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XINYI GLASS HOLDINGS LIMITED

信義玻璃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00868)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2023	2022	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	12,621.2	13,649.4	-7.5%
Profit attributable to equity holders of the Company	2,147.9	3,304.9	-35.0%
Earnings per share - Basic	52.1 HK cents	82.1 HK cents	-36.5%
Interim dividend per share	26.0 HK cents	40.0 HK cents	

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Glass Holdings Limited (the “**Company**”) together with its subsidiaries, the “**Group**”) announces the unaudited interim condensed consolidated 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 Balance Sheet

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		As at	
		30 June 2023	31 December 2022
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	17,500,009	17,555,471
Right-of-use assets	5(A)	4,284,979	4,225,539
Investment properties	7	1,440,849	1,490,785
Prepayments for property, plant and equipment, right-of-use assets and intangible assets	9	897,904	920,655
Intangible assets		980,846	870,197
Financial assets at fair value through other comprehensive income	21	—	27,441
Investments in associates	8	9,170,972	9,349,334
Loans to an associate		26,957	27,936
Fixed bank deposits	10	3,672,166	4,845,730
Deferred income tax assets		275	—
		<u>37,974,957</u>	<u>39,313,088</u>
Current assets			
Inventories		4,243,991	4,296,655
Trade and other receivables	9	5,207,635	4,566,333
Financial assets at fair value through profit and loss	21	252,489	734,170
Pledged bank deposits	10	142,579	141,388
Cash and cash equivalents	10	3,778,263	3,180,155
		<u>13,624,957</u>	<u>12,918,701</u>
Total assets		<u><u>51,599,914</u></u>	<u><u>52,231,789</u></u>

		As at	
		30 June 2023	31 December 2022
	Note	(Unaudited)	(Audited)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	412,637	410,910
Share premium	11	573,995	1,282,953
Other reserves	12	(106,281)	1,677,022
Retained earnings		30,735,066	28,601,785
		<u>31,615,417</u>	<u>31,972,670</u>
Non-controlling interests		113,557	114,953
		<u>31,728,974</u>	<u>32,087,623</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	6,011,854	7,721,244
Deferred income tax liabilities		455,324	468,078
Lease liabilities	5(B)	2,025	848
Other payables	13	168,866	51,255
		<u>6,638,069</u>	<u>8,241,425</u>
Current liabilities			
Trade, other payables and contract liabilities	13	5,590,401	5,396,606
Current income tax liabilities		716,711	691,469
Lease liabilities	5(B)	3,763	20,230
Bank borrowings	14	6,921,996	5,794,436
		<u>13,232,871</u>	<u>11,902,741</u>
Total liabilities		<u>19,870,940</u>	<u>20,144,166</u>
Total equity and liabilities		<u>51,599,914</u>	<u>52,231,789</u>
Total assets less current liabilities		<u>38,367,043</u>	<u>40,329,048</u>

Condensed Consolidated Income Statement

(All amount in Hong Kong dollar thousands unless otherwise stated)

		Unaudited	
		Six months ended	
		30 June	
	<i>Note</i>	<u>2023</u>	<u>2022</u>
Revenue	4	12,621,221	13,649,417
Cost of sales	15	(8,961,771)	(8,407,536)
Gross profit		3,659,450	5,241,881
Other income	4	283,632	414,589
Other gains – net	16	133,528	120,212
Selling and marketing costs	15	(670,560)	(951,614)
Administrative expenses	15	(1,098,891)	(1,303,276)
Net impairment losses on financial assets		(3,801)	(4,111)
Operating profit		2,303,358	3,517,681
Finance income	17	111,778	34,948
Finance costs	17	(275,633)	(124,007)
Share of profits of associates	8	333,756	470,285
Profit before income tax		2,473,259	3,898,907
Income tax expense	18	(317,136)	(582,423)
Profit for the period		<u>2,156,123</u>	<u>3,316,484</u>
Profit for the period attributable to:			
– Equity holders of the Company		2,147,890	3,304,917
– Non-controlling interests		8,233	11,567
Profit for the period		<u>2,156,123</u>	<u>3,316,484</u>
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in Hong Kong cents per Share)			
– Basic	20	52.1	82.1
– Diluted	20	52.0	81.5

Condensed Consolidated Statement of Comprehensive Income

(All amount in Hong Kong dollar thousands unless otherwise stated)

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Profit for the period	<u>2,156,123</u>	<u>3,316,484</u>
Other comprehensive income		
Items that will not be reclassified subsequently to the consolidated income statement:		
Change in fair value of financial assets at fair value through other comprehensive (loss)/income	(27,441)	2,166
Dilution of interest in an associate	3,924	(783)
Items that may be reclassified subsequently to the consolidated income statement:		
Currency translation differences	(1,475,338)	(1,862,716)
Share of other comprehensive loss of investments accounted for using the equity method	<u>(323,783)</u>	<u>(394,320)</u>
Total comprehensive income for the period	<u>333,485</u>	<u>1,060,831</u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	327,121	1,051,882
– Non-controlling interests	<u>6,364</u>	<u>8,949</u>
	<u>333,485</u>	<u>1,060,831</u>

Condensed Consolidated Statement of Changes in Equity

(All amount in Hong Kong dollar thousands unless otherwise stated)

	Unaudited							
	Attributable to equity holders of the Company						Non- controlling interests	Total equity
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 31 December 2022 and 1 January 2023		410,910	1,282,953	1,677,022	28,601,785	31,972,670	114,953	32,087,623
Comprehensive income								
Profit for the period		—	—	—	2,147,890	2,147,890	8,233	2,156,123
Other comprehensive income								
Changes in fair value of financial assets at FVOCI		—	—	(27,441)	—	(27,441)	—	(27,441)
Dilution of interest in an associate		—	—	3,924	—	3,924	—	3,924
Share of other comprehensive loss of investments accounted for using equity method		—	—	(323,783)	—	(323,783)	—	(323,783)
Currency translation differences		—	—	(1,473,469)	—	(1,473,469)	(1,869)	(1,475,338)
Total comprehensive income		—	—	(1,820,769)	2,147,890	327,121	6,364	333,485
Transactions with owners								
Employees share option scheme:								
– Proceeds from shares issued	11	1,727	198,770	(28,124)	—	172,373	—	172,373
– Value of employee services		—	—	50,981	—	50,981	—	50,981
– Release on forfeiture of share options		—	—	(57)	57	—	—	—
Dividend paid to non-controlling interests		—	—	—	—	—	(7,760)	(7,760)
Transfer to reserves		—	—	14,666	(14,666)	—	—	—
Dividends relating to 2022	19	—	(907,728)	—	—	(907,728)	—	(907,728)
Total transactions with owners		1,727	(708,958)	37,466	(14,609)	(684,374)	(7,760)	(692,134)
Balance at 30 June 2023		<u>412,637</u>	<u>573,995</u>	<u>(106,281)</u>	<u>30,735,066</u>	<u>31,615,417</u>	<u>113,557</u>	<u>31,728,974</u>

Unaudited							
Attributable to equity holders of the Company							
<i>Note</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at 31 December 2021 and							
1 January 2022	401,866	—	5,717,742	28,479,039	34,598,647	107,877	34,706,524
Comprehensive income							
Profit for the period	—	—	—	3,304,917	3,304,917	11,567	3,316,484
Other comprehensive income							
Changes in fair value of financial assets at FVOCI	—	—	2,166	—	2,166	—	2,166
Dilution of interest in an associate	—	—	(783)	—	(783)	—	(783)
Share of other comprehensive loss of investments accounted for using equity method	—	—	(394,320)	—	(394,320)	—	(394,320)
Currency translation differences	—	—	(1,860,098)	—	(1,860,098)	(2,618)	(1,862,716)
Total comprehensive income	<u>—</u>	<u>—</u>	<u>(2,253,035)</u>	<u>3,304,917</u>	<u>1,051,882</u>	<u>8,949</u>	<u>1,060,831</u>
Transactions with owners							
Employees share option scheme:							
– Proceeds from shares issued	1,668	215,918	(32,565)	—	185,021	—	185,021
– Value of employee services	—	—	41,218	—	41,218	—	41,218
– Release on forfeiture of share options	—	—	(111)	111	—	—	—
Dividend paid to non-controlling interests	—	—	—	—	—	(5,212)	(5,212)
Dividends relating to 2021	19	—	—	(3,066,274)	(3,066,274)	—	(3,066,274)
Total transactions with owners	<u>1,668</u>	<u>215,918</u>	<u>8,542</u>	<u>(3,066,163)</u>	<u>(2,840,035)</u>	<u>(5,212)</u>	<u>(2,845,247)</u>
Balance at 30 June 2022	<u>403,534</u>	<u>215,918</u>	<u>3,473,249</u>	<u>28,717,793</u>	<u>32,810,494</u>	<u>111,614</u>	<u>32,922,108</u>

Condensed Consolidated Cash Flow Statement

(All amount in Hong Kong dollar thousands unless otherwise stated)

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Cash flows from operating activities		
Cash generated from operations	2,009,564	4,832,518
Interest paid	(308,882)	(135,907)
Income tax paid	(283,057)	(760,188)
Cash flows from operating activities - net	1,417,625	3,936,423
Cash flows from investing activities		
Payment for right-of-use assets in relation to land use rights	(123,314)	(117,643)
Prepayment for right-of-use assets in relation to land use rights	(87,445)	—
Purchase of property, plant and equipment	(1,437,739)	(719,743)
Purchase of intangible assets	(140,624)	(50,505)
Purchase of financial assets at fair value through profit and loss	—	(273,911)
Proceeds from disposal of financial assets at fair value through profit and loss	422,667	316,415
Addition to investment in an associate	(58,291)	—
Decrease/(increase) in fixed deposits	1,052,096	(1,035,391)
Interests received	111,778	34,948
Other investing activities	96,177	99,537
Cash flows used in investing activities - net	(164,695)	(1,746,293)
Cash flows from financing activities		
Proceeds from bank borrowings	3,310,731	2,899,730
Repayment of banks borrowings	(3,859,236)	(2,588,257)
Repayment of lease liabilities	(15,642)	(15,467)
Dividends paid to non-controlling interests	(7,760)	(5,212)
Net proceeds from issuance of ordinary shares by share options	172,373	185,021
Cash flows (used in) from financing activities - net	(399,534)	475,815
Net increase in cash and cash equivalents	853,396	2,665,945
Cash and cash equivalents at beginning of the period	3,180,155	9,220,384
Effect of foreign exchange rate changes	(255,288)	(417,543)
Cash and cash equivalents at end of the period	3,778,263	11,468,786

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) is principally engaged in the production and sales of automobile glass, architectural glass and float glass products through production complexes located in the People’s Republic of China (the “**PRC**”) and Malaysia.

The principal place of business of the Group in Hong Kong is situated at Unit 2101-2108, 21st Floor, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

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 has been approved for issue by the Board on 31 July 2023.

2 BASIS OF PREPARATION

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 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**”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2022, as described in 2022 annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new standards, amendments to standards and interpretations are effective for accounting periods beginning on or after 1 January 2023. The adoption of these new standards, amendments to standards and interpretations does not have any material impact to the results and financial position of the Group for the current or prior periods.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contract	1 January 2023
HKFRS 17 (Amendment)	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Note:

There are no other new standards, amendments to standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on results and financial position of the Group.

The Group has not applied any new standards, amendments to standards and interpretations that are not effective for current accounting period.

4 SEGMENT INFORMATION

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

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

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

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

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

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

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
	<u> </u>	<u> </u>
Segment gross profit	3,659,450	5,241,881
Unallocated:		
Other income	283,632	414,589
Other gains, net	133,528	120,212
Selling and marketing costs	(670,560)	(951,614)
Administrative expenses	(1,098,891)	(1,303,276)
Net impairment losses on financial assets	(3,801)	(4,111)
Finance income	111,778	34,948
Finance costs	(275,633)	(124,007)
Share of profits of associates	333,756	470,285
	<u> </u>	<u> </u>
Profit before income tax	<u>2,473,259</u>	<u>3,898,907</u>

Reportable segments assets/(liabilities) for the period ended 30 June 2023 and the year ended 31 December 2022 are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets/(liabilities)	33,632,956	34,096,279	(5,197,073)	(5,783,646)
Unallocated:				
Property, plant and equipment	1,857,918	1,794,190	—	—
Right-of-use assets	2,429,480	2,481,436	—	—
Investment properties	1,440,849	1,490,785	—	—
Prepayments for property, plant and equipment, right-of-use assets and intangible assets	11,066	208,723	—	—
Intangible assets	26,339	28,222	—	—
Fixed deposits	184,865	102,183	—	—
Financial assets at FVOCI	—	27,441	—	—
Financial assets at fair value through profit and loss	252,489	734,170	—	—
Investments in associates	9,170,972	9,349,334	—	—
Loan to an associate	26,957	27,936	—	—
Prepayments, deposits and other receivables	1,168,597	1,105,938	—	—
Cash and cash equivalents	1,397,426	785,152	—	—
Other payables	—	—	(634,987)	(660,301)
Dividend payables	—	—	(907,728)	—
Current income tax liabilities	—	—	(96,145)	(76,198)
Deferred income tax liabilities	—	—	(370,727)	(387,701)
Bank and other borrowings	—	—	(12,664,280)	(13,236,320)
Total assets/(liabilities)	<u>51,599,914</u>	<u>52,231,789</u>	<u>(19,870,940)</u>	<u>(20,144,166)</u>

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

	Unaudited Six months ended 30 June	
	2023	2022
Sales of float glass	8,019,562	9,231,059
Sales of automobile glass	2,995,064	2,946,978
Sales of architectural glass	1,606,595	1,471,380
Total	<u>12,621,221</u>	<u>13,649,417</u>

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

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Greater China	8,822,182	9,648,348
North America	1,039,267	1,290,851
Europe	592,650	422,030
Other countries	2,167,122	2,288,188
	<u>12,621,221</u>	<u>13,649,417</u>

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

	As at	
	30 June	31 December
	2023	2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China	36,066,028	37,407,393
Malaysia	1,642,697	1,781,932
Other countries	266,232	96,322
	<u>37,974,957</u>	<u>39,285,647</u>

5 LEASES

5 (A) The information for leases where the Group is a lessee is analysed as follows:

	Leasehold lands and land-use rights	Buildings	Total
Period ended 30 June 2023 (Unaudited)			
Opening net book amount	4,205,747	19,792	4,225,539
Currency translation differences	(146,354)	—	(146,354)
Additions	273,799	629	274,428
Depreciation charges	(53,601)	(15,033)	(68,634)
Closing net book amount	<u>4,279,591</u>	<u>5,388</u>	<u>4,284,979</u>

5 (B) Lease liabilities

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current	3,763	20,230
Non-current	2,025	848
As at 30 June/31 December	<u>5,788</u>	<u>21,078</u>

Notes:

- (a) The total cash outflow for the leases during the period was HK\$15,642,000.
- (b) Lands in the PRC are state-owned. The Group acquired leasehold lands from mainland China government by one-off prepayment with lease terms of 20 to 50 years. The leasehold lands were classified as “right-of-use assets”. The Group also leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 year to 5.7 years.

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

- (c) Depreciation charges of HK\$35,000 were capitalised as direct cost of construction in progress during the period ended 30 June 2023 when the building thereon were not yet ready for production purposes. For the period ended 30 June 2023, depreciation of the Group’s right-of-use assets amounted to HK\$68,599,000 were charged to the consolidated income statement (*Note 15*).

6 PROPERTY, PLANT AND EQUIPMENT

	Unaudited					
	Six months ended 30 June 2023					
	Construction in progress	Freehold land	Buildings	Plant and machinery	Office equipment	Total
Opening net book amount as at 1 January 2023	189,262	160,772	4,820,559	12,289,842	95,036	17,555,471
Currency translation differences	(7,092)	(8,377)	(169,116)	(417,310)	(2,793)	(604,688)
Additions	841,194	—	108,072	543,421	16,628	1,509,315
Impairment	—	—	—	(74,648)	—	(74,648)
Transfers	(182,558)	—	37,922	143,262	1,374	—
Disposals	—	—	(595)	(108,957)	(26)	(109,578)
Depreciation charge	—	—	(116,353)	(641,235)	(18,275)	(775,863)
Closing net book amount as at 30 June 2023	<u>840,806</u>	<u>152,395</u>	<u>4,680,489</u>	<u>11,734,375</u>	<u>91,944</u>	<u>17,500,009</u>

Note:

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

- Buildings 20-30 years
- Plant and machinery (note a) 5-20 years
- Office equipment 3-7 years

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

- (a) Only solar energy related equipment is applicable to depreciation of useful lives of 20 years.

7 INVESTMENT PROPERTIES

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
As at 1 January	1,490,785	1,661,384
Currency translation differences	(49,936)	(138,749)
Additions	—	4,177
Transferred from property, plant and equipment	—	16,901
Transferred from land use right	—	801
Fair value losses	—	(53,729)
As at 30 June/31 December	<u>1,440,849</u>	<u>1,490,785</u>

As at 30 June 2023, the Group has four investment properties in the PRC and an investment property in Hong Kong.

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

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

The Group's interest in the investment properties at their net book amount is analysed as follows:

	As at	
	30 June	31 December
	2023	2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Fair value hierarchy (level 3):		
– Commercial building – Xiamen, the PRC	1,145,784	1,187,395
– Commercial building – Shenzhen, the PRC	113,651	117,779
– Office building – Wuhu, the PRC	112,811	116,907
– Office unit – Hong Kong	65,840	65,840
	<hr/>	<hr/>
	1,438,086	1,487,921
At cost		
– Commercial units – Shenzhen, the PRC	2,763	2,864
	<hr/>	<hr/>
	<u>1,440,849</u>	<u>1,490,785</u>

There were no transfers between level 1, 2 and 3 during the period.

8 INVESTMENTS IN ASSOCIATES

	As at	
	30 June	31 December
	2023	2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
At 1 January	9,349,334	9,482,532
Currency translation differences	(1,041)	(2,850)
Addition to investment in an associate	58,291	186,724
Dilution of interests in an associate	(1,849)	21,183
Share of profits of associates	333,756	922,790
Share of other comprehensive loss	(323,783)	(771,416)
Dividend received	(243,736)	(489,629)
	<hr/>	<hr/>
At 30 June/31 December	<u>9,170,972</u>	<u>9,349,334</u>

9 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (note (a))	1,916,282	1,966,830
Less: provision for impairment of trade receivables	<u>(60,578)</u>	<u>(62,087)</u>
	1,855,704	1,904,743
Bills receivables (note (b))	<u>1,107,195</u>	<u>743,952</u>
Trade and bills receivables – net	2,962,899	2,648,695
Prepayments, deposits and other receivables	<u>3,142,640</u>	<u>2,838,293</u>
	<u>6,105,539</u>	<u>5,486,988</u>
Less: non-current portion		
Prepayments for property, plant and equipment, right-of-use assets and land use rights	<u>(897,904)</u>	<u>(920,655)</u>
	<u><u>5,207,635</u></u>	<u><u>4,566,333</u></u>

Notes:

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

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	1,575,262	1,445,061
91-180 days	182,977	348,919
181-365 days	58,353	97,583
1-2 years	50,575	60,488
Over 2 years	<u>49,115</u>	<u>14,779</u>
	<u><u>1,916,282</u></u>	<u><u>1,966,830</u></u>

- (b) All bills receivables are issued by licensed banks in the PRC with maturities ranging within twelve months.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purpose of the condensed consolidated cash flows:

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and cash equivalents and pledged bank deposits	7,593,008	8,167,273
Less:		
– Pledged bank deposits (note (a))	(142,579)	(141,388)
– Fixed deposits – long term (note (b))	(3,672,166)	(4,845,730)
Cash and cash equivalents	<u>3,778,263</u>	<u>3,180,155</u>

Notes:

- (a) The pledged bank deposits represents deposits pledged as collateral principally as security for import duties payable to the US Customs.
- (b) The Group placed fixed bank deposits with major license banks in the PRC, with fixed maturities and fixed interest rates. These bank deposits have an average maturity of 3 years.

11 SHARE CAPITAL

The share capital of the Company comprised ordinary shares (the “Shares”) of HK\$0.1 each.

	<i>Note</i>	Number of Shares	Ordinary shares of HK\$0.1 each	Share Premium	Total
Authorised:					
As at 31 December 2022 and 30 June 2023		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
As at 1 January 2023		4,109,103,027	410,910	1,282,953	1,693,863
Issues of Shares under an employees’ share option scheme	(a)	17,270,200	1,727	198,770	200,497
Dividend relating to 2022	19	—	—	(907,728)	(907,728)
As at 30 June 2023		<u>4,126,373,227</u>	<u>412,637</u>	<u>573,995</u>	<u>986,632</u>

Notes:

- (a) Details of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	For the six months ended 30 June			
	2023		2022	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per Share	Options (thousands)
At 1 January	16.88	107,843	13.74	104,189
Granted	15.52	35,000	21.80	35,000
Exercised	9.46	(17,270)	10.79	(16,683)
Lapsed	16.41	(3,487)	14.32	(8,235)
Expired	9.53	(34)	11.74	(56)
At 30 June	<u>17.55</u>	<u>122,052</u>	<u>16.60</u>	<u>114,215</u>

Out of the 122,052,000 outstanding options, 26,616,000 options were exercisable as at 30 June 2023. Options exercised in 2023 resulted in 17,270,200 Shares being issued at a weighted average price at the time of exercise of HK\$9.46 each.

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

Expiry date	Exercise price in HK dollar per Share	Options (thousands)
31 March 2024	8.82	26,616
31 March 2025	23.35	29,647
31 March 2026	21.80	30,936
31 March 2027	15.524	34,853
		<u>122,052</u>

The weighted average fair value of options granted during the period determined using the Black - Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited. The value of share options granted during the period was based on the following assumptions:

Date of grant	1 March 2023
Option valued	HK\$4.1286
Share price at the date of grant	HK\$15.02
Exercisable price	HK\$15.524
Expected volatility	45.1180%
Annual risk-free interest rate	3.9565%
Life of option	3 years and 6 months
Dividend yield	4.1278%

12 OTHER RESERVES

	Statutory reserve fund	Enterprise expansion fund	Foreign currency translation reserve	Capital reserve	Share options reserve	Property revaluation reserve	Capital redemption reserve	FVOCI reserve	Subtotal	Retained earnings	Total
Balance at 1 January 2023	3,601,853	46,867	(2,580,175)	405,241	150,450	37,227	26,014	(10,455)	1,677,022	28,601,785	30,278,807
Profit for the period	—	—	—	—	—	—	—	—	—	2,147,890	2,147,890
Change in value of financial assets at FVOCI	—	—	—	—	—	—	—	(27,441)	(27,441)	—	(27,441)
Dilution of interest in an associate	—	—	3,924	—	—	—	—	—	3,924	—	3,924
Share of the other comprehensive loss of investments accounted for using the equity method	—	—	(323,783)	—	—	—	—	—	(323,783)	—	(323,783)
Currency translation differences	—	—	(1,473,469)	—	—	—	—	—	(1,473,469)	—	(1,473,469)
Employees' share option scheme:											
– Proceeds from shares issued	—	—	—	—	(28,124)	—	—	—	(28,124)	—	(28,124)
– Value of employee services	—	—	—	—	50,981	—	—	—	50,981	—	50,981
– Release on forfeiture of share options	—	—	—	—	(57)	—	—	—	(57)	57	—
Transfer to reserves	14,666	—	—	—	—	—	—	—	14,666	(14,666)	—
Balance at 30 June 2023	3,616,519	46,867	(4,373,503)	405,241	173,250	37,227	26,014	(37,896)	(106,281)	30,735,066	30,628,785

13 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (note (a))	1,331,751	1,594,545
Bill payables (note (b))	423,851	1,128,323
	1,755,602	2,722,868
Other payables	3,355,624	2,100,276
Contract liabilities	648,041	624,717
Less: non-current portion	(168,866)	(51,255)
Current portion	<u>5,590,401</u>	<u>5,396,606</u>

Notes:

- (a) At 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables, based on the invoice date, was as follows:

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	1,119,229	1,389,149
91-180 days	41,083	54,553
181-365 days	86,006	42,377
1-2 years	38,177	76,559
Over 2 years	47,256	31,907
	<u>1,331,751</u>	<u>1,594,545</u>

- (b) Bills payable have maturities ranging within twelve months.

14 BANK AND OTHER BORROWINGS

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current		
Bank borrowings, guaranteed (note (a))	11,900,618	13,136,320
Less: Current portion	<u>(5,888,764)</u>	<u>(5,415,076)</u>
Shown as non-current liabilities	<u>6,011,854</u>	<u>7,721,244</u>
Current		
Short term bank borrowings, guaranteed	1,033,232	379,360
Current portion of long-term bank borrowings, guaranteed	<u>5,888,764</u>	<u>5,415,076</u>
Shown as current liabilities	<u>6,921,996</u>	<u>5,794,436</u>
Total bank and other borrowings	<u><u>12,933,850</u></u>	<u><u>13,515,680</u></u>

Note:

- (a) The bank borrowings were guaranteed by corporate guarantees provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

At 30 June 2023 and 31 December 2022, the Group's bank borrowings were repayable as follows:

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	6,921,996	5,794,436
Between 1 and 2 years	4,822,444	5,827,106
Between 2 and 5 years	<u>1,189,410</u>	<u>1,894,138</u>
	<u><u>12,933,850</u></u>	<u><u>13,515,680</u></u>

At 30 June 2023 and 31 December 2022, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
HKD	11,589,230	12,344,132
RMB	733,233	279,361
USD	611,387	892,187
	<u>12,933,850</u>	<u>13,515,680</u>

The carrying amounts of bank borrowings approximate their fair values as at 30 June 2023 and 31 December 2022.

The effective interest rates (inclusive of HIBOR rate) at the balance sheet date were as follows:

	As at	
	30 June 2023	31 December 2022
Bank borrowings	<u>4.27%</u>	<u>2.20%</u>

Note: The current PBOC prime rate of Renminbi loan for 1 year is 4.35% (for reference only).

15 EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2023	2022
Depreciation and amortisation	737,122	747,179
Employee benefit expenses	1,126,396	1,019,877
Cost of inventories	7,081,481	6,290,492
Other selling expenses (including transportation and advertising costs)	353,304	617,313
Operating lease payments in respect of land and buildings	2,070	3,717
Other expenses, net	1,430,849	1,983,848
Total cost of sales, selling and marketing costs and administrative expenses	<u>10,731,222</u>	<u>10,662,426</u>

16 OTHER GAINS — NET

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Losses on disposal and written-off of property, plant and equipment, net	(103,208)	(48,317)
Unrealised fair value losses on financial assets at FVTPL	(27,606)	(1,248)
(Loss)/gain on disposal of financial assets at FVTPL	(6,668)	76,314
Other foreign exchange gains, net	276,213	70,480
(Loss)/gain on dilution of investment in an associate	(5,773)	21,966
Others	570	1,017
	<u>133,528</u>	<u>120,212</u>

17 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Interest income on short-term bank deposits	<u>111,778</u>	<u>34,948</u>

Note: The average deposit interest rate in the PRC was approximately 3.37% per annum during the reporting period.

FINANCE COSTS

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Interest on lease liabilities	392	1,396
Interest on bank borrowings	308,882	135,907
Less: interest expenses capitalised on qualified assets	(33,641)	(13,296)
	<u>275,633</u>	<u>124,007</u>

18 INCOME TAX EXPENSE

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Current income tax		
– Hong Kong profits tax (Note (a))	38,360	23,054
– PRC corporate income tax (Note (b))	267,076	386,270
– Overseas income tax (Note (c))	2,580	170,099
– Withholding tax on remitted earnings (Note (d))	11,596	2,992
Deferred income tax		
– Origination of temporary differences	(2,476)	8
	<u>317,136</u>	<u>582,423</u>

Notes:

(a) Hong Kong profits tax

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

(b) PRC corporate income tax (“CIT”)

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the period, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rates for major subsidiaries located in Deyang, Dongguan, Guangxi, Jiangmen, Shenzhen, Tianjin, Wuhu, Yingkou and Zhangjiagang are 25% (2022: 25%). Fifteen (2022: Fourteen) major subsidiaries in Deyang, Dongguan, Guangxi, Jiangmen, Shenzhen, Tianjin, Wuhu, Yingkou and Zhangjiagang enjoy high-tech enterprise income tax benefit and are entitled to a preferential tax treatment of reduction in CIT rate to 15% (2022: 15%).

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the periods ended 30 June 2023 and 2022 at the rates of taxation prevailing in the countries in which the Group operates.

(d) Withholding tax on remitted earnings

Withholding tax on remitted earnings from the PRC companies was ranging from 5% to 10%, and there is no withholding tax on remitted earnings from the Malaysian companies.

19 DIVIDENDS

	Six months ended	
	30 June	
	2023	2022
Final dividend payable for 2022 of 22.0 HK cents (2021: 76.0 HK cents) per Share	907,728	3,066,274
Declared interim dividend of 26.0 HK cents (2022: 40.0 HK cents) per Share	1,072,857	1,614,395
	<u>1,980,585</u>	<u>4,680,669</u>

Notes:

At a meeting of the Board held on 31 July 2023, the Directors declared an interim dividend of 26.0 HK cents per Share for the six months ended 30 June 2023. The amount of 2023 declared interim dividend is based on 4,126,373,227 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.

20 EARNINGS PER SHARE

BASIC

Basic earnings per Share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Shares in issue during the period.

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Profit attributable to equity holders of the Company (HK\$'000)	2,147,890	3,304,917
Weighted average number of Shares in issue (thousands)	4,120,139	4,025,507
Basic earnings per Share (HK cents per Share)	<u>52.1</u>	<u>82.1</u>

DILUTED

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

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	2,147,890	3,304,917
Share of profit of an associate as a result of diluted earnings at associate level (HK\$'000)	(106)	(459)
	<u>2,147,784</u>	<u>3,304,458</u>
Weighted average number of Shares in issue (thousands)	4,120,139	4,025,507
Adjustments for:		
Share options (thousands)	12,473	30,073
	<u>4,132,612</u>	<u>4,055,580</u>
Weighted average number of Shares for diluted earnings per Share (thousands)		
	<u>4,132,612</u>	<u>4,055,580</u>
Diluted earnings per Share (HK cents per Share)	<u>52.0</u>	<u>81.5</u>

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

FAIR VALUE ESTIMATION

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2023 and 31 December 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
At 30 June 2023				
Non-current assets				
Financial assets at FVOCI				
– Equity securities	—	—	—	—
Current assets				
Financial assets at FVTPL				
– PRC listed equity securities	23,760	—	—	23,760
– Other financial products	—	—	228,729	228,729
	<u>23,760</u>	<u>—</u>	<u>228,729</u>	<u>252,489</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
At 31 December 2022				
Non-current assets				
Financial assets at FVOCI				
– Hong Kong listed equity securities	27,441	—	—	27,441
Current assets				
Financial assets at FVTPL				
– PRC listed equity securities	30,212	—	—	30,212
– Other financial products	—	—	703,958	703,958
	<u>30,212</u>	<u>—</u>	<u>703,958</u>	<u>734,170</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments included in level 1 at 30 June 2023 comprised financial assets at FVOCI.

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

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

Specific valuation techniques used to value financial instruments include:

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

During six months ended 30 June 2023, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2022: Nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

22 COMMITMENTS

Capital expenditure not yet incurred at the end of reporting period is as follows:

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Contracted but not provided for property, plant and equipment, intangible assets and right-of-use assets	<u>1,454,965</u>	<u>1,378,231</u>

23 RELATED PARTY TRANSACTION

The following transactions were carried out with related parties:

(A) TRANSACTION WITH RELATED PARTIES

	Unaudited Six months ended 30 June	
	2023	2022
Purchases of goods from associates		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	163,774	156,162
– Wuxuan Xinbao Mining Co., Ltd.	9,040	8,361
– A subsidiary of Xinyi Solar Holdings Limited (“Xinyi Solar”)	—	2,360
Purchase of silica sands from an associate		
– A subsidiary of Xinyi Solar	38,225	44,363
Purchases of fixed assets and consumables from a related party		
– An entity controlled by the ultimate controlling parties	10	605
Wind farm management fee paid to a related party		
– An entity controlled by the ultimate controlling parties	4,531	4,852
Purchase of electric storage products from a related party		
– An entity controlled by the ultimate controlling parties	2,014	2,792
Sales of goods to an associate		
– A subsidiary of Xinyi Solar	4,537	4,168
Sales of goods to related parties		
– Entities controlled by the ultimate controlling parties	2	2,270
– An entity controlled by the ultimate controlling parties	4,084	4,350
Sales of machineries to an associate		
– A subsidiary of Xinyi Solar	120,700	126,116
Consultancy income received from an associate		
– A subsidiary of Xinyi Solar	—	388
Rental income received from an associate		
– A subsidiary of Xinyi Solar	4,789	4,433
Rental income received from a related party		
– An entity controlled by the ultimate controlling parties	280	159
Rental expenses paid to an associate		
– A subsidiary of Xinyi Solar	522	559
Rental expenses paid to a related party		
– An entity controlled by the ultimate controlling party	414	415
Engineering, procurement and construction service fee paid to an associate		
– A subsidiary of Xinyi Solar	4,190	412
Sales of fixed assets to an associate		
– A subsidiary of Xinyi Solar	413	635

(B) PERIOD/YEAR-END BALANCES WITH RELATED PARTIES

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Prepayment to an associate		
– Dongyuan County Xinhuali Quartz Sand Company Limited	29,114	30,171
Receivable from an associate arising from sales of machineries and land parcel		
– Subsidiaries of Xinyi Solar	85,527	155,756
(Payable)/receivable (to)/from related parties arising from sales of goods		
– Entities controlled by a controlling party	1,349	1,718
– An entity controlled by a controlling party	(7)	32
Payable to a related party arising from processing fee and management fee		
– An entity controlled by a controlling party	11,405	12,323
Payable to an associate arising from EPC service		
– A subsidiary of Xinyi Solar	908	478
Payable to an associate arising from purchase of goods		
– Beihai Yiyang Mineral Company Limited	(760)	(787)
Receivable from an associate		
– A subsidiary of Xinyi Solar	602,901	295,370
Loan to an associate		
– Wuxuan Xinbao Mining Co., Ltd.	26,957	27,936
Payable to associate arising from purchase of goods		
–A subsidiary of Xinyi Solar	—	741
Payable to an associate arising from purchase of silica sands		
– A subsidiary of Xinyi Solar	9,292	10,616

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the 1H2023, the revenue and the net profit of the Group were HK\$12,621.2 million and HK\$2,147.9 million, respectively, representing a decrease of 7.5% and 35.0%, as compared to HK\$13,649.4 million and HK\$3,304.9 million for the 1H2022.

Revenue

The decrease in the amount of the overall revenue for the 1H2023 was mainly attributable to the depreciation of Renminbi and the decrease in the average selling prices (“ASP”) of the float glass products during the 1H2023 which resulted in the revenue contributed by the float glass to decrease by 13.1% as compared to the 1H2022.

The increase of the amount of revenue generated from the automobile glass business was due to the increase in the sales volume in the overseas markets because of the decrease in the international freight costs after Covid and the recovery of the international markets.

The PRC property market continued to be weak during the 1H2023. The funding liquidity was tight and the construction of residential projects activities remained very competitive and slow.

With the PRC government policies on the environmental protection, carbon neutrality and the encouragement of energy-saving buildings, the Directors expect that the demand for the Group’s double and triple glazing architectural low emission (“Low-E”) coating glass products will continue to increase. As a leading Low-E glass manufacturer in Asia, the Group enjoys the economies of scale and a sales and delivery network covering the entire region. The increase in the sales of architectural glass projects was mainly attributable to the increase in the sales volume of a wide range of coating glass products and the focus on the government related, state owned enterprises and financially-sound property developers as compared with the 1H2022.

Gross Profit

The Group’s gross profit for the 1H2023 significantly decreased by 30.2% to HK\$3,659.5 million, as compared to HK\$5,241.9 million for the 1H2022. The gross profit margin decreased to 29.0% during the period under review, as compared to 38.4% for the 1H2022.

The decrease in the float glass gross margin was a result of the reduced ASP and the significant increases in the average costs of raw materials and energy during the 1H2023 as a result of supply shortage in the slow market environment within the PRC. The drop of the gross profit margin of the automobile glass and architectural glass businesses were mainly due to the higher production costs during the period.

Other Income

Other income decreased to HK\$283.6 million, as compared to HK\$414.6 million for the 1H2022. The decrease was mainly attributable to lower interest income of structured deposits received as more cash was shifted to fixed deposit during the 1H2023.

Other Gains - Net

Other gains for the 1H2023 were HK\$133.5 million, as compared to other gains of HK\$120.2 million for the 1H2022. The slight increase was mainly due to the increase in foreign exchange gains during the period under review, as compared to the 1H2022.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 29.5% to HK\$670.6 million for the 1H2023. The significant decrease was mainly due to lower transportation and international freight costs incurred after Covid.

Administrative Expenses

Administrative expenses decreased by 15.7% to HK\$1,098.9 million for the 1H2023. The decrease was principally attributable to lower expenses incurred for research and development during the period.

Share of Profits of Associates

Share of profits of associates were mainly from the associate companies of Xinyi Solar Holdings Limited and Xinyi Energy Holdings Limited. The share profits decreased to HK\$333.8 million, as compared to HK\$470.3 million for the 1H2022. The decrease was mainly due to the high production costs of solar glass during the first half of 2023.

Finance Costs

Finance costs increased by 122.3% to HK\$275.6 million for the 1H2023. The increase was principally due to the higher overall bank borrowing rate during the period. The higher interest expenses were capitalised as part of the total cost in the purchase of plant and machinery and the construction of factory buildings in the Group's PRC, Malaysian, and Indonesian production complexes, and these expenses have been charged to the income statement of the Group following the commencement of commercial production at the relevant production facilities. Interest amounting to HK\$33.6 million was capitalised under construction-in-progress for the 1H2023.

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

EBITDA decreased by 28.7% to HK\$3,374.2 million for the 1H2023, as compared to HK\$4,735.1 million for the 1H2022.

Income Tax Expense

Tax expense amounted to HK\$317.1 million for the 1H2023. The effective tax rate of the Group was decreased to 12.8% as compared to the 1H2022. The decrease of the income tax expense was mainly attributable to the reduced amount of the operating profit and overseas income tax paid during the period. Most of the Group's PRC subsidiaries are qualified as high technology enterprises with a preferential profit tax rate of 15% under the applicable PRC corporate income tax laws and regulations.

Net Profit

Net profit for the 1H2023 was HK\$2,147.9 million, representing a decrease of 35.0%, as compared to the 1H2022. The net profit margin for the period under review decreased to 17.0% from 24.2%, principally due to the decreases in the gross profits of float glass, architectural glass and automobile glass businesses.

Trade and Other Receivable

Trade and other receivables increased 14.0% to HK\$5,207.6 million for the 1H2023 as compare to the year ended 31 December 2022. The increase is mainly due to the higher bills receivables and prepayments, deposits and other receivables.

CAPITAL EXPENDITURE AND COMMITMENTS

For the 1H2023, the Group incurred an aggregate capital expenditure amounting to HK\$1,789.1 million for the purchase of plant and machinery and the construction of factory premises at its production complexes in China, Malaysia and Indonesia. Capital commitment contracted for but not incurred by the Group as of 30 June 2023 amounted to HK\$1,455.0 million (31 December 2022: HK\$1,378.2 million), which were mainly related to the new capacities of architectural glass, automobile glass and float glass to be added in China, Malaysia and Indonesia.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company during the 1H2023. The capital of the Group companies is the ordinary shares.

NET CURRENT ASSETS AND CURRENT RATIO

As of 30 June 2023, the Group had net current assets of HK\$392.1 million, with the current ratio of 1.03 (31 December 2022: 1.09). The decrease of net current ratio represented an increase of current liabilities but no impact to the financial position maintained in the current period. The Group has adequate funds to meet the payment obligation of the current liabilities.

FINANCIAL RESOURCES AND LIQUIDITY

During the 1H2023, the Group's primary sources of funding included cash generated from operating activities and credit facilities provided by principal banks in Hong Kong, China and Malaysia. As of 30 June 2023, the net cash inflow from operating activities amounted to approximately HK\$1,417.6 million (30 June 2022: HK\$3,936.4 million) and the Group had cash and cash equivalents of HK\$7,593.0 million (31 December 2022: HK\$8,167.3 million).

BANK BORROWINGS

As of 30 June 2023, total bank borrowings were HK\$12,933.9 million. Despite the decrease in the total liabilities, the net debt gearing ratio, calculated based on net total borrowings divided by total shareholders' equity (excluding 2023 interim dividend and 2022 final dividend), was at 16.8% as of 30 June 2023, as compared to 16.7% as of 31 December 2022.

PLEDGE OF ASSETS

As of 30 June 2023, a bank balance of HK\$142.6 million (31 December 2022: HK\$141.4 million) has been pledged as collateral principally for import duties payable to the US government.

CONTINGENT LIABILITIES

As of 30 June 2023, the Group did not have any significant contingent liabilities (2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries and associated companies during the 1H2023.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Group recorded a decrease in the amount of the net profit for the 1H2023, as compared to the 1H2022, and the Directors consider that the Group has achieved a reasonable level of profitability in an unfavorable market condition. The Board has declared an interim dividend (the “**Interim Dividend**”) of 26.0 HK cents per Share for the 1H2023 (1H2022: 40.0 HK cents) to be paid to the shareholders (the “**Shareholders**”) of the Company whose names are recorded on the register of members of the Company as at the close of business on Thursday, 17 August 2023. The Interim Dividend is expected to be payable on or about Tuesday, 10 October 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.

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

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five consecutive trading days commenced on Friday, 11 August 2023 until Thursday, 17 August 2023 (both days inclusive) rounded down to two decimal places.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

The Group’s transactions are mainly denominated in Renminbi, United States dollars, Malaysia Ringgit, Euro, Australian dollars, Japanese Yen and Hong Kong dollars, with principal production activities conducted in China. As of 30 June 2023, the Group’s bank borrowings were denominated in Hong Kong dollars bearing effective interest rates at 4.27% per annum. Hence, the Group’s exposure to foreign exchange fluctuations was limited. The Group has not experienced any material difficulty and liquidity problems resulting from foreign exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the 1H2023, the Group did not use any financial instrument for hedging purposes.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2023, the Group had 15,151 full-time employees of whom 14,211 were based in China and 940 in Hong Kong and other countries and territories respectively. The Group maintains good relationship with all of its employees and provides employees with sufficient training in business and professional knowledge including information about the applications of the Group’s products and skills in maintaining good client relationship. Remuneration packages offered to the Group’s employees are generally consistent with prevailing markets terms and reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group’s performance and that of individual staff.

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

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 15 January 2015, an aggregate of 35,000,000 share options were granted to selected employees in March 2023. The share options are valid from 1 March 2023 to 31 March 2027. One third of the options would be vested on each 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

No significant events have taken place to subsequent 30 June 2023 and up to the date of this announcement.

BUSINESS REVIEW

The PRC glass industry remains difficult during the 1H2023 due to the slow demand from the domestic market in the PRC. The PRC property market has been weakened since the fourth quarter in 2021 due to the debt crisis of those over-leveraged property developers. The high inflation rate in the overseas markets has resulted in the continuous increases in the borrowing interest rates in Hong Kong. Also, the PRC energy and raw material prices are increasing mainly due to the Russia-Ukraine war. Those factors dampened the glass market's profitability. As a result, the Group's operations in the automobile glass, architectural glass and float glass segments encountered challenges.

The Group's net profit for the 1H2023 was dropped by 35.0%, mainly due to the lower average selling prices ("ASP") and high production costs of float glass products in the PRC market. The Group implemented stringent policies on reduction in the production costs and the energy conservation to improve the efficiency. Also, the Group enhanced the product differentiation in float glass, automobile glass and architectural glass, focusing on the high value-added components, different colours and thickness, structure-upgraded and energy-saving coating glass products. As for the business operations, the Group has streamlined the production flows and the logistics and adopted dynamic marketing strategies for its architectural glass and automobile glass products.

The PRC's float glass industry has experienced slow growth during the 1H2023. This has been reflected by the decrease in the ASP, primarily driven by the delayed completion of the property projects and delay of window installation in real estate industry in the PRC. On the other hand, in order to achieve the nation's carbon neutral policy, the PRC government is still restricting the granting of new approval for new capacity of float glass, thus limiting the supply of float glass.

As a significant number of the PRC private property developers encounter liquidity issues, the Group's architectural glass business has focused on the new glass window installation projects which are mainly led by government related, state-owned enterprises or financially-sound property developers. The sales volume of the architectural glass products grew during the 1H2023, even though the overall construction projects in the market slowed down since the fourth quarter of 2021, due to the tight capital chains of private property developers in the PRC. The strong demand for the architectural energy-saving Low-E glass is supported by the Group's reputation with outstanding track records, aggressive marketing strategy and a wide range of the most advanced coating material and structured glass products. As a result, the Group has recorded sales increase of the architectural glass segment even though there was depreciation of RMB impact.

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

The Group has been exploring new opportunities in the PRC and overseas markets. The Group has strengthened the existing customers relationships for the purpose of increasing the sales volume for both new and existing product models, participated overseas exhibitions and actively visited overseas customers in the 1H2023. The Group's automobile glass products are sold to customers in over 130 countries or territories.

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

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

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

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

Continuing R&D investments by the Group in new materials and coatings, production engineering, information technology, big data analysis, environmental control, and carbon neutrality awareness as well as improvements made to the production process, automation and equipment maintenance programs, have enhanced its productivity and yield rate, thus, reducing the carbon emissions, wastage, overall labour, production and energy costs for the period ended 30 June 2023.

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

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

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

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

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

Solid financial position and resources to future expansion

The Group has solid financial position with HK\$7,593.0 million cash and bank deposits and with low net debt gearing ratio of 16.8% as of 30 June 2023. The Group's good credit history has resulted in its effective borrowing rate at 4.27%. For the period ended 30 June 2023, the Group has new proceeds from bank borrowings of HK\$3,310.7 million with the cash generated from operations of HK\$2,009.6 million, demonstrating its ability to secure financing and cash inflow from multiple channels to support capital expenditure and future expansion.

The Group will re-finance its Hong Kong dollar loans in order to reduce the pressure of the high interest rate.

BUSINESS OUTLOOK

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

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

The prices for soda ash are expected to be weakened and maintained at the low level in 2023, as compared to 2022, due to more new supply in the PRC. Energy costs might also be lower than 2022 as crude oil price is floating at low level in the global market. Thus, the Group is cautiously optimistic on the prospects for the float glass market in 2023, as well as on the movements of the average selling prices in peak season in second half of 2023.

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

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

The market expects the PRC government would launch further relax and proactive economic and monetary policies to stimulate the domestic consumption cycle and improve the property market environment in the near future. The policies relax the funding channels for completion of designated properties and delivery of new building projects to the property buyers, which would result in more construction and window installation activities in 2023 and would increase the demand for float glass and architectural glass.

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

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

The acquisition of the float glass business in Chongqing province in 1H 2023 has strengthened the float glass capacity and the Group's market coverage in Southwestern China. The second phase of the Yingkou production complex has commenced operation in the second quarter of 2023.

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

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

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

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

Conclusion

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirmed that the Company has complied with the applicable code provisions contained in the Corporate Governance 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 unaudited interim results for the 1H2023 have not been reviewed by the external auditor but have been reviewed by the Company’s audit committee, comprising four 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 GLASS 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, 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. and Mr. LEE Shing Kan were the executive Directors; Mr. LI Ching Wai, Mr. LI Ching Leung, Mr. SZE Nang Sze and Mr. NG Ngan Ho were the non-executive Directors; and Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. TRAN Chuen Wah, John and Dr. YANG Siu Shun, J.P. were the independent non-executive Directors.

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