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
FOR THE SIX MONTHS ENDED 30 JUNE 2020

- Total sales for the six months ended 30 June 2020 reached HK$7,134.0 million, representing a decrease of 4.2%, as compared with total sales of HK$7,449.9 million for the six months ended 30 June 2019.

- Net profit attributable to the equity holders of the Company for the six months ended 30 June 2020 reached HK$1,382.4 million, representing a decrease of 34.9%, as compared with net profit of HK$2,124.8 million for the six months ended 30 June 2019.

- Basic earnings per Share for the six months ended 30 June 2020 was 34.4 HK cents, as compared with basic earnings per Share of 53.1 HK cents for the six months ended 30 June 2019.

- The Directors declare an interim dividend of 17.0 HK cents per Share for the six months ended 30 June 2020.

The board (the "**Board**") of directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019, as follow:

Condensed Consolidated Balance Sheet

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

		As at	
		30 June	**31 December**
		2020	**2019**
	Note	*(Unaudited)*	*(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	6	14,775,439	14,202,835
Right-of-use assets	5(A)	3,487,039	3,593,739
Investment properties	7	1,620,399	1,671,971
Prepayments for property, plant and equipment and right-of-use assets	9	755,807	769,043
Intangible assets		64,290	65,334
Financial assets at fair value through other comprehensive income	21	34,301	51,752
Investments in associates	8	5,798,724	5,554,275
Loan to associates		986	1,004
Deferred income tax assets		44,090	39,023
		26,581,075	25,948,976
Current assets			
Inventories		2,000,223	2,044,629
Loans to associates		25,350	32,681
Trade and other receivables	9	3,878,880	3,085,866
Financial assets at fair value through profit and loss	21	186,295	—
Pledged bank deposits	10	44,489	44,222
Fixed deposits	10	301,271	—
Cash and bank balances	10	4,678,584	5,097,924
		11,115,092	10,305,322
Total assets		37,696,167	36,254,298

	Note	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	402,254	401,922
Share premium	11	392,492	388,161
Other reserves	12	187,723	867,623
Retained earnings		19,356,020	19,188,635
		20,338,489	20,846,341
Non-controlling interests		85,627	81,085
Total equity		20,424,116	20,927,426
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	8,376,184	6,350,418
Deferred income tax liabilities		394,126	419,404
Lease liabilities	5(B)	4,208	3,364
Other payables	13	70,849	131,996
		8,845,367	6,905,182
Current liabilities			
Trade, other payables and contract liabilities	13	4,927,556	3,349,206
Current income tax liabilities		626,072	609,661
Lease liabilities	5(B)	3,956	3,730
Bank and other borrowings	14	2,869,100	4,459,093
		8,426,684	8,421,690
Total liabilities		17,272,051	15,326,872
Total equity and liabilities		37,696,167	36,254,298
Total assets less current liabilities		29,269,483	27,832,608

Condensed Consolidated Income Statement

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

		Unaudited Six months ended 30 June	
	Note	**2020**	**2019**
Revenue	4	7,133,956	7,449,940
Cost of sales	15	(4,692,299)	(4,761,024)
Gross profit		2,441,657	2,688,916
Other income	4	244,520	159,331
Other (losses)/gains - net	16	(48,093)	616,219
Selling and marketing costs	15	(470,158)	(449,398)
Administrative expenses	15	(785,968)	(853,246)
Operating profit		1,381,958	2,161,822
Finance income	17	26,416	43,672
Finance costs	17	(122,992)	(140,751)
Share of profits of associates	8	356,189	290,323
Profit before income tax		1,641,571	2,355,066
Income tax expense	18	(253,567)	(228,714)
Profit for the period		1,388,004	2,126,352
Profit attributable to:			
– Equity holders of the Company		1,382,387	2,124,768
– Non-controlling interest		5,617	1,584
Profit for the period		1,388,004	2,126,352
Earnings per Share for profit attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per Share)			
– Basic	20	34.4	53.1
– Diluted	20	34.3	52.9

Condensed Consolidated Statement of Comprehensive Income

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

	Unaudited Six months ended 30 June	
	2020	**2019**
Profit for the period	1,388,004	2,126,352
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 income	(17,451)	(2,407)
Items that may be reclassified subsequently to the consolidated income statement:		
Disposal of interests in an associate	—	12,421
Dilution of interests in an associate	—	6,100
Currency translation differences	(571,974)	(44,802)
Share of other comprehensive income of investments accounted for using the equity method	(110,123)	(25,092)
Total comprehensive income for the period	688,456	2,072,572
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	683,268	2,070,780
– Non-controlling interests	5,188	1,792
	688,456	2,072,572

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						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2019 and 1 January 2020		401,922	388,161	867,623	19,188,635	20,846,341	81,085	20,927,426
Comprehensive income								
Profit for the period		—	—	—	1,382,387	1,382,387	5,617	1,388,004
Other comprehensive income								
Changes in value of financial assets at FVOCI		—	—	(17,451)	—	(17,451)	—	(17,451)
Share of other comprehensive income of investments accounted for using equity method		—	—	(110,123)	—	(110,123)	—	(110,123)
Currency translation differences		—	—	(571,545)	—	(571,545)	(429)	(571,974)
Total comprehensive income		—	—	(699,119)	1,382,387	683,268	5,188	688,456
Transactions with owners								
Employees share option scheme:								
– Proceeds from shares issued	11(a)	953	69,010	(10,664)	—	59,299	—	59,299
– Value of employee services		—	—	21,225	—	21,225	—	21,225
– Release on forfeiture of share options		—	—	(131)	131	—	—	—
Repurchase and cancellation of shares	11(b)	(621)	(64,679)	621	(621)	(65,300)	—	(65,300)
Transfer to reserves		—	—	8,168	(8,168)	—	—	—
Dividend paid to non-controlling interest		—	—	—	—	—	(646)	(646)
Dividends relating to 2019	19	—	—	—	(1,206,344)	(1,206,344)	—	(1,206,344)
Total transactions with owners		332	4,331	19,219	(1,215,002)	(1,191,120)	(646)	(1,191,766)
Balance at 30 June 2020		402,254	392,492	187,723	19,356,020	20,338,489	85,627	20,424,116

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2018 and 1 January 2019		399,320	249,821	938,284	17,037,302	18,624,727	77,534	18,702,261
Comprehensive income								
Profit for the period		—	—	—	2,124,768	2,124,768	1,584	2,126,352
Other comprehensive income								
Changes in value of financial assets at FVOCI		—	—	(2,407)	—	(2,407)	—	(2,407)
Disposal of interests in an associate		—	—	12,421	—	12,421	—	12,421
Dilution of interests in an associate		—	—	6,100	—	6,100	—	6,100
Share of other comprehensive income of investments accounted for using equity method		—	—	(25,092)	—	(25,092)	—	(25,092)
Currency translation differences		—	—	(45,010)	—	(45,010)	208	(44,802)
Total comprehensive income		—	—	(53,988)	2,124,768	2,070,780	1,792	2,072,572
Transactions with owners								
Employees share option scheme:								
– Proceeds from shares issued		1,568	88,466	(17,145)	—	72,889	—	72,889
– Value of employee services		—	—	20,372	—	20,372	—	20,372
– Release on forfeiture of share options		—	—	(25)	25	—	—	—
Transfer to reserves		—	—	7,229	(7,229)	—	—	—
Dividend paid to non-controlling interest		—	—	—	—	—	(1,261)	(1,261)
Dividends relating to 2018	19	—	—	—	(1,082,087)	(1,082,087)	—	(1,082,087)
Total transactions with owners		1,568	88,466	10,431	(1,089,291)	(988,826)	(1,261)	(990,087)
Balance at 30 June 2019		400,888	338,287	894,727	18,072,779	19,706,681	78,065	19,784,746

Condensed Consolidated Cash Flow Statement

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

	Unaudited Six months ended 30 June 2020	2019
Cash flows from operating activities		
Cash generated from operations	1,562,100	1,994,494
Interest paid	(165,883)	(162,781)
Income tax paid	(253,699)	(318,465)
Cash flows from operating activities - net	1,142,518	1,513,248
Cash flows from investing activities		
Prepayment of right-of-use assets in relation to land use rights	(33,140)	(5,803)
Purchase of property, plant and equipment	(1,418,458)	(1,171,040)
Loan repayment from an associate	6,780	60
Purchase of financial assets at fair value through profit or loss	(288,444)	(332,795)
Proceeds from disposal of financial assets at fair value through profit or loss	82,757	81,691
Addition to investment in associates	(204,864)	(770,263)
Proceeds from disposal of interests in an associate	—	1,164,457
Dividend received from associates	206,095	—
Increase in fixed deposits	(301,271)	(56,711)
Interests received	21,183	43,672
Other investing activities	18,451	(28,239)
Cash flows used in investing activities - net	(1,910,911)	(1,074,971)
Cash flows from financing activities		
Proceeds from bank borrowings	3,735,059	2,632,000
Repayment of banks borrowings	(3,299,286)	(2,201,179)
Repayment of lease liabilities	466	—
Dividends paid to non-controlling interests	(646)	(1,261)
Share repurchased and cancelled	(65,300)	—
Net proceeds from issuance of ordinary shares by share options	59,299	72,889
Cash flows from financing activities - net	429,592	502,449
Net (decrease)/ increase in cash and cash equivalents	(338,801)	940,726
Cash and cash equivalents at beginning of the period	5,097,924	4,598,506
Effect of foreign exchange rate changes	(80,539)	(6,699)
Cash and cash equivalents at end of the period	4,678,584	5,532,533

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**").

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 Directors on 3 August 2020.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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 2019, as described in 2019 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 amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2020. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

		Effective for accounting periods beginning on or after
HKAS1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

Note:

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The Group has not applied any new 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.

The unaudited segment information for the period ended 30 June 2020:

	Float glass	**Automobile glass**	**Architectural glass**	**Unallocated**	**Total**
Segment revenue	4,229,858	2,161,148	1,681,845	—	8,072,851
Inter-segment revenue	(938,895)	—	—	—	(938,895)
Revenue from external customers	3,290,963	2,161,148	1,681,845	—	7,133,956
Cost of sales	(2,478,242)	(1,152,804)	(1,061,253)	—	(4,692,299)
Gross profit	812,721	1,008,344	620,592	—	2,441,657
Depreciation of property, plant and equipment (Note 15)	311,233	84,935	73,104	2,897	472,169
Amortisation					
– leasehold land and land use rights (Note 15)	11,247	2,737	1,909	26,485	42,378
– intangible assets (Note 15)	—	1,039	—	—	1,039
Provision for/(reversal of provision for) impairment of trade and other receivables, net (Note 15)	—	2,264	(708)	—	1,556

			Assets and liabilities		
	Float glass	**Automobile glass**	**Architectural glass**	**Unallocated**	**Total**
Total assets	16,660,212	5,557,696	2,733,675	12,744,584	37,696,167
Total assets included:					
Investments in associates (Note 8)	—	—	—	5,798,724	5,798,724
Loans to associates	—	—	—	26,336	26,336
Investment properties	—	—	—	1,620,399	1,620,399
Additions to non-current assets (other than financial assets at fair value through other comprehensive income ("**FVOCI**") and deferred income tax assets)	636,543	96,292	284,096	621,100	1,638,031
Total liabilities	1,750,733	1,245,358	864,674	13,411,286	17,272,051

The unaudited segment revenue for the period ended 30 June 2019 and the audited segment assets and liabilities as at 31 December 2019:

	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Segment revenue	4,434,671	2,204,292	1,717,199	—	8,356,162
Inter-segment revenue	(906,222)	—	—	—	(906,222)
Revenue from external customers	3,528,449	2,204,292	1,717,199	—	7,449,940
Cost of sales	(2,541,608)	(1,191,958)	(1,027,458)	—	(4,761,024)
Gross profit	986,841	1,012,334	689,741	—	2,688,916
Depreciation of property, plant and equipment (Note 15)	280,339	66,379	117,047	2,902	466,667
Amortisation					
– leasehold land and land use rights (Note 15)	9,659	1,876	1,883	27,834	41,252
– intangible assets (Note 15)	—	1,083	—	—	1,083
Reversal of provision for impairment of trade and other receivables, net (Note 15)	—	(230)	(367)	—	(597)

	Assets and liabilities				
	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Total assets	15,170,220	6,911,576	1,971,055	12,201,447	36,254,298
Total assets included:					
Investments in associates (Note 8)	—	—	—	5,554,275	5,554,275
Loans to associates	—	—	—	33,685	33,685
Investment properties	—	—	—	1,671,971	1,671,971
Additions to non-current assets (other than financial assets at fair value through other comprehensive income ("**FVOCI**") and deferred income tax assets)	2,594,937	208,775	96,035	200,007	3,099,754
Total liabilities	1,817,197	1,319,422	487,641	11,702,612	15,326,872

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

	Unaudited For the six months ended 30 June 2020	2019
Segment gross profit	2,441,657	2,688,916
Unallocated:		
Other income	244,520	159,331
Other (losses)/gains, net	(48,093)	616,219
Selling and marketing costs	(470,158)	(449,398)
Administrative expenses	(785,968)	(853,246)
Finance income	26,416	43,672
Finance costs	(122,992)	(140,751)
Share of profits of associates	356,189	290,323
Profit before income tax	1,641,571	2,355,066

Reportable segments assets/(liabilities) for the period ended 30 June 2020 and the year ended 31 December 2019 are reconciled to total assets/(liabilities) as follows:

	Assets		**Liabilities**	
	2020	**2019**	**2020**	**2019**
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Audited)*
Segment assets/(liabilities)	24,951,583	24,052,851	(3,860,765)	(3,624,260)
Unallocated:				
Property, plant and equipment	1,395,639	1,403,437	—	—
Right-of-use assets	2,042,131	2,107,433	—	—
Investment properties	1,620,399	1,671,971	—	—
Prepayments for property, plant and equipment and right-of-use assets	2,468	1,791	—	—
Financial assets at FVOCI	34,301	51,752	—	—
Financial assets at fair value through profit and loss	186,295	—	—	—
Investments in associates	5,798,724	5,554,275	—	—
Balances with associates	26,336	33,685	—	—
Prepayments, deposits and other receivables	925,098	674,396	—	—
Cash and bank balances	713,193	702,707	—	—
Other payables	—	—	(438,848)	(351,442)
Dividend payables	—	—	(1,206,344)	—
Current income tax liabilities	—	—	(127,091)	(122,996)
Deferred income tax liabilities	—	—	(393,719)	(418,663)
Bank and other borrowings	—	—	(11,245,284)	(10,809,511)
Total assets/(liabilities)	37,696,167	36,254,298	(17,272,051)	(15,326,872)

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

	Unaudited For the six months ended 30 June	
	2020	**2019**
Sales of float glass	3,290,963	3,528,449
Sales of automobile glass	2,161,148	2,204,292
Sales of architectural glass	1,681,845	1,717,199
Total	7,133,956	7,449,940

The Group's revenue is mainly derived from customers located in the Greater China (including Hong Kong and PRC), North America and Europe 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 For the six months ended 30 June	
	2020	**2019**
Greater China	4,745,058	4,897,517
North America	953,066	888,057
Europe	254,584	289,552
Other countries	1,181,248	1,374,814
	7,133,956	7,449,940

An analysis of the Group's non-current assets other than financial assets at fair value through other comprehensive income (there are no employment benefit assets and rights arising under insurance contracts) by geographical area in which the assets are located is as follows:

	As at	
	30 June 2020 *(Unaudited)*	**31 December 2019** *(Audited)*
Greater China	24,584,311	23,819,648
North America	17,251	15,071
Malaysia	1,944,627	2,061,732
Other countries	585	773
	26,546,774	25,897,224

5 LEASES

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

	Leasehold lands and land-use rights	Buildings	Total
Period ended 30 June 2020 (Unaudited)			
Opening net book amount	3,588,141	5,598	3,593,739
Currency translation differences	(63,818)	—	(63,818)
Additions	930	3,320	4,250
Depreciation charges	(44,875)	(2,257)	(47,132)
Closing net book amount	3,480,378	6,661	3,487,039

5 (B) Lease liabilities

	As at	
	30 June 2020 *(Unaudited)*	**31 December 2019** *(Audited)*
Current	3,956	3,730
Non-current	4,208	3,364
As at 30 June/31 December	8,164	7,094

Notes:

(a) In previous year, the consideration paid for the leasehold land use rights acquired by the Group are treated as prepayments for operating leases and presented as leasehold lands and land use rights. Leasehold land use rights previously presented as a separate item on the consolidated balance sheet is grouped as part of right-of-use assets with effect from 1 January 2019.

(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 1 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 5.2 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$4,754,000 were capitalised as direct cost of construction in progress during the period ended 30 June 2020 when the building thereon were not yet ready for production purposes. For the period ended 30 June 2020, depreciation of the Group's right-of-use assets amounted to HK$42,378,000 were charged to the consolidated income statement *(Note 15)*.

6 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2020 (Unaudited)					
	Construction in progress	Freehold land	Buildings	Plant and machinery	Office equipment	Total
Opening net book amount as at 1 January 2020	1,725,445	143,411	3,349,977	8,965,282	18,720	14,202,835
Currency translation differences	(31,014)	(6,798)	(76,770)	(194,454)	(464)	(309,500)
Additions	1,322,257	—	70	112,831	8,053	1,443,211
Transfers	(510,161)	—	67,748	441,904	509	—
Disposals	—	—	—	(9,535)	(27)	(9,562)
Depreciation charge	—	—	(89,877)	(458,532)	(3,136)	(551,545)
Closing net book amount as at 30 June 2020	2,506,527	136,613	3,251,148	8,857,496	23,655	14,775,439

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	**31 December**
	2020	**2019**
	(Unaudited)	*(Audited)*
As at 1 January	1,671,971	1,674,495
Currency translation differences	(28,604)	(32,396)
Additions	18	—
Disposal	(22,986)	—
Fair value gains	—	22,061
Transferred from property, plant and equipment	—	6,983
Transferred from right-of-use assets	—	828
As at 30 June/31 December	1,620,399	1,671,971

As at 30 June 2020, the Group has five investment properties in the PRC and an investment property in Hong Kong.

The Group's investment properties were valued at 31 December 2019 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 2020 Level 3	As at 31 December 2019 Level 3
Fair value hierarchy:		
– Commercial building under Construction – Xiamen, the PRC	1,301,726	1,325,376
– Commercial building 1 – Shenzhen, the PRC	23,245	47,072
– Commercial building 3 – Shenzhen, the PRC	117,441	119,576
– Office unit – Wuhu, the PRC	105,019	106,928
– Office unit – Hong Kong	70,160	70,160
	1,617,591	1,669,112
At cost		
– Commercial building 2 – Shenzhen, the PRC	2,808	2,859
	1,620,399	1,671,971

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

8 INVESTMENTS IN ASSOCIATES

	As at 30 June 2020 *(Unaudited)*	As at 31 December 2019 *(Audited)*
At 1 January	5,554,275	4,679,890
Currency translation differences	(386)	(483)
Addition to investment in an associate	204,864	798,226
Dilution of interests in an associate	—	153,801
Disposal of interests in an associate	—	(666,376)
Share of profits of associates	356,189	639,608
Dividend received	(206,095)	(227,274)
Share of other comprehensive income	(110,123)	(95,041)
Share of gain on changes in ownership in subsidiaries of an associate	—	271,924
At 30 June/31 December	5,798,724	5,554,275

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	*(Audited)*
Trade receivables (note (a))	1,566,919	1,451,494
Less: provision for impairment of trade receivables	(40,475)	(41,481)
	1,526,444	1,410,013
Bills receivables (note (b))	984,287	303,812
Trade and bills receivables – net	2,510,731	1,713,825
Prepayments, deposits and other receivables	2,123,956	2,141,084
	4,634,687	3,854,909
Less: non-current portion		
Prepayments for property, plant and equipment and land use rights	(755,807)	(769,043)
	3,878,880	3,085,866

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2020 and 31 December 2019 the ageing analysis of the Group's trade receivables was as follows:

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	*(Audited)*
0-90 days	1,132,447	1,003,803
91-180 days	219,149	166,458
181-365 days	107,192	185,198
1-2 years	92,483	77,939
Over 2 years	15,648	18,096
	1,566,919	1,451,494

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

10 CASH AND BANK BALANCES

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

	As at	
	30 June 2020	**31 December 2019**
	(Unaudited)	*(Audited)*
Cash and bank balances and pledged bank deposits	5,024,344	5,142,146
Less:		
– Pledged bank deposits (note a)	(44,489)	(44,222)
– Fixed deposits (note b)	(301,271)	—
Cash and bank balances	4,678,584	5,097,924

Notes:

a. The pledged bank deposits represents deposits pledged as collateral principally as security for import duties payable to the US Customs.

b. The fixed deposits represent deposits held at call with banks and other short-term liquid investments with original maturities over three months.

11 SHARE CAPITAL

The share capital of the Company comprised ordinary shares (the "**Shares**") of HK$0.1 each.

	Note	**Number of Shares**	**Ordinary shares of HK$0.1 each**	**Share Premium**	**Total**
Authorised:					
As at 31 December 2019 and 30 June 2020		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
As at 1 January 2020		4,019,216,147	401,922	388,161	790,083
Issues of Shares under an employees' share option scheme	(a)	9,533,500	953	69,010	69,963
Repurchase and cancellation of shares	(b)	(6,212,000)	(621)	(64,679)	(65,300)
As at 30 June 2020		4,022,537,647	402,254	392,492	794,746

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			
	2020		2019	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per Share	Options (thousands)
At 1 January	9.35	91,012	7.75	90,708
Granted	8.82	32,000	9.53	33,900
Exercised	6.23	(9,533)	4.66	(15,678)
Lapsed	8.15	(1,887)	7.94	(3,532)
Expired	4.81	(143)	4.55	(21)
At 30 June	9.49	111,449	8.78	105,377

Out of the 111,449,000 outstanding options, 18,918,000 options were exercisable as at 30 June 2020. Options exercised in 2020 resulted in 9,533,000 Shares being issued at a weighted average price at the time of exercise of HK$6.23 each.

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

	Exercise price in HK dollar per Share	Options (thousands)
Expiry date		
31 March 2021	7.28	18,918
31 March 2022	11.74	27,566
31 March 2023	9.53	33,166
31 March 2024	8.82	31,799
		111,449

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	17 March 2020
Option valued	HK$1.0608
Share price at the date of grant	HK$8.29
Exercisable price	HK$8.82
Expected volatility	33.8280%
Annual risk-free interest rate	0.8032%
Life of option	3 years and 6 months
Dividend yield	6.6345%

(b) During the period ended 30 June 2020, 6,212,000 shares repurchased by the Company and were cancelled in January 2020. Accordingly, the share capital of the Company was reduced by the nominal value of these shares and premiums paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of Repurchase	**Number of Shares of HK$0.10 each**	**Highest price per Share**	**Lowest price per Share**	**Aggregate consideration**
				HK$'000
January 2020	6,212,000	HK$10.60	HK$10.40	65,300

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 2020	**1,900,633**	**46,867**	**(1,624,684)**	**405,241**	**66,993**	**37,227**	**21,490**	**13,856**	**867,623**	**19,188,635**	**20,056,258**
Profit for the period	—	—	—	—	—	—	—	—	—	1,382,387	1,382,387
Change in value of financial assets at FVOCI	—	—	—	—	—	—	—	(17,451)	(17,451)	—	(17,451)
Share of the other comprehensive income of investments accounted for using the equity method	—	—	(110,123)	—	—	—	—	—	(110,123)	—	(110,123)
Currency translation differences	—	—	(571,545)	—	—	—	—	—	(571,545)	—	(571,545)
Employees' share option scheme:											
– Proceeds from shares issued	—	—	—	—	(10,664)	—	—	—	(10,664)	—	(10,664)
– Value of employee services	—	—	—	—	21,225	—	—	—	21,225	—	21,225
– Release on forfeiture of share options	—	—	—	—	(131)	—	—	—	(131)	131	—
Repurchase and cancellation of shares	—	—	—	—	—	—	621	—	621	(621)	—
Transfer to reserves	8,168	—	—	—	—	—	—	—	8,168	(8,168)	—
Dividend relating to 2019	—	—	—	—	—	—	—	—	—	(1,206,344)	(1,206,344)
Balance at 30 June 2020	1,908,801	46,867	(2,306,352)	405,241	77,423	37,227	22,111	(3,595)	187,723	19,356,020	19,543,743

13 TRADE AND OTHER PAYABLES

	As at	
	30 June	**31 December**
	2020	**2019**
	(Unaudited)	*(Audited)*
Trade payables (note (a))	1,177,760	1,045,222
Bill payables (note (b))	673,155	498,670
	1,850,915	1,543,892
Other payables	2,798,067	1,589,263
Contract liabilities	349,423	348,047
Less: non-current portion	(70,849)	(131,996)
Current portion	4,927,556	3,349,206

Notes:

(a) At 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables was as follows:

	As at	
	30 June	**31 December**
	2020	**2019**
	(Unaudited)	*(Audited)*
0-90 days	1,071,765	848,049
91-180 days	21,467	40,328
181-365 days	41,003	100,255
1-2 years	19,868	36,379
Over 2 years	23,657	20,211
	1,177,760	1,045,222

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

14 BANK AND OTHER BORROWINGS

	As at 30 June 2020 *(Unaudited)*	As at 31 December 2019 *(Audited)*
Non-current		
Bank borrowings, guaranteed (note (a))	11,245,284	10,609,511
Less: Current portion	(2,869,100)	(4,259,093)
Shown as non-current liabilities	8,376,184	6,350,418
Current		
Short term bank borrowings, guaranteed	—	200,000
Current portion of long-term bank borrowings, guaranteed	2,869,100	4,259,093
Shown as current liabilities	2,869,100	4,459,093
Total bank and other borrowings	11,245,284	10,809,511

Note:

(a) The bank borrowings were secured by corporate guarantees provided by the Company and its subsidiaries.

At 30 June 2020 and 31 December 2019, the Group's bank borrowings were repayable as follows:

	As at 30 June 2020 *(Unaudited)*	As at 31 December 2019 *(Audited)*
Within 1 year	2,869,100	4,459,093
Between 1 and 2 years	4,335,118	2,986,967
Between 2 and 5 years	4,041,066	3,363,451
	11,245,284	10,809,511

At 30 June 2020 and 31 December 2019, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2020	**31 December 2019**
	(Unaudited)	*(Audited)*
HKD	11,245,284	10,809,511

The carrying amounts of bank borrowings approximate their fair values as at 30 June 2020 and 31 December 2019.

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

	30 June 2020	**31 December 2019**
	HK$	**HK$**
Bank borrowings	2.66%	2.84%

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 For the six months ended 30 June	
	2020	**2019**
Depreciation and amortisation	515,586	509,002
Employee benefit expenses	712,218	693,980
Cost of inventories	3,551,380	3,668,882
Other selling expenses (including transportation and advertising costs)	238,980	250,517
Operating lease payments in respect of land and buildings	1,356	1,250
Provision for/(reversal of provision for) impairment of trade and other receivables, net	1,556	(597)
Other expenses, net	927,349	940,634
Total cost of sales, selling and marketing costs and administrative expenses	5,948,425	6,063,668

16 OTHER (LOSSES)/GAINS — NET

	Unaudited For the six months ended 30 June	
	2020	**2019**
Losses on disposal and written-off of property, plant and equipment, net	(1,891)	(27,732)
Loss on impairment of inventories	—	(3,639)
Unrealised fair value losses on financial assets at FVTPL	(61,955)	(18,690)
Gain on disposal of financial assets at FVTPL	1,984	10,663
Gain on dilution of interests in an associate	—	147,701
Gain on disposal of interests in an associate	—	485,659
Other foreign exchange gains, net	10,813	11,283
Others	2,956	10,974
	(48,093)	616,219

17 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

	Unaudited For the six months ended 30 June	
	2020	**2019**
Interest income on short-term bank deposits	26,416	43,672

Note: The average deposit interest rate in the PRC was approximately 3.5% per annum during the reporting period.

FINANCE COST

	Unaudited For the six months ended 30 June	
	2020	**2019**
Interest on bank borrowings	166,487	163,222
Less: interest expenses capitalised under construction in progress	(43,495)	(22,471)
	122,992	140,751

18 INCOME TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2020	**2019**
Current income tax		
– Hong Kong profits tax (Note a)	8,002	8,435
– PRC corporate income tax (Note b)	200,896	219,856
– Overseas income tax (Note c)	1,740	412
– Withholding tax on remitted earnings (Note d)	49,728	—
Deferred income tax		
– Origination of temporary differences	(6,799)	11
	253,567	228,714

Note:

a. Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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, Jiangmen, Shenzhen, Tianjin, Wuhu and Yingkou are 25% (2019: 25%). Thirteen (2019: thirteen) major subsidiaries in Deyang, Dongguan, Jiangmen, Shenzhen, Tianjin, Wuhu and Yingkou enjoy high-tech enterprise income tax benefit and are entitled to a preferential tax treatment of reduction in CIT rate to 15%.

c. Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the periods ended 30 June 2020 and 2019 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

	For the six months ended 30 June	
	2020	2019
Final dividend payable for 2019 of 30.0 HK cents (2018: 27.0 HK cents) per Share	1,206,344	1,082,087
Proposed interim dividend of 17.0 HK cents (2019: 25.0 HK cents) per Share	685,489	1,001,847
	1,891,833	2,083,934

Note:

At a meeting of the Board held on 3 August 2020, the Directors declared an interim dividend of 17.0 HK cents per Share for the six months ended 30 June 2020. The amount of 2020 proposed interim dividend is based on 4,032,289,847 shares in issue as at 31 July 2020.

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 2020.

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 For the six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company (HK$'000)	1,382,387	2,124,768
Weighted average number of Shares in issue (thousands)	4,017,849	4,001,054
Basic earnings per Share (HK cents per Share)	34.4	53.1

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 For the six months ended 30 June	
	2020	**2019**
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	1,382,387	2,124,768
Share of profit of an associate as a result of diluted earnings at associate level (HK$'000)	(218)	(49)
	1,382,169	2,124,719
Weighted average number of Shares in issue (thousands)	4,017,849	4,001,054
Adjustments for:		
Share options (thousands)	6,625	15,463
Weighted average number of Shares for diluted earnings per Share (thousands)	4,024,474	4,016,517
Diluted earnings per Share (HK cents per Share)	34.3	52.9

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 2020 and 31 December 2019.

	Level 1	Level 2	Level 3	Total
At 30 June 2020				
Assets				
Financial assets at FVOCI				
– Equity securities	34,301	—	—	34,301
Financial assets at FVTPL				
– Equity securities	186,295	—	—	186,295

	Level 1	Level 2	Level 3	Total
At 31 December 2019				
Assets				
Financial assets at FVOCI				
– Equity securities	51,752	—	—	51,752

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 2020 comprised financial assets at FVOCI and financial assets at FVTPL.

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 2020, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2019: 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 COMMITMENTS

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

	As at	
	30 June 2020	**31 December 2019**
	(Unaudited)	*(Audited)*
Contracted but not provided for property, plant and equipment, intangible assets and right-of-use assets	1,003,284	1,413,803

23 RELATED PARTY TRANSACTION

The following transactions were carried out with related parties:

(A) TRANSACTION WITH RELATED PARTIES

	Unaudited For the six months ended 30 June 2020	2019
Purchases of goods from associates		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	64,803	125,510
– Beihai Yiyang Mineral Company Limited	121,466	107,801
– Dongyuan County Xinhuali Quartz Sand Company Limited	10,708	23,846
– A subsidiary of Xinyi Solar	1,082	1,041
Purchases of goods from a related party		
– An entity controlled by the ultimate controlling parties	154	735
Management fee paid to a related party		
– An entity controlled by the ultimate controlling parties	726	783
Processing fee from lithium battery energy storage product paid to a related party		
– An entity controlled by the ultimate controlling parties	658	15,638
Sales of goods to an associate		
– A subsidiary of Xinyi Solar	12,012	46,833
Sales of goods to related parties		
– Entities controlled by the ultimate controlling parties	1,474	1,484
– An entity controlled by the ultimate controlling parties	2,406	2,393
Sales of machineries to an associate		
– A subsidiary of Xinyi Solar	26,713	36,579
Consultancy income received from an associate		
– A subsidiary of Xinyi Solar	430	427
Rental income received from an associate		
– A subsidiary of Xinyi Solar	2,659	2,790
Rental income received from a related party		
– An entity controlled by the ultimate controlling parties	150	134
Rental expenses paid to an associate		
– A subsidiary of Xinyi Solar	509	534
Share option income received from a related party		
– An entity controlled by the ultimate controlling parties	—	14
Purchase of property, plant and equipment from an associate		
– A subsidiary of Xinyi Solar	—	191
EPC service fee paid to an associate		
– A subsidiary of Xinyi Solar	—	216
Purchase of consumables from an associate		
– A subsidiary of Xinyi Solar	—	776
Management fee paid to an associate		
– A subsidiary of Xinyi Solar	1,294	630

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

	As at	
	30 June 2020	**31 December 2019**
	(Unaudited)	*(Audited)*
Balance with/loan advance to an associate		
– Dongyuan County Xinhuali Quartz Sand Company Limited	26,336	33,684
Receivable from an associate arising from sales of machineries and land parcel		
– A subsidiary of Xinyi Solar	71,157	90,247
Receivable from an associate arising from provision of consultancy services		
– A subsidiary of Xinyi Solar	72	72
Receivable from a related party arising from sales of goods		
– A subsidiary of Xinyi Solar	4,361	—
– An entity controlled by the ultimate controlling parties	3,047	2,862
Payable to a related party arising from processing fees		
– An entity controlled by the ultimate controlling parties	(1,232)	(1,364)
Receivable/(Payable) to an associate arising from purchase of goods		
– Beihai Yiyang Mineral Company Limited	558	(263)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2020, the revenue and the net profit of the Group were HK$7,134.0 million and HK$1,382.4 million, respectively, representing a decrease of 4.2% and a decrease of 34.9% as compared with HK$7,449.9 million and HK$2,124.8 million, respectively, for the six months ended 30 June 2019.

Revenue

The decrease in the revenue for the six-month period under review was mainly attributable to the drop in all our three glass business divisions due to the impact of COVID-19. The lower average selling price due to the competitive market environment in the second quarter of the year and depreciation of the Renminbi contributed to the float glass revenue decline of 6.7% as compared with the same period in 2019.

The decrease of automobile glass revenue was mainly attributable to the volume drop in the domestic sales of automobile glass due to the impact of COVID-19 during the period.

Government policies towards the PRC property market have not eased and construction activities there remained very competitive during the six-month period under review. With the government policies on environmental protection and the encouragement of energy-saving buildings in the PRC, the Directors expect that the demand for the Group's low emission ("**Low-E**") glass will continue to increase. As a leading domestic Low-E glass manufacturer, the Group enjoys economies of scale and a nationwide sales and delivery network. The slight decrease of sales was mainly attributable to the delay of shipments by the impact of COVID-19 and depreciation of the Renminbi as compared with the same period in 2019.

Gross Profit

The Group's gross profit for the six months ended 30 June 2020 decreased by 9.2% to HK$2,441.7 million as compared with HK$2,688.9 million for the same period in the previous year. The gross profit margin decreased to 34.2% during the six-month period under review as compared with 36.1% in 2019.

The drop in the float glass gross margin was a result of the lower selling price in the competitive market environment in the PRC and overseas markets. The slight increase of gross profit margins of the automobile glass was mainly due to the depreciation of the Renminbi as around 83.8% of automobile glass was contributed by the overseas sales. The drop of gross profit margin of the architectural glass businesses was mainly due to more price incentives given to the customers during the period.

Other Income

Other income increased to HK$244.5 million, as compared with HK$159.3 million for the same period last year. The increase was mainly attributable to more government grants and income from sale of electricity during the period.

Other (Losses)/Gains - Net

Other losses for the six months ended 30 June 2020 were HK$48.1 million, as compared with other gains of HK$616.2 million for the six months ended 30 June 2019. The significant decrease was mainly due to the unrealized fair value losses on financial assets at FVTPL, without the one off gain on disposal of equity interest in an associate and without the one off gain on dilution of interest in an associate of HK$485.7 million and HK$147.7 million respectively incurred in the same period in 2019.

Selling and Marketing Expenses

Selling and marketing expenses increased by 4.6% to HK$470.2 million for the period under review. The increase was mainly due to the rate of additional US import tariff during the Sino-US trade war being adjusted from 10% to 25% in May 2019.

Administrative Expenses

Administrative expenses decreased by 7.9% to HK$786.0 million for the six months ended 30 June 2020. The decrease was principally attributable to lower expenses incurred for research and development and local PRC government taxes and charges affected by the COVID-19 pandemic during the six-month period under review.

Finance Costs

Finance costs decreased by 12.6% to HK$123.0 million for the six months ended 30 June 2020. The decrease was principally due to the lower overall bank borrowing rate during the six-month period under review. Also, 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 and Malaysia new production complexes, and these expenses were charged to the income statements of the Group following the commencement of commercial production at the relevant production facilities. Interest amounting to HK$43.5 million was capitalised under construction-in-progress for the six months ended 30 June 2020.

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

EBITDA decreased by 23.9% to HK$2,253.7 million for the six months ended 30 June 2020, as compared with HK$2,961.1 million during the same period in 2019.

Taxation

Tax expense amounted to HK$253.6 million for the six months ended 30 June 2020. The effective tax rate of the Group was increased to 15.4% compared with the same period of 2019 (excluding the non-taxable income from dilution and disposals of Xinyi Solar shares). The increase was mainly attributable to the PRC dividend withholding 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 six months ended 30 June 2020 was HK$1,382.4 million, representing an decrease of 34.9% as compared with the same period in 2019. The net profit margin for the period under review dropped to 19.4% from 28.5%, principally due to the decreases in the gross profits of float glass, automobile glass and architectural glass.

CAPITAL EXPENDITURE

For the six months ended 30 June 2020, the Group incurred an aggregate capital expenditure amounting to HK$1,451.6 million for the purchase of plant and machinery and the construction of factory premises at its production complexes in China and Malaysia.

NET CURRENT ASSETS AND CURRENT RATIO

As at 30 June 2020, the Group had net current assets of HK$2,688.4 million, with the current ratio of 1.32 (2019: 1.22). The rise of net current ratio represented more liquid assets and the stronger 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 six months ended 30 June 2020, 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 at 30 June 2020, the net cash inflow from operating activities amounted to approximately HK$1,142.5 million (2019: HK$1,513.2 million) and the Group had cash and cash equivalents of HK$5,024.3 million (2019: HK$5,142.1 million).

BANK BORROWINGS

As at 30 June 2020, total bank borrowings were HK$11,245.3 million. Despite the increase in the total liabilities, the net debt gearing ratio, calculated based on net total borrowings divided by total shareholders' equity (excluding 2020 declared interim dividends and 2019 proposed final dividend respectively), was at 30.5% as at 30 June 2020, as compared with 27.1% as at 31 December 2019. The increase of net gearing ratio was principally due to lower net profit and lower cash balances incurred during the period.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (30 June 2019: 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 six months ended 30 June 2020.

Interim Dividend and Closure of Register of Members

Even though the Group recorded a decrease in net profit for the six months ended 30 June 2020 as compared with the six months ended 30 June 2019, the Directors consider that the Group has achieved a reasonable level of profitability. The Directors are pleased to declare an interim dividend of 17.0 HK cents per Share for the six months ended 30 June 2020 (2019: 25.0 HK cents) to be paid to all 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 Friday, 21 August 2020. The interim dividend is payable on or before Tuesday, 1 September 2020.

The Company's register of members will be closed from Wednesday, 19 August 2020 to Friday, 21 August 2020 (both days inclusive), and during this period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 18 August 2020.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group's transactions are mainly denominated in Renminbi, US dollars, Malaysia Ringgit, Euro, Australian dollars, Japanese Yen and Hong Kong dollars, with principal production activities conducted in China. As at 30 June 2020, the Group's bank borrowings were denominated in Hong Kong dollars bearing effective interest rates at 2.66% 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 six months ended 30 June 2020, the Group did not use any financial instrument for hedging purposes.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 12,912 full-time employees of whom 12,185 were based in China and 727 in Hong Kong and other countries and territories respectively. The Group maintains a good professional relationship with its employees providing them with a positive working environment. It provides employees with training on the latest business and professional knowledge including applications of the Group's products and developing skills in maintaining good client relationships. Remuneration packages offered to the Group's employees are consistent with prevailing market levels and are reviewed on a regular basis. Discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations in the PRC, the Group has arranged for participation of its employees in relevant required retirement contribution schemes administered by the Chinese government. As for the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements set forth under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

The Company has adopted a share option scheme on 18 January 2015 (the "2015 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees and other selected participants to accept options to be granted by the Group for subscription for the Shares. As at the date of this announcement, 28,000,000 options, 28,500,000 options, 29,264,000 options, 29,600,000 options, 33,900,000 options and 32,000,000 options were granted under the 2015 Share Option Scheme on 2 March 2015, 16 March 2016, 1 March 2017, 27 February 2018, 26 February 2019 and 17 March 2020 respectively, and 111,449,000 options were outstanding as at 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company repurchased its own Shares on the Stock Exchange in January 2020 and 6,212,000 Shares were cancelled in the same month. Accordingly, the issue share capital of the Company was reduced by the nominal value of the repurchased Shares and the premium paid on these Shares upon the repurchase was charged against the share premium account. An amount equivalent to the par value of the Shares repurchased and cancelled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets forth further information of such repurchases:

Month of Repurchase	**Number of Repurchased Shares HK$0.10 each**	**Highest Price per Share**	**Lowest Price per Share**	**Aggregate Share Price Paid**
		HK$	*HK$*	*HK$'000*
January 2020	6,212,000	10.60	10.40	65,300

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six-month period ended 30 June 2020.

BUSINESS REVIEW

The development of the PRC glass industry has been influenced by COVID-19, supply-side reform, environmental, economic and monetary policies, the Sino-US trade war and fluctuation of the exchange rate of the Renminbi

The growth of the PRC economy has slowed down with the impact of the COVID-19 pandemic during the period. The Group's operations in the automobile glass, architectural glass and the float glass segments faced different challenges and opportunities. Nonetheless, the Group managed to achieve a reasonable operating result primarily attributable to its stringent control over production costs, the depreciation of the Renminbi, more value-added glass products and upgraded product structure, a better variety mix of float glass, flexible production logistics and a more effective marketing strategy for the architectural glass and automobile glass divisions.

The PRC property new project start-ups and construction volume have experienced a moderate drop in the first half of the year while the construction projects completion rate has undergone continuous improvement starting from the second quarter of the year due to the impact of COVID-19. Most of the building projects have resumed operation after the delay arising from the lockdown in the first quarter of the year. This was a good indicator of the increased demand of the construction energy-saving Low-E glass in the middle of the year. Therefore, the Group's has maintained a reasonable sales revenue of the architectural glass segment through its aggressive marketing strategy and better value-added products as well as advanced product structure.

The float glass sector has experienced a difficult time of decreased demand during the lockdown period to cope with the COVID-19 pandemic. However, the demand in float glass has experienced a significant rebound after the average selling price dropped significantly in April 2020. With the improvement of new building construction completion rate starting in May 2020, followed by the good recovery of the selling price of float glass. The strong market rebound in May and June of the year has offset to some extent the slowdown in the first quarter of the year.

In order to mitigate the impact of COVID-19 and the additional import tariffs imposed by the US government, the Group has proactively implemented flexible marketing and production strategies for its automobile glass business. Its sales team uses both the video and voice conferencing tools to explore business opportunities with overseas customers around the clock. In addition, new product development continues for applications in advanced driver assistance systems ("**ADAS**"), head-up display ("**HUD**"), sound proofing, coating, sunroof and value-added parts which are suitable for new and existing car models. At the same time, the Group has been approaching new domestic and overseas customers and strengthening the existing customer base to explore opportunities to increase the sales volume of its new and existing product models. Currently, the Group's automobile glass products are sold in more than 130 countries.

As one of the major players in the global glass industry, the Group has secured its market-leading position and enhanced its economies of scale through strategic expansion in a timely manner of production capacities across different product segments and the construction of new production complexes incorporating streamlined production processes at different locations both in the PRC and overseas. The Group has also implemented a series of measures enhancing control on the supply and consumption of raw materials, the re-cycling of principal raw materials, the re-engineering of production flow to boost production efficiency and using solar power and low-temperature recycling residual heat to generate electricity and hot water for internal consumption.

To maintain its competitiveness, the Group has successfully developed and launched a wide range of high value-added and specialty glass products while adopting proactive pricing and flexible marketing strategies to take advantage of the supportive measures implemented under the Thirteenth Five-Year Plan of the PRC government.

Improved productivity, technology and economies of scale to enhance production efficiency by research and development investments

The Group's continuous research and development investments in production engineering, information technology, big data and operational management, along with the continuous improvement in the production process, automation and well-planned equipment maintenance programs, have enhanced its productivity and yield rate, which, in turn, have reduced overall labour, production and energy costs during the period under review.

The Group's engineering and design division has designed the latest world class and larger capacity float glass production lines in both the PRC and overseas. The economies of scale have enabled significant savings in procurement costs, production and fixed costs and increased efficiency in fuel consumption. To further control energy costs, the Group is harnessing clean environmentally-friendly energy through implementing rooftop solar power generation systems and low-temperature recycling residual heat power co-generation systems.

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

Expansion of high value-added product mix and global coverage enhances overall competitiveness

During the period under review, the consolidated revenue generated from the Group's automobile glass, architectural glass and high-quality float glass businesses has achieved a reasonable result in comparison with peers during the COVID-19 pandemic and competitive market conditions. This performance demonstrates that the Group's combination of its diversified business segments, global market coverage, upgraded product structure and the expanded high value-added product mix can alleviate the operational pressure in any specific business segment or country despite an uncertain and competitive market environment.

BUSINESS OUTLOOK

The Group will continue to adopt flexible production, logistics and marketing strategies by increasing the extent of automation and upgrading through adopting advanced technologies at its facilities to further improve operational efficiency in order to maintain its leadership and competitive position at the forefront of global glass manufacturers.

The PRC government has continued the tightened policy on constructing new float glass production lines, acquisition of existing idle capacity and phasing out the obsolete and non-compliant float glass production lines because of stricter environmental standards on emissions. The Group is embarking on prudent and flexible strategies in response to the current situation of the float glass market in the PRC and the global markets.

The industry expects the low soda ash price range would be maintained in comparison with that of 2019 due to the over-supply in the PRC. The energy cost would also be lower when compared with 2019 due to lower consumption globally by the impact of COVID-19. Thus, the Group is cautiously optimistic about the float glass market as well as the average selling price trend in the second half of 2020.

The impact of the COVID-19 pandemic starting in the first quarter of 2020 has slowed down business activities in the PRC and global market. The Group has maintained a safety level of raw materials that ensures no interruption of its operations and production. The Group expects the market demand would be return to normal in the second half of 2020.

The Group will operate its first silica sand mine in Beihai, Guangxi by the end of 2020. This means the Group will has a higher integration of glass production flow and better control of major raw material cost and quality. The Group will continue to explore more opportunities on new sources of raw materials in the future.

The second float glass line in Beihai, Guangxi has started production in the second quarter of 2020. The rest of the production lines at Beihai and Zhangjiagang, Jiangsu are planned to commence full operations by the second half of 2020. It will strengthen the Group's market coverage in both the Eastern and Western PRC.

The Sino-US trade war had an impact on the added import tariff pressure on both the US aftermarket automobile glass customers and our Company until the completion of the trade negotiation with the US.

The Group is building up a new automobile glass factory in Malacca, Malaysia. This new production capacity will commence operation in first half of 2021 and will serve the overseas customers.

The market expects the PRC government would adopt further proactive monetary policies to add more liquidity to boost the market in 2020 and lead more construction activities to recover from the impact of the COVID-19 pandemic. Such policies would be positive to the demand of float glass and architectural glass businesses.

At the same time, the Directors are optimistic about the continued good performance of its automobile glass aftermarket business in the global market and the prospects of increased 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 South East Asia, the Group is ready to explore acquisitions and new expansion opportunities in the PRC and overseas where provide attractive and larger market environment, lower raw materials, production and energy costs, and offer favourable tax treatment and other incentives.

The Group will continue to ensure that adequate resources are allocated to research and development, enhancing product quality and for the introduction of new products, as well as exploring new markets, boosting production efficiency and conducting staff training in order to maintain its competitiveness and, ultimately, boost its profitability.

CONCLUSION

The Group continues to tackle the challenges amidst changes in the global market environment and the effects of COVID-19 by bolstering its efficiency and increasing its profitability through more effective management across its information technology, operations and marketing activities, as well as expansion of its business and continued collaboration with its customers and suppliers. The Directors believe that these approaches enable the Group to maximise the benefits from the domestic and emerging market and overseas business opportunities alike and are also cautiously optimistic about its long-term business development prospects.

The Group is continuing to adopt proven business strategies to sustain and strengthen growth with new business ideas. To maintain its industry-leading position, the Group is at the same time exploring expanding its presence in the global glass market across a wider spectrum of industries, applications and products as well as other opportunities mutually beneficial for business partnerships.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Code as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2020.

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 for securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. The Company has made specific enquiries with the Directors and all of the Directors have confirmed that they have complied with the required standard set forth in the Model Code throughout the six-month period ended 30 June 2020.

REVIEW OF THE INTERIM RESULTS

The Company's interim results for the six months ended 30 June 2020 have not been audited but have been reviewed by the Company's audit committee, comprising the five independent non-executive Directors.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2020 containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched 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, B.B.S.
Chairman

Hong Kong, 3 August 2020

As at the date of this announcement, Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M 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. WONG Ying Wai, G.B.S., JP, Dr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David 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.