party transactions with subsidiaries of Xinyi Glass*			
– Purchases of machineries	i, ii	<b>120,700</b>	126,116
– Purchases of glass products	i, iii	<b>2,187</b>	3,154
– Sales of silica sand	i, iv	<b>38,225</b>	44,363
– Purchases of consumable products	vii, viii	<b>205</b>	1,006
– Purchases of fixed assets	vii, viii	<b>413</b>	635
– Sales of consumables	vii, viii	—	2,360
– Maintenance and service charges received	vii, viii	—	985
– Consultancy fee paid	vii, viii	—	388
– Purchases of packing materials	vii, viii	<b>2,145</b>	8
– Rental expenses paid	vii, ix	<b>4,699</b>	3,448
– Rental income received	vii, ix	<b>522</b>	559
– Other service income received	vii, x	<b>4,190</b>	412
– Acquisition of right-of-use assets	xi	<b>72,454</b>	—
Related party transactions with a subsidiary of Xinyi Energy^			
– Solar farm management fee paid	i, v	<b>4,884</b>	4,602
Related party transactions with subsidiaries of Xinyi Electric Storage Holdings Limited#			
– Purchases of and processing of battery pack, chargers and energy storage facilities	i, vi	<b>6,313</b>	8,470
– Operation and management service fee paid	vii, viii	<b>1,263</b>	1,344
– Purchases of consumables	vii, viii	<b>46</b>	—
– Rental expenses paid	vii, ix	—	20
Related party transactions with Controlling Shareholders and/or their controlled corporation			
– Purchases of properties	vii, viii	<b>10,001</b>	—

- \* 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, S.B.S., B.B.S., M.H., Tan Sri Datuk TUNG Ching Sai *J.P.*, Mr. LI Man Yin and their respective associates.
- ^ Connected subsidiary of the Company.

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*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 28 December 2022.
- (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 28 December 2022.
- (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 5 January 2023.
- (v) The management fee was charged in accordance with the 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 other service income received were charged at mutually agreed prices.
- (xi) The transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules. The acquisition of right-of-use assets were conducted at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 30 June 2023.

(b) Balances with related parties

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Amount due from an investment accounted for using the equity method		
– Xinyi Solar (Lu'an) Company Limited	12	101,129
Less: Loss allowance	—	(758)
	<u>12</u>	<u>100,371</u>
Amounts due from related parties		
– Guangxi Xinyi Supply Chain Management Company Limited*	9,292	6,942
– Xinyi Glass (Guangxi) Company Limited*	586	405
– Xinyi Glass (Jiangsu) Company Limited*	43	45
– Xinyi Glass (Tianjin) Company Limited*	27	28
– Xinyi Ultra-thin Glass (Dongguan) Company Limited*	48	—
– Xinyi Special Glass (Jiangmen) Company Limited*	53	—
– Xinyi Glass (Hainan) Company Limited*	99	—
– Polaron Energy Corp. #	—	1,018
Less: Loss allowance	(56)	(35)
	<u>10,092</u>	<u>8,403</u>
Amounts due to related parties		
– Xinyi Automobile Glass (Shenzhen) Company Limited*	(560,351)	(242,854)
– Wuhu Jinsanshi Numerical Control Technology Company Limited*	(44,370)	(152,380)
– Xinyi Energy Smart (Wuhu) Company Limited*	(41,130)	(42,678)
– Anhui Xinyi Intelligent Machinery Company Limited*	(38,093)	(5,342)
– Xinyi Power (Suzhou) Company Limited#	(4,777)	(3,494)
– Xinyi Energy Smart (Malaysia) Sdn Bhd*	(3,064)	(3,376)
– Hepu Xinyi New Material Company Limited*	(1,242)	—
– Xinyi Group (Glass) Company Limited*	(81)	(81)
– Xinyi Glass (Jiangmen) Company Limited*	(45)	—
– Controlling shareholders and/or their controlled corporation	(10,001)	—
	<u>(703,154)</u>	<u>(450,205)</u>

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

# Subsidiaries 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, S.B.S., B.B.S., M.H., Tan Sri Datuk TUNG Ching Sai J.P., Mr. LI Man Yin and their respective associates.

The amounts due from/to related parties 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\$15,991,000 for the six months ended 30 June 2023 (2022: HK\$17,621,000).

## 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss represent short-term financial products issued by a bank in the PRC. The financial products were not principal guaranteed nor with pre-determined or guaranteed return. As at 30 June 2023, the Group had HK\$66,639,000 (2022: nil) financial products not been redeemed or matured.

## 22 RESTRICTED CASH

	As at	
	30 June 2023 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2022 <i>HK\$'000</i> <i>(Audited)</i>
Pledged bank deposits for obtaining letter of credit facilities	409,928	44,731
Cash at bank with limited use purposes	116,919	—
Total	<u>526,847</u>	<u>44,731</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The supply chain bottlenecks that have plagued the solar industry for more than two years were eased in the 1H2023. Downstream installation demand has accelerated further as a result of the decline in polysilicon prices in the second quarter of 2023 and drop in the photovoltaic (“PV”) installation costs. The Group recorded a significant growth in the solar glass sales volume and the revenue in the 1H2023 by 49.8% and 30.8%, respectively, as compared to 1H2022, driven by the robust market demand growth and the continuous capacity expansion of the Group. However, the lower average selling prices (“ASP”) and the cost pressures continued to adversely affect the gross margin of the solar glass segment of the Group, particularly in the first quarter of 2023. The decrease in the gross margin was reversed in the second quarter of 2023, showing a month-on-month improvement, but it was still lower than the same period in 2022. The pressure on the gross margin, coupled with the impact of Renminbi (“RMB”) depreciation, resulted in a reduced amount of gross profit contribution from the Group’s solar glass business in the 1H2023, as compared to the 1H2022. In addition, the profit contribution from the Group’s solar farm business also declined in the 1H2023, mainly due to the depreciation of RMB and the high finance costs.

During the 1H2023, the Group achieved consolidated revenue of HK\$12,141.9 million, representing an increase of 25.2%, as compared to the 1H2022. Profit attributable to equity holders of the Company decreased by 26.9% to HK\$1,391.5 million. Basic earnings per share were 15.63 HK cents for the 1H2023, as compared to 21.42 HK cents for the 1H2022.

### BUSINESS REVIEW

#### *Solar installations continue to increase around the world*

In light of increasing geopolitical tensions and the resulting increase in the energy prices, solar energy has been widely used as a key tool for achieving reduced reliance on others for the energy supply. The technological innovation and the increasing number of applications have enabled solar energy to enjoy a higher percentage increase in the global energy transition than the other forms of power generation. Following a strong performance in 2022, the global PV installations will continue to grow strongly in 2023 in terms of supply chain challenges ease and downturn in the various component costs return to a downward trend.

In recent years, the global PV market has shown a blossoming and comprehensive development. Although many PV projects are no longer relying on government subsidies, individual markets are sensitive to the policy support (e.g., grid access, land use restrictions, etc.). A more diversified PV market will reduce fluctuations in the global PV demand caused by policy changes in individual countries and international trade disputes, and contribute to a more stable development of the solar industry as a whole. According to the Snapshot of Global PV Markets 2023 issued by the International Energy Agency, at least 240 gigawatts (“GW”) of new systems were installed and commissioned globally in 2022, representing an increase of 37.1% as compared to 2021 (175GW). In terms of the annual installed capacity, China remains the world’s largest PV market, accounting for around 44% of new global installations in 2022. The European Union (“EU”), the United States (“U.S.”) and India, ranked second to fourth, accounting for 30% of the total new global installations in aggregate. The U.S. underperformed, but the EU, India and some emerging countries grew at a rapid pace. There were at least 23 countries with more than 1GW installations and all top ten PV markets had at least 3GW installations.

### ***Implementation of different types of PV projects in China continues to accelerate***

The first quarter is traditionally a low season for PV installations in China due to the Chinese New Year holiday and winter season. Nevertheless, according to the National Energy Administration (“NEA”), China’s new PV installations reached 33.66GW in the first quarter of 2023, up 154.8% from the same period last year. Such incredible growth was mainly due to the gradual release of new production capacity in the supply chain, which has driven down the prices of installation components and stimulated the growth of installed capacity.

With the gradual release of new production capacity and improvements in the raw material supply chain, polysilicon supply continued to have a significant increase. As such, solar module prices and PV installation costs decreased correspondingly which triggered increases in the downstream installations in the second quarter of 2023, especially for utility-scale ground-mounted PV projects. According to the statistics published by the NEA, the newly installed PV capacity grew 154% year-on-year to 78.42GW in 1H2023, with utility-scale ground-mounted projects accounting for 37.46GW, up 234% year-on-year, and distributed generation projects accounting for 40.96GW, up 108% year-on-year.

The market share of the utility-scale centralised projects increased in the 1H2023, with installations growing at a faster rate than in 2022, partly due to the gradual resumption of installation of projects previously postponed due to the high installation costs. However, the land availability, the requirement on the installation of energy storage facilities and the grid consumption restrictions remain the development barriers for the utility-scale centralised projects. The distributed power generation market continued to record a strong growth because of the policy supports, the local government subsidies and the implementation of the county-wide (city and district) rooftop distributed PV development program.

In addition to the distributed generation and the utility-scale ground-mounted projects, the promotion of the construction of mega-sized wind power and PV bases in desert areas are the key strategies for developing renewable energy in China. The first three-batches of mega-sized wind power and PV bases are being implemented successively. With the strong support from the government policies, the installed PV capacity will expand continuously in 2023.

### ***Gross margins under pressure, but month-on-month improvement in the second quarter***

Industry players in different segments of the PV value chain have significantly increased their production capacity, with some of them extending their business upstream and downstream. In addition, there are also cross-sector investments from non-solar companies. All of these increase the competition of the industry. Similar to other segments of the solar value chain, the industry supply of solar glass has increased significantly in the last two years amid rapid capacity expansion by a number of existing industry players and new entrants.

Competition in the PV glass industry remained intense during the 1H2023. Selling prices remained at low levels and even fell in some months when there were changes in the seasonal demand level. On the cost side, the procurement costs for energy and raw materials remained high or even increased slightly in the first quarter. A significant decrease in purchasing costs occurred mainly towards the end of the second quarter of 2023 and therefore did not contribute much to the results for the 1H2023.

The profit levels in the solar glass industry declined generally in the 1H2023 as compared to the 1H2022 and second half of 2022, primarily due to the increased competition, low selling prices and high production costs. To alleviate the pressure on the gross profit margin, the Group implemented a number of targeted measures during the 1H2023. On the sales front, the Group adopted a flexible marketing strategy to accelerate inventory turnover, created product differentiation and enhanced products quality. In terms of cost control, the Group has implemented capacity and facility upgrades, technological improvements, yield rate enhancement, energy consumption reduction, and production and logistics processes optimisation.

In the 1H2023, the price volatility of solar glass products decreased as compared to the previous two years. However, the ASP for the period was still lower than the 1H2022, mainly due to the increased supply in the industry. Declining ASP and generally high procurement costs depressed the gross margin of the Group's solar glass segment in the 1H2023. However, as the costs of major energy and raw materials, such as natural gas and soda ash, began to fall from the second quarter onwards, and as the cost control measures implemented by the Group gradually took effect, the gross margin showed month-on-month improvement from April onwards and became more evident towards the end of the 1H2023.

***Expanding capacity to capture market growth and mitigate the impact of profit margin squeeze***

The Group maintained an aggressive capacity expansion plan to consolidate its industry-leading position and capture more market share. In the 1H2023, the negative impact of margin squeeze on the segmental profit was partially offset by the increase in the sales volume. During the year ended 31 December 2022 and the 1H2023, the Group added six and two new solar glass production lines with a daily melting capacity of 1,000 tonnes each, respectively. Since the new production lines have adopted more advanced design and production technology, the Group's operating scale and its overall production efficiency have been improved, thereby enjoying the cost advantage. By leveraging its increased production capacity and strong market presence, the Group further increased its inventory turnover rate and achieved year-on-year growth of 49.8% in sales volume (in tonnage) and 30.8% in revenue of solar glass in the 1H2023.

The Group has continued to develop the thin glass and the large-format glass markets to meet customer needs and facilitate further technological advancement in the solar value chain. For the Group's solar glass sales mix in the 1H2023, the share of thin glass increased as compared to the 1H2022, but decreased as compared to the second half of 2022. This was mainly due to more downstream installation demand came from overseas PV deployment and the distributed generation projects during the period. The proportion of overseas PV projects utilising double-glass or bifacial modules was relatively low as compared to the PV projects in China. In addition, the distributed generation projects are more likely to use monofacial modules (each module requires one piece of traditional solar glass) due to site constraints.

### ***Construction of new solar power projects postponed to second half of the year***

During the 1H2023, the Group mainly focused on the reserve development and the preliminary preparation for its solar farm projects, while the construction and installation works were put on hold as the adjustment of installation costs due to the continuous decreases in the polysilicon prices has not yet finished and the increases in the interest rates. In addition, the land supply and the grid connection issues also affected the Group's development and construction of solar farms in the 1H2023. Due to the postponement of the construction works, the Group did not have any new connections to the grid for its self-developed solar farm projects in the 1H2023.

As for project acquisition, the Group acquired a solar farm project with a capacity of 10MW in Yunnan Province from an independent third party in the 1H2023. Such project located in the vicinity of another project to be developed by the Group and therefore offers synergies in terms of grid connection, infrastructure costs and future operating expenses.

Driven by the newly added grid-connected capacity in 2022, the Group's solar power generation revenue recorded a year-on-year growth in the 1H2023, 13.9% and 86.1% of which was derived from the solar farms held by the wholly-owned subsidiaries of the Company and the subsidiaries of Xinyi Energy, respectively. Despite the increase in the electricity generation, the Group's solar farm segment reported a slight decrease of 1.8% in revenue in the 1H2023 as compared to the same period last year, mainly due to the depreciation of RMB against the Hong Kong dollar (“HKD”) and the use of a reduced tariff adjustment amount for certain solar farms as the basis for the revenue recognition.

As of 30 June 2023, the cumulative approved grid-connected capacity of the Group's solar farm projects was 4,889MW, of which 4,576MW was for utility-scale ground-mounted projects and 313MW was for rooftop distributed generation projects where the electricity generated is used for self-consumption or sold to the grid. In terms of ownership, solar farm projects with a capacity of 3,358MW were held through Xinyi Energy; solar farm projects with a capacity of 1,431MW were held through wholly-owned subsidiaries of the Company; and a solar farm project with a capacity of 100MW was held by an entity in which the Group owned 50%.

Of the 4,576MW of utility-scale ground-mounted projects owned by the Group as of 30 June 2023, solar farms with a capacity of 2,174MW were subsidised projects and solar farms with a capacity of 2,402MW were grid-parity projects.

### ***RMB bank borrowings to alleviate pressure from rising interest rates***

The HKD borrowing rates have been rising continuously since mid-2022 and even more so in the 1H2023. The high interest rates may continue for an extended period of time than the market previously anticipated.

In view of the reversal of interest rate differential between HKD bank borrowings and RMB bank borrowings (from a relatively lower interest costs changed to a higher interest cost), the Group has drawdown RMB bank borrowings in Mainland China since the 1H2023. This alleviates the pressure of rising finance costs and reduces the risk of exchange rate movements on net assets due to currency mismatches as the majority of the Group's assets are located in Mainland China and denominated in RMB.

The Group's net debt gearing ratio (calculated as borrowings less cash and cash equivalents divided by total equity) increased from 7.7% as of 31 December 2022 to 12.9% as of 30 June 2023. The increase in ratio was mainly due to the increase in net debt at Xinyi Energy level for financing the solar farm business. If excluding the net debt of Xinyi Energy, the Group's net gearing was 0.3% as of 30 June 2023.

The increase in the gearing level of Xinyi Energy was mainly due to their needs to finance the newly acquired solar farm projects. As most of the new solar farm projects are non-subsidised projects with more predictable and stable cash flows, an appropriate increase in the net gearing ratio at the Xinyi Energy level could optimise the Group's overall capital structure and financial resource allocation.

## FINANCIAL REVIEW

### Revenue

Revenue for the 1H2023 was mainly derived from two core business segments, namely sales of solar glass and solar farm business.

#### *Revenue – By Product*

	<u>1H2023</u>		<u>1H2022</u>		<u>Increase/(Decrease)</u>	
	<i>HK\$ million</i>	<i>% of revenue</i>	<i>HK\$ million</i>	<i>% of revenue</i>	<i>HK\$ million</i>	<i>%</i>
Sales of solar glass	<b>10,578.9</b>	<b>87.1</b>	8,090.6	83.4	2,488.3	30.8
Solar farm business	<b>1,490.7</b>	<b>12.3</b>	1,518.3	15.7	(27.6)	(1.8)
Unallocated	<b>72.4</b>	<b>0.6</b>	88.6	0.9	(16.2)	(18.3)
Total external revenue*	<b><u>12,141.9</u></b>	<b><u>100.0</u></b>	<b><u>9,697.5</u></b>	<b><u>100.0</u></b>	2,444.4	25.2

\* The sum of the individual amounts may not be the same as the actual total due to rounding.

#### *Solar Glass Revenue – By Geographical Area*

	<u>1H2023</u>		<u>1H2022</u>		<u>Increase/(Decrease)</u>	
	<i>HK\$ million</i>	<i>% of revenue</i>	<i>HK\$ million</i>	<i>% of revenue</i>	<i>HK\$ million</i>	<i>%</i>
Mainland China	<b>8,040.6</b>	<b>76.0</b>	6,101.6	75.4	1,939.0	31.8
Other areas in Asia	<b>1,996.3</b>	<b>18.9</b>	1,601.6	19.8	394.7	24.6
North America and Europe	<b>531.3</b>	<b>5.0</b>	365.4	4.5	165.9	45.4
Others	<b>10.7</b>	<b>0.1</b>	22.1	0.3	(11.4)	(51.6)
Total solar glass revenue *	<b><u>10,578.9</u></b>	<b><u>100.0</u></b>	<b><u>8,090.6</u></b>	<b><u>100.0</u></b>	2,488.3	30.8

\* The sum of the individual amounts may not be the same as the actual total due to rounding.

The Group's solar glass revenue increased 30.8% year-on-year to HK\$10,578.9 million in the 1H2023. The increase was mainly due to higher sales volume, partially offset by lower ASP and the depreciation of RMB against HKD.

By adding six and two new solar glass production lines with a daily melting capacity of 1,000 tonnes each in the 2022 and the 1H2023, respectively, the Group has substantially increased its aggregate daily melting capacity to 21,800 tonnes at the end of June 2023. The increase in capacity and continued growth in downstream PV demand contributed to the remarkable growth of the Group's solar glass business in the 1H2023. During the 1H2023, the Group's solar glass sales volume (in tonnage) rose 49.8% year-on-year.

In the 1H2023, solar glass prices were less volatile but still experienced some declines in certain months amid the increase in industry supply and seasonal changes in downstream demand. In addition to the decrease in ASP, the unfavourable impact of currency exchange rate fluctuation also caused the Group's solar glass revenue growth in the 1H2023 to be lower than the sales volume growth. The RMB/HKD exchange rates used for the conversion of RMB-denominated revenue into HKD for different months in the 1H2023 was relatively lower than that of the corresponding months in the 1H2022, representing a year-on-year decrease of approximately 7.1%, thus negatively impacting the Group's total revenue.

In terms of geographic mix, there was no significant change from previous years. Overseas sales and sales in Mainland China accounted for 24.0% (1H2022: 24.6%) and 76.0% (1H2022: 75.4%), respectively, of the Group's total solar glass sales in the 1H2023. The geographic mix of the Group's solar glass sales was generally consistent with the distribution of the global solar module production capacity.

The Group's electricity generation revenue for the 1H2023 was mainly derived from the solar farms in the PRC as set forth below.

	<b>Approved grid-connected capacity</b>	
	<b>As at 30 June 2023 MW</b>	<b>As at 31 December 2022 MW</b>
Utility-scale ground-mounted solar farms		
Anhui	<b>1,622</b>	1,622
Hubei	<b>980</b>	980
Guangdong	<b>550</b>	550
Guangxi	<b>400</b>	400
Others (Tianjin, Henan, Hebei, etc.)	<b>924</b>	914
	<hr/>	<hr/>
Subtotal	<b>4,476</b>	4,466
Commercial distributed generation projects	<b>108</b>	108
	<hr/>	<hr/>
Total	<b>4,584</b>	4,574
	<hr/> <hr/>	<hr/> <hr/>
Utility-scale ground-mounted solar farms		
Total number of solar farms	<b>51</b>	50
Weighted average feed-in-tariff ("FiT")* (RMB/kWh)	<b>0.63</b>	0.63

\* The weighted average FiT rate is proportionately weighted in accordance with the basic FiT (after taking into account the possible deduction of tariff adjustments on solar farm projects not yet included in the Qualified Project List (as defined on page 44)) and the approved grid-connected capacity of each solar farm and is provided for information purposes only. In the 1H2023, a small amount of the Group's electricity sales was traded under the market-based trading mechanism at prices slightly higher than the original tariffs.

Revenue from the solar farm business segment decreased slightly by 1.8% from HK\$1,518.3 million in the 1H2022 to HK\$1,490.7 million in the 1H2023. The decrease in revenue was mainly due to the year-on-year depreciation of RMB against HKD by approximately 7.1% and certain solar farm projects not yet included in the First Qualified Project List (as defined on page 44) used the reduced tariff adjustment amount as the basis for revenue recognition, which fully offset the growth in power generation during the period.

Similar to other solar farm operators in the PRC, the Group has experienced delays in collecting subsidies from the government in relation to the electricity generation of its subsidised solar farm projects. As of 30 June 2023, the outstanding tariff adjustment (subsidy) receivable of the Group amounted to HK\$4,149.3 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. As of 30 June 2023, the Group held subsidised solar farm projects with a total approved capacity of 2,174MW, of which 1,244MW was included in the “Announcement on Publishing the List of the First Batch of Renewable Energy Generation Subsidy Compliant Projects (《關於公佈第一批可再生能源發電補貼合規項目清單的公告》)” (the “**First Qualified Project List**”) published on 28 October 2022.

### **Gross profit**

The Group’s gross profit decreased by HK\$308.3 million, or 10.3%, from HK\$2,980.6 million in the 1H2022 to HK\$2,672.3 million in the 1H2023. The Group’s overall gross profit margin decreased to 22.0% in the 1H2023 (1H2022: 30.7%). The declines were primarily due to the decrease in profitability of the solar glass business as well as the lower profit contribution from the solar farm business.

In the 1H2023, the gross profit margin of the solar glass business dropped by 7.5 percentage points to 15.2% (1H2022: 22.7%). The decrease in margin was mainly attributable to: (i) a relatively lower ASP compared with the last corresponding period (despite the growing demand, the average mainstream market prices of solar glass still dropped year-on-year amid the increase in industry supply) and (ii) sourcing costs for raw materials and energy, such as soda ash and natural gas, remained high, although there was some decline in the second quarter. The negative impacts of lower product prices and high procurement costs were partially offset by efficiency gains from new capacity ramp-up, tighter cost controls and streamlined operations.

For the solar farm business, gross profit contribution decreased by 6.6% in the 1H2023 to HK\$1,049.9 million (1H2022: HK\$1,124.2 million) and gross profit margin dropped to 70.4% in the 1H2023 (1H2022: 74.0%). The decline was mainly due to: (i) certain solar farm projects not yet included in the First Qualified Project List used the reduced tariff adjustment amount as the basis for revenue recognition and (ii) the increase in labour costs and depreciation expenses.

## **Other income**

During the 1H2023, the Group's other income increased by HK\$23.5 million to HK\$138.7 million, as compared to HK\$115.2 million recorded in the 1H2022. The increase was principally due to the increase in government grant income.

## **Other (losses)/gains, net**

The Group recorded other losses, net of HK\$18.6 million for the 1H2023, as compared to other gains, net of HK\$4.3 million for the 1H2022. The losses in the 1H2023 mainly comprised: (i) foreign exchange gains of HK\$21.8 million; (ii) the net fair value gains on financial assets at fair value through profit or loss of HK\$20.5 million; (iii) losses on disposal of property, plant and machinery of HK\$31.0 million; and (iv) losses on disposal of bills receivables at fair value through other comprehensive income of HK\$29.9 million.

## **Selling and marketing expenses**

The Group's selling and marketing expenses increased from HK\$10.5 million in the 1H2022 to HK\$57.5 million in the 1H2023. The increase was mainly due to increase in solar glass sales volume and higher amortisation expenses related to the use of iron pallets (used for product transportation and storage). The selling and marketing expenses to revenue ratio was 0.5% in the 1H2023 (1H2022: 0.1%).

## **Administrative and other operating expenses**

Administrative and other operating expenses increased by HK\$133.4 million, or 30.9%, from HK\$431.9 million in the 1H2022 to HK\$565.3 million in the 1H2023. The increase was mainly due to the increase in: (i) research and development expenses of HK\$78.6 million; (ii) employee benefit expenses of HK\$20.7 million; and (iii) other miscellaneous operating expenses. With higher spending on research and development, the ratio of administrative and other operating expenses to revenue increased slightly from 4.5% in the 1H2022 to 4.7% in the 1H2023.

## **Finance costs**

The Group's finance costs increased from HK\$83.8 million (or HK\$94.1 million before capitalisation) in the 1H2022 to HK\$172.2 million (or HK\$224.9 million before capitalisation) in the 1H2023. The increase was principally due to the increase in interest rates. During the 1H2023, an interest expense of HK\$52.7 million (1H2022: HK\$10.3 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 net profits of investments accounted for using the equity method**

In the 1H2023, the Group recorded share of net profits of investments accounted for using the equity method of HK\$17.3 million (1H2022: HK\$16.3 million). The profit contribution from these investments was mainly derived from a 100MW solar farm project in Lu'an, Anhui Province, China, in which the Group has a 50% equity stake.

## **Income tax expense**

The Group's income tax expense decreased from HK\$420.2 million in the 1H2022 to HK\$334.5 million in the 1H2023. The decrease was primarily attributable to a decline in profit contribution from solar glass business. The effective tax rate of the Group increased slightly from 15.8% in the 1H2022 to 16.6% in the 1H2023 due to the expiry of income tax exemptions/reductions for certain solar farms.

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

## **EBITDA and net profit**

In the 1H2023, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK\$3,054.5 million, representing a decrease of 11.5% as compared to the HK\$3,451.0 million recorded in the 1H2022. The EBITDA margin (calculated based on total revenue for the period) was 25.2% for the 1H2023, as compared to 35.6% for the 1H2022.

Net profit attributable to equity holders of the Company for the 1H2023 was HK\$1,391.5 million, representing a decrease of 26.9% as compared to HK\$1,904.6 million for the 1H2022. Net profit margin decreased to 11.5% for the 1H2023 from 19.6% for the 1H2022, mainly due to: (i) the decline in operating profit from the solar glass and solar farm businesses; (ii) the increase in administrative and other operating expenses; and (iii) higher finance costs.

## **Financial Resources and Liquidity**

During the 1H2023, the total assets of the Group increased by 4.9% to HK\$53,042.9 million while shareholders' equity decreased by 2.4% to HK\$29,028.2 million. The decline in shareholders' equity was mainly due to the 2022 final dividend payment of HK\$890.3 million and the increase in the debit balance of the Group's exchange reserve from HK\$1,885.2 million at 31 December 2022 to HK\$3,088.5 million at 30 June 2023 as a result of depreciation of RMB against HKD, partially offset by the net profit for the 1H2023. The Group's current ratio as of 30 June 2023 was 1.4, as compared to 1.8 as of 31 December 2022. The decrease in current ratio was primarily due to the decrease in cash and cash equivalents and increase in dividend payable.

During the 1H2023, the Group's primary source of funding included cash generated from the Group's operating activities and the rights issue conducted by Xinyi Energy. Net cash generated from operating activities amounted to HK\$2,189.0 million (1H2022: HK\$2,929.1 million). The decrease in net cash inflow was primarily attributable to the increase in working capital as a result of expanded scale of business operations and the decline in profitability of the solar glass segment. Net cash used in investing activities amounted to HK\$4,602.4 million (1H2022: HK\$2,879.7 million). The increase was primarily due to capital expenditures in relation to the expansion of solar glass capacity, investments in new solar farm projects and construction of polysilicon production facility. Net cash generated from financing activities amounted to HK\$1,216.0 million (1H2022: net cash used in HK\$252.0 million). During the 1H2023, the Group secured new borrowings of HK\$3,575.9 million and repaid borrowings of HK\$3,274.3 million. In addition, the Group's non-wholly owned subsidiary, Xinyi Energy, raised net proceeds of approximately HK\$1,627.8 million by the allotment of 744,040,025 rights shares on 1 June 2023.

As of 30 June 2023, the Group's net debt gearing ratio (calculated as borrowings less cash and cash equivalents divided by total equity) was 12.9% (31 December 2022: 7.7%). The change in the Group's gearing level was primarily due to the decrease in cash and cash equivalents as well as increase in borrowings.

## **BUSINESS OUTLOOK**

After years of technological advancement and cost-efficiency improvement, the use of solar power is now expanding at a rate unmatched by other power generation technologies. The annual increase in the PV installations has already significantly more than that of the other renewable energy sources. However, the solar power generation only accounted for 4.5% of the world's use of electricity in 2022. The room for future growth remains high.

The continuous development of the PV industry has brought new opportunities and challenges to the different segments of the solar value chain. Nevertheless, due to the different paces of development (e.g., changes in industry structure, the time required to build new capacity and the technological innovation rate), cyclical imbalances between demand and supply for different product components may occur from time to time. Volatile component prices have led to fluctuations in the profitability of different segments in the solar value chain.

Over the past two years, the tight supply of polysilicon has hindered the continued downward movement in PV installation costs, limiting to a certain extent the full release of downstream installation demand. In the 1H2023, this supply bottleneck was gradually resolved, especially in the late second quarter of 2023. The decline in the solar module prices and the overall installation costs have laid a solid foundation for faster growth in downstream installation demand in the second half of the year, leading to a more optimistic outlook for the demand for solar glass products.

Regarding the industry supply, the growth in the new production capacity of the solar glass industry already slowed down in 1H2023 after experiencing the significant growth over the past one to two years. The new production capacity of the solar glass industry in 2023 is expected to be lower than that in 2022. The supply and demand dynamics of the solar glass market may gradually change to become more favorable to the solar glass manufacturers as new capacity is reduced but the downstream demand continues to increase rapidly.

The Group plans to add seven new solar glass production lines with a daily melting capacity of 1,000 tonnes each, thereby increasing its total solar glass daily melting capacity from 19,800 tonnes at the end of 2022 to 26,800 tonnes at the end of 2023. Two new production lines have been in operation in the 1H2023. The Group is also actively seeking opportunities to expand its overseas production capacity in view of the increasing restrictions on new solar glass capacity in China and the heightened risk of international trade conflicts. In the 1H2023, the Group has commenced the construction of two new solar glass production lines with a daily melting capacity of 1,200 tonnes each in Malaysia. These two new production lines are expected to commence operation in the first half of 2024. In addition, the Group is also planning to add three new solar glass production lines with a daily melting capacity of 1,000 tonnes each in China in the first half of 2024.

As for procurement costs, certain key energy and raw material costs, such as natural gas and soda ash, have been declining since the second quarter of 2023. However, due to the lagging effect (time needed to digest inventory on hand and execute new purchase contracts), the change did not contribute much to the Group's profit performance in the solar glass segment in the 1H2023, but its positive impact will become more evident in the second half of 2023.

As for the solar farm business, the Group will further explore development opportunities in different PRC regions so as to enhance its project pipeline. Given the recent decline in solar module prices, the Group is preparing to accelerate the installation and construction of solar farm projects in the second half of 2023. With a total of over 1,000MW solar farm of projects currently under construction, the Group is confident that it will meet or even exceed the year installation target of 500MW to 800MW.

The Group's polysilicon production facilities located in Qujing City, Yunnan Province, is a joint venture investment owned as to 52% and 48% by the Group and Xinyi Group (Glass) Company Limited, respectively. Construction of the production facilities of annual capacity of 60,000 tonnes is in progress and trial production is expected to commence around the end of 2023.

Overall, the release of polysilicon capacity and the declining solar module costs could provide greater impetus for global PV installation growth in the second half of 2023, bringing a new dimension to the solar value chain. With the continued growth in use of the solar energy, the Directors are cautiously optimistic about the Group's business prospects. Nevertheless, the short-term fluctuations in the downstream installation demand and the increased industry supply may still lead to significant price volatility that could affect the Group's business performance. Therefore, the Group will continue to strive to improve its competitiveness in order to meet the opportunities and challenges presented by different market situations. The Directors believe that the Group will continue to enjoy the benefits of further industry expansion, strong downstream demand growth, and its own efficiency improvement. The Group's solid business foundation and proven successful business model will enable it to navigate through different market cycles and facilitate the parallel development of its solar glass and solar farm businesses.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

The Group incurred capital expenditures of HK\$4,396.9 million for the 1H2023 which were primarily used in the expansion and upgrade of solar glass production capacity, the development of solar farm projects and the construction of polysilicon production facility. Capital commitments contracted for but not incurred by the Group as of 30 June 2023 amounted to HK\$7,284.0 million, which were mainly related to the addition of new solar glass production capacity, the development and construction of solar farm projects and the establishment of polysilicon production facility.

## **PLEDGE OF ASSETS**

As of 30 June 2023, bills receivables of HK\$46.6 million and bank deposits of HK\$409.9 million were pledged as collaterals for obtaining letter of credit facilities in the PRC. As at 30 June 2023, the carrying amount of certain property, plant and equipment pledged as security for other borrowings of a non-wholly owned subsidiary of the Group amounted to HK\$4.1 million.

## **CONTINGENT LIABILITIES**

As of 30 June 2023, the Group did not have any significant contingent liabilities.

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

There was no material acquisition and disposal of subsidiaries and associated companies during the 1H2023.

## **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”). Given the pegged exchange rate between HKD and USD, the Directors do not foresee the Group is subject to significant foreign exchange risk for transactions conducted in HKD or USD. However, exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group’s performance and asset value. The Group also has solar glass production facilities and business activities in Malaysia. 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 the 1H2023, 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\$1,203.3 million were recorded as the exchange reserve movement in 1H2023. As a result, the debit balance of the Group’s consolidated exchange reserve account increased from HK\$1,885.2 million as of 31 December 2022 to HK\$3,088.5 million as of 30 June 2023.

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. In view of the reversal of interest rate differential between HKD bank borrowings and RMB bank borrowings (from a relatively lower interest costs changed to a higher interest cost), the Group commenced the drawdown of RMB bank borrowings in Mainland China in the 1H2023. As of 30 June 2023, 73.8% and 26.2% of the bank borrowings of the Group were denominated in HKD and RMB, respectively.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the 1H2023, the Group did not use any financial instrument for hedging purpose.

## **EMPLOYEES AND REMUNERATION POLICY**

As of 30 June 2023, the Group had about 10,438 full-time employees of whom 9,560 were based in Mainland China and 878 were based in Malaysia, Hong Kong, and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK\$558.5 million for the 1H2023.

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.

## **CAPITAL STRUCTURE**

During the 1H2023, there has been no material change in the capital structure of the Company. The capital of the Company comprises only ordinary shares.

## **SHARE OPTION SCHEME**

Pursuant to the share option scheme adopted by the Company in June 2014, an aggregate of 16,161,000 share options were granted to selected employees and an executive director in March 2023. The share options are valid from 31 March 2023 to 31 March 2027. One third of the options would be vested on each year-end date of 2023, 2024 and 2025 if the relevant grantee has satisfied the conditions of vesting as stated in the letter of grant.

## **EVENT AFTER THE REPORTING PERIOD**

There was no significant event affecting the Group which occurred after 30 June 2023 and up to the date of this announcement.

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

The Board has resolved to declare an interim dividend of 7.5 HK cents per share for the 1H2023 (1H2022: 10.0 HK cents) to be paid to the shareholders (the “**Shareholders**”) of the Company with their names recorded on the register of members of the Company at the close of business on Thursday, 17 August 2023. The interim dividend is expected to be payable on or about Wednesday, 6 September 2023. The register of members of the Company will be closed from Tuesday, 15 August 2023 to Thursday, 17 August 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 August 2023.

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

During the 1H2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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

The Directors confirmed that the Company has complied with the applicable code provisions contained in the Corporate Governance Code (the “**Code**”) as set forth in Part 2 of Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the 1H2023.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code during the 1H2023.

## **REVIEW OF THE INTERIM RESULTS**

The Company’s interim results for the 1H2023 have not been audited but have been reviewed by the Company’s audit committee. 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 the independent non-executive Directors.

## **PUBLICATION OF THE INTERIM REPORT**

The interim report of the Company for the 1H2023 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, S.B.S., B.B.S., M.H.**  
*Chairman*

Hong Kong, 31 July 2023

*As of the date of this announcement, the Board comprises four executive Directors, namely Mr. LEE Shing Put, B.B.S. (Vice Chairman of the Board), Mr. LEE Yau Ching, Mr. LI Man Yin and Mr. CHU Charn Fai, two non-executive Directors, namely Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. (Chairman of the Board), and Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. (Vice Chairman of the Board), 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).*