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XINYI SOLAR HOLDINGS LIMITED

信義光能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00968)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

| | Six Months Ended 30 June | | Change |
|---|---------------------------------|---------------------|---------------|
| | 2021 | 2020 | |
| | HK\$ million | HK\$ million | |
| Revenue | 8,074.9 | 4,622.9 | +74.7% |
| Profit attributable to equity holders of the Company | 3,072.4 | 1,406.5 | +118.4% |
| Earnings per share - Basic | 34.87 HK cents | 17.39 HK cents | +100.5% |
| Interim dividend per share | 17.0 HK cents | 8.5 HK cents | |

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Solar Holdings Limited (the “**Company**”) announces herewith the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**” or “**Xinyi Solar**”) for the six months ended 30 June 2021 (“**1H2021**”), together with the comparative figures for the six months ended 30 June 2020 (“**1H2020**”), as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | Six months ended 30 June | |
|--|------|--------------------------|--------------------|
| | | 2021 | 2020 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue | 3 | 8,074,911 | 4,622,918 |
| Cost of sales | 6 | (3,605,279) | (2,434,228) |
| Gross profit | | 4,469,632 | 2,188,690 |
| Other income | 4 | 123,000 | 70,742 |
| Other gains/(losses), net | 5 | 9,402 | (1,392) |
| Selling and marketing expenses | 6 | (250,236) | (136,157) |
| Administrative and other operating expenses | 6 | (356,133) | (208,194) |
| Operating profit | | 3,995,665 | 1,913,689 |
| Finance income | 7 | 71,322 | 21,948 |
| Finance costs | 7 | (67,116) | (116,479) |
| Share of profits of a joint venture | 13 | 18,756 | 18,632 |
| Share of (losses)/profits of associates | | (153) | 83 |
| Profit before income tax | | 4,018,474 | 1,837,873 |
| Income tax expense | 8 | (613,124) | (225,258) |
| Profit for the period | | 3,405,350 | 1,612,615 |
| Profit for the period attributable to: | | | |
| – the equity holders of the Company | | 3,072,425 | 1,406,467 |
| – non-controlling interests | | 332,925 | 206,148 |
| | | 3,405,350 | 1,612,615 |
| Earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share) | | | |
| – Basic | 9(a) | 34.87 | 17.39 |
| – Diluted | 9(b) | 34.81 | 17.38 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Profit for the period | 3,405,350 | 1,612,615 |
| Other comprehensive income, net of tax: | | |
| Items that may be reclassified to profit or loss | | |
| Currency translation differences | 204,221 | (492,273) |
| Share of other comprehensive income/(loss) of a joint venture accounted for under equity method | | |
| – Share of currency translation differences | <u>2,778</u> | <u>(6,333)</u> |
| Total comprehensive income for the period | <u>3,612,349</u> | <u>1,114,009</u> |
| Total comprehensive income for the period attributable to: | | |
| – the equity holders of the Company | 3,219,623 | 1,013,503 |
| – non-controlling interests | <u>392,726</u> | <u>100,506</u> |
| | <u>3,612,349</u> | <u>1,114,009</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | As at | |
|---|--|----------------------|---------------------|
| | | 30 June 2021 | 31 December 2020 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Note | | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Assets | | | |
| Non-current assets | | | |
| | Property, plant and equipment | 11 22,656,342 | 20,406,175 |
| | Right-of-use assets | 12 1,802,065 | 1,407,700 |
| | Intangible assets | 24,526 | 24,777 |
| | Prepayments for land use rights and property, plant and equipment | 15 926,419 | 809,271 |
| | Finance lease receivables | 254,945 | 211,521 |
| | Interests in a joint venture | 13 375,041 | 365,751 |
| | Investments in associates | 68,880 | 69,034 |
| | Deferred income tax assets | 227,797 | 251,119 |
| | Total non-current assets | 26,336,015 | 23,545,348 |
| Current assets | | | |
| | Inventories | 1,194,127 | 728,277 |
| | Contract assets | 39,141 | 51,296 |
| | Trade receivables | 14 6,803,064 | 5,297,159 |
| | Bills receivables | 14 1,266,979 | 2,838,874 |
| | Prepayments, deposits and other receivables | 15 1,844,718 | 1,662,164 |
| | Finance lease receivables | 13,024 | 8,281 |
| | Amount due from a related company | 21(b) 15,379 | — |
| | Amount due from a joint venture | 21(b) — | 796 |
| | Cash and cash equivalents | 10,205,543 | 9,291,194 |
| | Total current assets | 21,381,975 | 19,878,041 |
| | Total assets | 47,717,990 | 43,423,389 |
| Equity | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| | Share capital | 17 881,212 | 880,925 |
| | Share premium and other reserves | 11,880,597 | 13,107,452 |
| | Retained earnings | 15,605,854 | 12,533,429 |
| | | 28,367,663 | 26,521,806 |
| | Non-controlling interests | 5,446,938 | 5,502,712 |
| | Total equity | 33,814,601 | 32,024,518 |

| | | As at | |
|--------------------------------|--------------------------------------|---------------------------|------------------|
| | | 30 June | 31 December |
| | | 2021 | 2020 |
| Note | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Liabilities | | | |
| Non-current liabilities | | | |
| | Deferred income tax liabilities | 13,651 | 11,936 |
| | Bank borrowings | 18 3,475,460 | 2,703,109 |
| | Lease liabilities | 731,044 | 646,458 |
| | Other payables | 16 502,523 | 312,123 |
| | Total non-current liabilities | 4,722,678 | 3,673,626 |
| Current liabilities | | | |
| | Bank borrowings | 18 3,078,111 | 3,410,143 |
| | Trade and other payables | 16 4,068,835 | 3,377,600 |
| | Contract liabilities | 58,602 | 181,402 |
| | Lease liabilities | 47,915 | 48,519 |
| | Amounts due to related companies | 21(b) 55,045 | 167,118 |
| | Dividend payable | 1,498,052 | — |
| | Current income tax liabilities | 374,151 | 540,463 |
| | Total current liabilities | 9,180,711 | 7,725,245 |
| | Total liabilities | 13,903,389 | 11,398,871 |
| | Total equity and liabilities | 47,717,990 | 43,423,389 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company (Unaudited) | | | | | | Non- controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
|---|---|-------------------------------------|--------------------------------------|---|--------------------------|------------------|---|------------------------------------|
| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> | Total <i>HK\$'000</i> | | | |
| | | | | | | | | |
| Balance at 1 January 2021 | 880,925 | 9,674,180 | 3,433,272 | 12,533,429 | 26,521,806 | 5,502,712 | 32,024,518 | |
| Comprehensive income | | | | | | | | |
| Profit for the period | — | — | — | 3,072,425 | 3,072,425 | 332,925 | 3,405,350 | |
| Other comprehensive income | | | | | | | | |
| Currency translation differences | — | — | 144,420 | — | 144,420 | 59,801 | 204,221 | |
| Share of other comprehensive income of a joint venture accounted for under the equity method | — | — | 2,778 | — | 2,778 | — | 2,778 | |
| Total comprehensive income for the period | — | — | 147,198 | 3,072,425 | 3,219,623 | 392,726 | 3,612,349 | |
| Transactions with owners | | | | | | | | |
| Employees' share option scheme | | | | | | | | |
| – exercise of employees' share options | 287 | 10,723 | (2,021) | — | 8,989 | — | 8,989 | |
| – value of employee services | — | — | 5,599 | — | 5,599 | — | 5,599 | |
| Dividend relating to 2020 | — | (1,497,872) | — | — | (1,497,872) | — | (1,497,872) | |
| Dividend paid to non-controlling interests | — | — | — | — | — | (301,873) | (301,873) | |
| Changes in ownership interest in subsidiaries without loss of control (Note 19) | — | — | 109,518 | — | 109,518 | (146,627) | (37,109) | |
| Balance at 30 June 2021 | 881,212 | 8,187,031 | 3,693,566 | 15,605,854 | 28,367,663 | 5,446,938 | 33,814,601 | |

| | Attributable to equity holders of the Company (Unaudited) | | | | | | |
|--|---|----------------------------------|-----------------------------------|--------------------------------------|--------------------------|--|---------------------------------|
| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> | Total <i>HK\$'000</i> | Non-controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| Balance at 1 January 2020 | 808,186 | 2,956,278 | 1,261,663 | 9,150,719 | 14,176,846 | 4,396,283 | 18,573,129 |
| Comprehensive income | | | | | | | |
| Profit for the period | — | — | — | 1,406,467 | 1,406,467 | 206,148 | 1,612,615 |
| Other comprehensive income | | | | | | | |
| Currency translation differences | — | — | (386,631) | — | (386,631) | (105,642) | (492,273) |
| Share of other comprehensive loss of a joint venture accounted for under the equity method | — | — | (6,333) | — | (6,333) | — | (6,333) |
| Total comprehensive income for the period | — | — | (392,964) | 1,406,467 | 1,013,503 | 100,506 | 1,114,009 |
| Transactions with owners | | | | | | | |
| Issuance of shares in respect of scrip dividend of 2019 final dividend | 7,841 | 410,856 | — | — | 418,697 | — | 418,697 |
| Employees' share option scheme – exercise of employees' share options | 487 | 15,112 | (3,477) | — | 12,122 | — | 12,122 |
| – value of employee services | — | — | 3,596 | — | 3,596 | — | 3,596 |
| Dividend relating to 2019 | — | (687,029) | — | — | (687,029) | — | (687,029) |
| Dividend paid to non-controlling interests | — | — | — | — | — | (271,481) | (271,481) |
| Balance at 30 June 2020 | 816,514 | 2,695,217 | 868,818 | 10,557,186 | 14,937,735 | 4,225,308 | 19,163,043 |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Six months ended 30 June | |
|---|---|---------------------------------|--------------------|
| | | 2021 | 2020 |
| Note | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Cash flows from operating activities | | | |
| | Cash generated from operations | 4,079,474 | 1,560,949 |
| | Interest paid | (61,351) | (119,254) |
| | Income tax paid | (757,755) | (181,819) |
| | Net cash generated from operating activities | 3,260,368 | 1,259,876 |
| Cash flows from investing activities | | | |
| | Payment for acquisition of right-of-use assets | (337,895) | (56,337) |
| | Purchases of and prepayment for purchase of property, plant and equipment | (2,246,737) | (1,084,616) |
| | Acquisition of a subsidiary, net of cash acquired | 20 1 | 809 |
| | Proceeds from disposal of property, plant and equipment | 920 | 32 |
| | Repayment from a joint venture | 12,244 | 9,461 |
| | Interest received | 71,322 | 21,947 |
| | Net cash used in investing activities | (2,500,145) | (1,108,704) |
| Cash flows from financing activities | | | |
| | Proceeds from exercise of employees' share options | 8,989 | 12,122 |
| | Proceeds from bank borrowings | 2,311,080 | 2,208,442 |
| | Repayment of bank borrowings | (1,879,551) | (1,223,671) |
| | Dividend paid to Company's shareholders | (3) | (268,225) |
| | Dividend paid to non-controlling interests | (301,699) | (271,471) |
| | Principal element of lease payments | (11,580) | (8,671) |
| | Net cash generated from financing activities | 127,236 | 448,526 |
| | Net increase in cash and cash equivalents | 887,459 | 599,698 |
| | Cash and cash equivalents at beginning of the period | 9,291,194 | 2,221,055 |
| | Effect of foreign exchange rate changes | 26,890 | (29,912) |
| | Cash and cash equivalents at end of the period | 10,205,543 | 2,790,841 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 2 August 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standards ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

(a) Amendments to standards adopted by the Group

The HKICPA has issued the below amendments to standards which are generally effective for accounting periods beginning on or after 1 January 2021. The Group has adopted these amendments to standards for the first time for its accounting period commencing 1 January 2021. The adoption of these amendments to standards does not have a material impact on the Group in the current or prior periods.

| | |
|---|--|
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions |

- (b) New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2021 and not early adopted by the Group

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

| | | Effective for accounting periods beginning on or after |
|--|--|---|
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope Amendments | 1 January 2022 |
| Annual Improvements Project | Annual Improvements to HKFRSs 2018-2020 | 1 January 2022 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| HK-Int 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

| | Six months ended 30 June | |
|------------------------|--------------------------|--------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Sales of solar glass | 6,597,662 | 3,487,873 |
| Solar farm business | | |
| – Sales of electricity | 678,915 | 468,305 |
| – Tariff adjustment | 703,923 | 632,972 |
| – EPC services | 94,411 | 33,768 |
| | 1,477,249 | 1,135,045 |
| Total revenue | 8,074,911 | 4,622,918 |

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

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

For the six months ended 30 June 2021, there are two operating segments based on business type: (1) sales of solar glass and (2) solar farm business, which includes solar farm development, solar power generation and EPC services. The operating segments, solar farm business (which includes solar farm development and solar power generation) and EPC services, were separately disclosed in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020. As the Executive Directors no longer consider the performance of these two business segments separately, they are aggregated as “solar farm business” for the six months ended 30 June 2021. Certain comparative figures have been re-presented to conform to current period’s presentation.

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

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

The segment information for the six months ended 30 June 2021 and 2020 is as follows:

| | Six months ended 30 June 2021 (Unaudited) | | |
|---|--|---|---------------------------|
| | Sales of solar glass HK\$'000 | Solar farm business HK\$'000 | Total HK\$'000 |
| Segment revenue | | | |
| Recognised at a point in time | 6,597,662 | 1,382,838 | 7,980,500 |
| Recognised over time | — | 94,411 | 94,411 |
| | <hr/> | <hr/> | <hr/> |
| Revenue from external customers | 6,597,662 | 1,477,249 | 8,074,911 |
| Cost of sales | (3,217,454) | (387,825) | (3,605,279) |
| | <hr/> | <hr/> | <hr/> |
| Gross profit | 3,380,208 | 1,089,424 | 4,469,632 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Segment revenue by geographical area | | | |
| Mainland China | 4,493,519 | 1,381,305 | 5,874,824 |
| Other countries and regions | 2,104,143 | 95,944 | 2,200,087 |
| | <hr/> | <hr/> | <hr/> |
| | 6,597,662 | 1,477,249 | 8,074,911 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation charge of property, plant and equipment | 218,461 | 290,040 | 508,501 |
| Depreciation charge of right-of-use assets | 9,780 | 18,026 | 27,806 |
| Additions to non-current assets (other than finance lease receivables and deferred income tax assets) | 2,099,069 | 1,114,429 | 3,213,498 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

| | Six months ended 30 June 2020 (Unaudited) | | |
|---|--|---|--------------------------|
| | Sales of solar glass <i>HK\$'000</i> | Solar farm business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Segment revenue | | | |
| Recognised at a point in time | 3,487,873 | 1,101,277 | 4,589,150 |
| Recognised over time | — | 33,768 | 33,768 |
| Revenue from external customers | 3,487,873 | 1,135,045 | 4,622,918 |
| Cost of sales | (2,131,891) | (302,337) | (2,434,228) |
| Gross profit | <u>1,355,982</u> | <u>832,708</u> | <u>2,188,690</u> |
| Segment revenue by geographical area | | | |
| Mainland China | 2,514,922 | 1,102,279 | 3,617,201 |
| Other countries and regions | 972,951 | 32,766 | 1,005,717 |
| | <u>3,487,873</u> | <u>1,135,045</u> | <u>4,622,918</u> |
| Depreciation charge of property, plant and equipment | 151,325 | 232,200 | 383,525 |
| Depreciation charge of right-of-use assets | 8,333 | 13,250 | 21,583 |
| Additions to non-current assets (other than finance lease receivables and deferred income tax assets) | <u>612,863</u> | <u>541,287</u> | <u>1,154,150</u> |

Reportable segment assets/liabilities are as follows:

| | Segment assets and liabilities | | | |
|--------------------------------------|--|---|--------------------------------|--------------------------|
| | Sales of solar glass <i>HK\$'000</i> | Solar farm business <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| At 30 June 2021 (Unaudited) | | | | |
| Total assets | 24,375,638 | 22,873,300 | 469,052 | 47,717,990 |
| Total liabilities | <u>3,329,278</u> | <u>6,002,136</u> | <u>4,571,975</u> | <u>13,903,389</u> |
| At 31 December 2020 (Audited) | | | | |
| Total assets | 21,567,416 | 21,409,160 | 446,813 | 43,423,389 |
| Total liabilities | <u>2,908,726</u> | <u>4,235,910</u> | <u>4,254,235</u> | <u>11,398,871</u> |

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

| | Assets as at | | Liabilities as at | |
|--|--|--|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| Segment assets/(liabilities) | 47,248,938 | 42,976,576 | (9,331,414) | (7,144,636) |
| Unallocated: | | | | |
| Property, plant and equipment | 346 | 354 | — | — |
| Investment in a joint venture | 375,041 | 365,751 | — | — |
| Investments in associates | 68,880 | 69,034 | — | — |
| Prepayments, deposits and other receivables | 1,108 | 650 | — | — |
| Cash and cash equivalents | 14,184 | 1,293 | — | — |
| Deferred income tax assets | 9,493 | 9,731 | — | — |
| Other payables | — | — | (1,502,197) | (4,084) |
| Bank borrowings | — | — | (3,069,778) | (4,250,151) |
| Total assets/(liabilities) | <u>47,717,990</u> | <u>43,423,389</u> | <u>(13,903,389)</u> | <u>(11,398,871)</u> |

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

| | Six months ended 30 June | |
|---|---|---|
| | 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 2020 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Segment gross profit | 4,469,632 | 2,188,690 |
| Unallocated: | | |
| Other income | 123,000 | 70,742 |
| Other gains/(losses), net | 9,402 | (1,392) |
| Selling and marketing expenses | (250,236) | (136,157) |
| Administrative and other operating expenses | (356,133) | (208,194) |
| Finance income | 71,322 | 21,948 |
| Finance costs | (67,116) | (116,479) |
| Share of profits of a joint venture | 18,756 | 18,632 |
| Share of (losses)/profits of associates | (153) | 83 |
| Profit before income tax | <u>4,018,474</u> | <u>1,837,873</u> |

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

| | As at | |
|-----------------|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| The PRC | 24,364,675 | 21,587,384 |
| Other countries | 1,488,598 | 1,495,324 |
| | <u>25,853,273</u> | <u>23,082,708</u> |

4 OTHER INCOME

| | Six months ended 30 June | |
|--|---|---|
| | 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 2020 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Rental income | 796 | 817 |
| Government grants | 62,559 | 48,943 |
| Sales of scrap and materials | 41,174 | 4,882 |
| Tariff adjustments for electricity generation from self-used solar power system | 9,504 | 8,679 |
| Others (Note) | 8,967 | 7,421 |
| | <u>123,000</u> | <u>70,742</u> |

Note: They mainly comprise compensation of litigation settlement, insurance claims and other miscellaneous income.

5 OTHER GAINS/(LOSSES), NET

| | Six months ended 30 June | |
|---|---|---|
| | 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 2020 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Foreign exchange gains/(losses), net | 9,521 | (1,319) |
| Loss on disposal of property, plant and equipment | (119) | (73) |
| | <u>9,402</u> | <u>(1,392)</u> |

6 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|--------------------------|--------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Amortisation charge of intangible assets | 646 | — |
| Depreciation charge of property, plant and equipment | 508,501 | 383,525 |
| Depreciation charge of right-of-use assets | 27,806 | 21,583 |
| Employee benefit expenses (including directors' emoluments) | 287,644 | 197,496 |
| Cost of inventories sold | 2,845,173 | 1,882,524 |
| Construction contracts costs | 51,297 | 21,267 |
| Transportation costs | 233,594 | 122,867 |
| Research and development expenditures | 170,560 | 79,959 |
| Other expenses | 86,427 | 69,358 |
| | <u>4,211,648</u> | <u>2,778,579</u> |

7 FINANCE INCOME AND FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|--------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Finance income | | |
| Interest income from bank deposits | <u>71,322</u> | <u>21,948</u> |
| Finance costs | | |
| Interest for lease liabilities | 22,442 | 19,016 |
| Interest on bank borrowings | <u>56,957</u> | <u>118,257</u> |
| | 79,399 | 137,273 |
| Less: Amounts capitalised on qualifying assets | <u>(12,283)</u> | <u>(20,794)</u> |
| | <u>67,116</u> | <u>116,479</u> |

8 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current income tax | | |
| Hong Kong profits tax (Note (a)) | — | 87 |
| PRC corporate income tax (“CIT”) (Note (b)) | 425,973 | 214,851 |
| Overseas income tax (Note (c)) | 169,319 | 947 |
| | 595,292 | 215,885 |
| Deferred income tax (Note (d)) | 17,832 | 9,373 |
| Income tax expense | 613,124 | 225,258 |

Notes:

- (a) Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group’s subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the period (2020: same).
- (b) The applicable CIT rate for the Group’s subsidiaries in Mainland China is 25% except that:
- A subsidiary engaging in solar glass business in Anhui is qualified as “High and New Technology Enterprise” and would be entitled to enjoy a preferential CIT rate of 15% (2020: 15%);
 - A subsidiary engaging in solar glass business in Guangxi is qualified as “Encouraged Enterprise” in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and would be entitled to enjoy a preferential CIT rate of 9%;
 - Subsidiaries engaging in the operation and management of solar farms enjoyed tax holiday and their profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, their government grants and insurance claims received are subject to the CIT rate of 25%.
- (c) Taxation on overseas profits mainly include Malaysia income tax which has been calculated on the estimated assessable profits for the period at the standard Malaysia corporate income tax rates of 24% (2020: 24%).
- (d) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30 June | |
|---|----------------------------|----------------------------|
| | 2021 <i>(Unaudited)</i> | 2020 <i>(Unaudited)</i> |
| Profit attributable to equity holders of the Company (HK\$'000) | 3,072,425 | 1,406,467 |
| Weighted average number of ordinary shares in issue (thousands) | 8,810,127 | 8,085,611 |
| Basic earnings per share (HK cents) | 34.87 | 17.39 |

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potential dilutive ordinary shares comprise of share options.

| | Six months ended 30 June | |
|---|----------------------------|----------------------------|
| | 2021 <i>(Unaudited)</i> | 2020 <i>(Unaudited)</i> |
| Profit attributable to equity holders of the Company (HK\$'000) | 3,072,425 | 1,406,467 |
| Weighted average number of ordinary shares in issue (thousands) | 8,810,127 | 8,085,611 |
| Adjustments for share options (thousands) | 14,932 | 5,083 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 8,825,059 | 8,090,694 |
| Diluted earnings per share (HK cents) | 34.81 | 17.38 |

10 DIVIDENDS

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------|
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Final dividend for 2020 of 17.0 HK cents (2019: 8.5 HK cents) per share | 1,497,872 | 687,029 |
| Interim dividend declared of 17.0 HK cents (2020: 8.5 HK cents) per share | <u>1,511,160</u> | <u>694,069</u> |

At a meeting of the Board held on 2 August 2021, the Directors resolved to declare an interim dividend of 17.0 HK cents per share for the six months ended 30 June 2021. The amount of 2021 interim dividend is based on 8,889,176,238 shares in issue as at 31 July 2021. 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 2021.

11 PROPERTY, PLANT AND EQUIPMENT

| | Six months ended 30 June 2021 (Unaudited) | | | | | | |
|--|---|-------------------------|-------------------------|--------------------------|---------------------|-------------------------|--------------------------|
| | Freehold | | Plant and | Solar | Office | Construction | |
| | Land | Buildings | machinery | Farms | Equipment | in progress | Total |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net book amount at 1 January | 204,897 | 1,431,474 | 4,364,481 | 13,104,192 | 8,045 | 1,293,086 | 20,406,175 |
| Additions | — | 1,048 | 106,484 | 46,213 | 1,859 | 2,232,822 | 2,388,426 |
| Transfer | — | 166,288 | 970,030 | 1,017,532 | — | (2,153,850) | — |
| Acquisition of a subsidiary (Note 20) | — | — | — | 294,553 | — | — | 294,553 |
| Disposals | — | — | (1,029) | — | (10) | — | (1,039) |
| Depreciation charge | — | (26,046) | (234,560) | (287,234) | (1,030) | — | (548,870) |
| Currency translation differences | (5,700) | (3,589) | 7,566 | 107,996 | 81 | 10,743 | 117,097 |
| Net book amount at 30 June | <u>199,197</u> | <u>1,569,175</u> | <u>5,212,972</u> | <u>14,283,252</u> | <u>8,945</u> | <u>1,382,801</u> | <u>22,656,342</u> |

12 RIGHT-OF-USE ASSETS

| | Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited) |
|---------------------------------------|--|
| Net book amount at 1 January | 1,407,700 |
| Additions | 393,922 |
| Acquisition of a subsidiary (Note 20) | 18,984 |
| Depreciation charge | (31,005) |
| Currency translation differences | 12,464 |
| Net book amount at 30 June | <u>1,802,065</u> |

13 INTERESTS IN A JOINT VENTURE

| | Six months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> |
|----------------------------------|---|
| At 1 January | 365,751 |
| Share of profits | 18,756 |
| Repayment from a joint venture | (12,244) |
| Currency translation differences | 2,778 |
| | <hr/> |
| At 30 June | 375,041 |
| | <hr/> <hr/> |

14 TRADE AND BILLS RECEIVABLES

| | As at | |
|---|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| Trade receivables | 6,822,861 | 5,316,373 |
| Less: Loss allowance of trade receivables | (19,797) | (19,214) |
| | <hr/> | <hr/> |
| Trade receivables, net | 6,803,064 | 5,297,159 |
| Bills receivables | 1,266,979 | 2,838,874 |
| | <hr/> | <hr/> |
| | 8,070,043 | 8,136,033 |
| | <hr/> <hr/> | <hr/> <hr/> |

Breakdown of trade receivables by segment is as follows:

| | Sales of Solar glass HK\$'000 | Solar farm business HK\$'000 | Total HK\$'000 |
|--------------------------------------|--|---|---------------------------|
| At 30 June 2021 (Unaudited) | | | |
| Sales of solar glass | 1,849,814 | — | 1,849,814 |
| Sales of electricity | — | 226,512 | 226,512 |
| Tariff adjustment | — | 4,665,435 | 4,665,435 |
| EPC service revenue | — | 81,100 | 81,100 |
| Total | 1,849,814 | 4,973,047 | 6,822,861 |
| At 31 December 2020 (Audited) | | | |
| Sales of solar glass | 1,217,287 | — | 1,217,287 |
| Sales of electricity | — | 112,183 | 112,183 |
| Tariff adjustment | — | 3,885,545 | 3,885,545 |
| EPC service revenue | — | 101,358 | 101,358 |
| Total | 1,217,287 | 4,099,086 | 5,316,373 |

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

| | As at | |
|----------------|--|--|
| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
| 0 - 90 days | 6,709,741 | 5,204,358 |
| 91 - 180 days | 78,221 | 14,849 |
| 181 - 365 days | 6,869 | 16,539 |
| 1 - 2 years | 13,848 | 72,697 |
| Over 2 years | 14,182 | 7,930 |
| | 6,822,861 | 5,316,373 |

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

| | As at | |
|----------------|-------------------------|-------------------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| 0 - 90 days | 637,836 | 428,398 |
| 91 - 180 days | 364,876 | 415,786 |
| 181 - 365 days | 745,142 | 737,492 |
| 1 - 2 years | 1,892,164 | 1,599,708 |
| Over 2 years | 1,251,929 | 816,344 |
| | <u>4,891,947</u> | <u>3,997,728</u> |

The maturity of the bills receivables is within 1 year.

The credit terms granted by the Group to its customers in respect of sales of solar glass are generally from 30 to 90 days.

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

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

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at | |
|--|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| Prepayments | 1,677,076 | 1,468,661 |
| Deposits and other receivables | 397,244 | 219,456 |
| Other tax receivables (Note) | 696,817 | 783,318 |
| | <u>2,771,137</u> | <u>2,471,435</u> |
| Less: Non-current portion of prepayments for land use rights and property, plant and equipment | <u>(926,419)</u> | <u>(809,271)</u> |
| Current portion | <u><u>1,844,718</u></u> | <u><u>1,662,164</u></u> |

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

16 TRADE AND OTHER PAYABLES

| | As at | |
|--|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| Trade payables | 724,461 | 667,734 |
| Retention payables for EPC services | 302 | 352 |
| | <u>724,763</u> | <u>668,086</u> |
| Trade payables and retention payables for EPC services | 724,763 | 668,086 |
| Bills payables | 697,448 | 381,584 |
| | <u>1,422,211</u> | <u>1,049,670</u> |
| Trade, retention and bills payables | 1,422,211 | 1,049,670 |
| Accruals and other payables | 2,646,624 | 2,327,930 |
| | <u>4,068,835</u> | <u>3,377,600</u> |
| Current portion | <u><u>4,068,835</u></u> | <u><u>3,377,600</u></u> |
| Deferred government grants | 417,968 | 209,699 |
| Retention payables for construction of solar farms | 84,555 | 102,424 |
| | <u>502,523</u> | <u>312,123</u> |
| Non-current portion | <u><u>502,523</u></u> | <u><u>312,123</u></u> |

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

| | As at | |
|----------------|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| 0 - 90 days | 668,105 | 609,737 |
| 91 - 180 days | 23,284 | 26,199 |
| 181 - 365 days | 9,179 | 5,538 |
| Over 1 year | 24,195 | 26,612 |
| | <u>724,763</u> | <u>668,086</u> |

The maturity of the bills payables is within 6 months.

17 SHARE CAPITAL AND SHARE PREMIUM

| | Number of ordinary shares <i>(thousands)</i> <i>(Unaudited)</i> | Ordinary shares of HK\$ 0.1 each <i>HK\$'000</i> <i>(Unaudited)</i> | Share premium <i>HK\$'000</i> <i>(Unaudited)</i> | Total <i>HK\$'000</i> <i>(Unaudited)</i> |
|--|---|---|---|--|
| Issued and fully paid: | | | | |
| At 1 January 2021 | 8,809,254 | 880,925 | 9,674,180 | 10,555,105 |
| Issuance of shares pursuant to employees' share option scheme | 2,873 | 287 | 10,723 | 11,010 |
| Dividend relating to 2020 | — | — | (1,497,872) | (1,497,872) |
| At 30 June 2021 | <u>8,812,127</u> | <u>881,212</u> | <u>8,187,031</u> | <u>9,068,243</u> |

18 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

| | As at | |
|---------------------------------------|--|--|
| | 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 31 December 2020 <i>HK\$'000</i> <i>(Audited)</i> |
| Repayable on demand and within 1 year | 3,078,111 | 3,410,143 |
| Between 1 and 2 years | 2,319,408 | 1,615,136 |
| Between 2 and 5 years | 1,156,052 | 1,087,973 |
| | <u>6,553,571</u> | <u>6,113,252</u> |
| Less: Non-current portion | <u>(3,475,460)</u> | <u>(2,703,109)</u> |
| Current portion | <u><u>3,078,111</u></u> | <u><u>3,410,143</u></u> |

As at 30 June 2021, bank borrowings of HK\$510,000,000 (2020: HK\$615,000,000) contained repayment on demand clause and were classified as current liabilities.

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

| | As at | |
|-----------------|---------------------------------------|---|
| | 30 June 2021 <i>(Unaudited)</i> | 31 December 2020 <i>(Audited)</i> |
| Bank borrowings | <u>1.22%</u> | <u>1.48%</u> |

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

19 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 11 February 2021, Xinyi Power (BVI) Limited (“**Xinyi Power**”), a wholly-owned subsidiary of the Company, completed the disposal (the “**Disposal**”) of the entire equity interest in Xinyi Solar Farm (Group 6) Limited (“**Xinyi Solar Farm (6)**”) to Xinyi Energy Holdings Limited (“**Xinyi Energy**”), a subsidiary owned as to 50.05% by the Group, at a cash consideration of HK\$520.2 million pursuant to a sale and purchase agreement dated 6 January 2021 entered into between Xinyi Energy. Xinyi Solar Farm (6), through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 250MW in the PRC. Immediately after completion of the Disposal, the Company’s indirect equity interest in Xinyi Solar Farm (6) had been reduced from 100% to 50.05% without a loss of control. Hence, the Group recognised a transaction with non-controlling interests of HK\$146.6 million in relation to the fair value adjustment of the Disposal attributable to the non-controlling interests.

The effect of the Disposal on the equity attributable to equity holders of the Company during the six months ended 30 June 2021 is summarised as follows:

| | <i>HK\$’000</i> <i>(Unaudited)</i> |
|--|---------------------------------------|
| Increase in equity attributable to equity holders of the Company | 109,518 |
| Decrease in non-controlling interests | <u>(146,627)</u> |
| Decrease in total equity | <u><u>(37,109)</u></u> |

In addition to the above, Xinyi Power entered into a sales and purchase agreement (“**S&P Agreement**”) with Xinyi Energy on 6 January 2021 in respect of the proposed disposal of the entire equity interest in Xinyi Solar Farm (Group 7) Limited, which owns and operates solar farms with approved capacity of 270MW, to Xinyi Energy for a consideration to be calculated based on the formula set forth in the S&P Agreement. The disposal of the entire equity interest in Xinyi Solar Farm (Group 7) Limited is expected to be completed on or before 31 December 2021. For further details, please refer to the Company’s announcement dated 6 January 2021.

20 BUSINESS COMBINATION

In February 2021, a subsidiary of Xinyi Energy acquired 100% equity interest of Hubei Jingping Renewable Energy Limited, which owns a solar farm project with approved grid-connected capacity of 80MW in Hubei Province, the PRC at a cash consideration of RMB1,000,000 (equivalent to approximately HK\$1,194,000) from an independent third party.

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

| | <i>HK\$'000</i> <i>(Unaudited)</i> |
|--|---------------------------------------|
| Purchases consideration | |
| Cash consideration | 1,194 |
| | <hr/> |
| Identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 294,553 |
| Right-of-use assets | 18,984 |
| Trade and other receivables and prepayments | 81 |
| Cash and cash equivalents | 1 |
| Lease liabilities | (18,984) |
| Deferred income tax liabilities | (186) |
| Other payables and accruals | (293,719) |
| | <hr/> |
| Total identifiable net assets | 730 |
| Goodwill | 464 |
| | <hr/> |
| | 1,194 |
| | <hr/> |
| Net cash inflow arising from the acquisition | |
| Cash and cash equivalents acquired | 1 |
| Less: Cash consideration paid | — |
| | <hr/> |
| | 1 |
| | <hr/> <hr/> |

Notes:

(a) Revenue and profits contribution

The revenue and the profits included in the condensed consolidated income statement since the respective acquisition date contributed by the acquired business amounted to HK\$9,357,000 and HK\$7,795,000 respectively.

If the acquisition had occurred on 1 January 2021, the condensed consolidated income statement would show pro-forma revenue and profit of approximately HK\$8,074,911,000 and HK\$3,405,350,000 respectively.

(b) Acquired receivables

The fair value of other receivables and prepayments acquired was HK\$81,000. There was no trade receivables acquired.

(c) Goodwill

The Group recognised goodwill of approximately HK\$464,000 in the condensed consolidated balance sheet in connection with the acquisition. The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. The goodwill is attributable to the synergies expected to arise after the acquisition because of the close proximity of the project to other solar farms currently operated by the Group as well as the saving of certain administrative and operating costs. The goodwill will not be deductible for tax purposes.

21 RELATED PARTY TRANSACTIONS

(a) Significant Related Party Transactions

Material related party transactions during the period are as follows:

| | Note | Six months ended 30 June | |
|--|--------|---|---|
| | | 2021 <i>HK\$'000</i> <i>(Unaudited)</i> | 2020 <i>HK\$'000</i> <i>(Unaudited)</i> |
| Purchases of glass products from: | | | |
| – Subsidiaries of Xinyi Glass Holdings Limited (“Xinyi Glass”)* | i, iii | <u>118,122</u> | <u>7,297</u> |
| Purchases of machineries from: | | | |
| – A subsidiary of Xinyi Glass* | i, iv | <u>91,825</u> | <u>26,713</u> |
| Sales of silica sand to: | | | |
| – Subsidiaries of Xinyi Glass* | i, v | <u>21,161</u> | <u>—</u> |
| Purchase of consumables from: | | | |
| – Subsidiaries of Xinyi Glass* | ii, vi | <u>7,402</u> | <u>2,976</u> |
| – A subsidiary of Xinyi Electric Storage Holdings Limited (“Xinyi Electric Storage”)# | ii, vi | <u>6</u> | <u>—</u> |
| | | <u>7,408</u> | <u>2,976</u> |
| Solar farm management fee paid to a non-wholly owned subsidiary: | | | |
| – Xinyi Energy Technology (Wuhu) Limited^ | i, vii | <u>4,624</u> | <u>4,214</u> |
| EPC service income received from: | | | |
| – A subsidiary of Xinyi Glass* | ii, vi | <u>3,847</u> | <u>—</u> |
| Sales of consumables to: | | | |
| – Subsidiaries of Xinyi Glass* | ii, vi | <u>2,607</u> | <u>—</u> |
| Maintenance and service charges received from: | | | |
| – A subsidiary of Xinyi Glass* | ii, vi | <u>1,305</u> | <u>1,294</u> |

| | | Six months ended 30 June | |
|---|---------|---------------------------------|--------------------|
| | | 2021 | 2020 |
| | Note | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Rental income received from: | | | |
| – A subsidiary of Xinyi Glass* | ii, vi | <u>553</u> | <u>509</u> |
| Consultancy fee paid to: | | | |
| – A subsidiary of Xinyi Glass* | ii, vi | <u>435</u> | <u>430</u> |
| Purchases of and processing of battery pack, chargers and lithium battery energy storage facilities: | | | |
| – A subsidiary of Xinyi Electric Storage [#] | i, viii | <u>302</u> | <u>860</u> |
| Sales of electricity to: | | | |
| – A subsidiary of Xinyi Electric Storage [#] | ii, vi | <u>226</u> | <u>677</u> |
| Processing charges of raw materials paid to: | | | |
| – A subsidiary of Xinyi Glass* | ii, vi | <u>—</u> | <u>1,739</u> |
| Sales of glass products to: | | | |
| – Subsidiaries of Xinyi Glass* | ii, vi | <u>—</u> | <u>1,082</u> |

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

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

[^] A connected subsidiary of the Company.

Notes:

- (i) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.
- (iii) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021.
- (iv) The purchases of machineries were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021.
- (v) The sales of silica sand were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 26 May 2021.
- (vi) The transactions were conducted at mutually agreed prices and terms.
- (vii) The management fee was charged in accordance with the solar farm operation and management agreement dated 5 December 2018. For further details, please refer to the Company's announcements dated 2 November 2018 and 15 May 2019 and the Company's circulars dated 2 November 2018 and 15 May 2019.
- (viii) Purchases of and processing of battery pack, chargers and lithium battery energy storage facilities were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcements dated 8 April 2021 and 27 April 2021.

(b) Balances with Related Parties

| | As at | |
|--|-----------------|------------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Amount due from a joint venture | | |
| – Xinyi Solar (Lu'an) Company Limited | — | 796 |
| Amount due from a related company | | |
| – Guangxi Xinyi Supply Chain Management Company Limited* | 15,379 | — |
| Amounts due to related companies | | |
| – Wuhu Jinsanshi Numerical Control Technology Company Limited* | (36,962) | (91,397) |
| – Xinyi Glass (Guangxi) Company Limited* | (8,401) | (73,383) |
| – Xinyi Energy Smart (Malaysia) Sdn Bhd* | (8,257) | (293) |
| – Xinyi Ultra-thin Glass (Dongguan) Company Limited* | (516) | (1,281) |
| – Anhui Xinyi Power Source Company Limited# | (349) | (470) |
| – Xinyi Glass Holdings Limited~ | (294) | (294) |
| – Xinyi Glass Japan Company Limited * | (211) | — |
| – Xinyi Energy Smart (Wuhu) Company Limited* | (31) | — |
| – Xinyi Glass Engineering (Dongguan) Company Limited* | (24) | — |
| | <u>(55,045)</u> | <u>(167,118)</u> |

~ Ultimate holding company of a company which has a significant influence of the Group.

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

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

The amounts due from/to a joint venture and related companies are unsecured, interest free and repayable on demand. The amounts approximate their fair values and are denominated in RMB and MYR.

Key management compensation amounted to HK\$27,290,000 for the six month ended 30 June 2021 (2020: HK\$15,097,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During 1H2021, the Group achieved consolidated revenue of HK\$8,074.9 million, representing a 74.7% increase as compared to 1H2020. Profit attributable to equity holders of the Company increased by 118.4% to HK\$3,072.4 million. Basic earnings per share were 34.87 HK cents for 1H2021, compared to 17.39 HK cents in 1H2020. The strong business growth was primarily due to the increase in sales volume of the Group's solar glass sales for 1H2021 and the higher average selling price ("ASP"). Average market prices of the Group's major solar glass products remained high during the first quarter of 2021 and similar to those in the last quarter of 2020, though such prices have started decreasing during the second quarter of 2021 due to the lower-than-expected downstream demand growth and the increase in industrial supply of solar glass. During 1H2021, the Group has strengthened its efforts in improvements in production efficiency, cost control and product development for maintaining its competitiveness as a leading solar glass manufacturer. All of these efforts amid the cyclical industrial changes enable the Group to record spectacular revenue and profit growth in 1H2021.

BUSINESS REVIEW

Short-term challenges due to supply chain issues

Photovoltaic ("PV") installation costs have dropped significantly in recent years due to the continuous improvements in production technology and efficiency, which has resulted in the use of solar power to be more competitive than the traditional fossil fuels. However, such expected cycle of falling production costs and market prices was reversed in 1H2021 with the rising solar module prices and the uncertainty in delivery and transportation because of the novel coronavirus ("COVID-19") pandemic. The growth momentum of the downstream PV installation was therefore affected during 1H2021.

At the beginning of 2021, the market consensus was that the global PV installations would continue the robust growth as in the fourth quarter of last year. Positive factors included the goal of China to achieve the peak level of emissions by 2030 and carbon neutrality by 2060, the extension of the solar investment tax credit by the government in the United States (“U.S.”) and the launch of the green COVID-19 recovery package by the European Union (“EU”). However, the price hikes of solar modules in 1H2021, primarily driven by the continuous increases in the costs of polysilicon and other auxiliary materials, have forced module manufacturers to slowdown production, postpone delivery or renegotiate contracts previously signed at lower prices. The steep increases in solar module prices have reduced the incentive of PV project developers and decelerated the project implementation schedule. In China, only 3.95 gigawatt (“GW”) and 9.06GW of PV capacity were installed in the first quarter and second quarter of 2021, respectively, according to the statistics released by the National Energy Administration (“NEA”). Such additions represented a sharp decline of 86.6% and 69.3%, respectively, when compared to the 29.5GW in the last quarter of 2020.

In the overseas market, although the PV installation activities gradually resumed during 1H2021 in different countries, increased freight charges and uncertain lead time in international transportation have created additional challenges to the supply chain of solar modules due to the high concentration of solar module manufacturing in China.

Potential growth amid the green transition

As a well-developed renewable energy technology, solar power will continue to be one of the most viable renewable options in the green transformation of the global electricity sector over the next few decades. Falling costs, supportive government policies and technology advancement are the keys to facilitating fast development of the PV market. The Directors believe that the supply chain issues will eventually be resolved following the re-allocation of the economic interests among the different segments in the solar energy value chain or through capacity expansion.

Although there were delays due to the logistics disruption caused by the lockdown measures implemented by various governments, the global development of the PV market remained resilient during the COVID-19 pandemic. According to the Snapshot of Global PV Markets 2021 issued by the International Energy Agency, PV systems of at least 139.4GW were installed and commissioned globally in the year of 2020, representing an increase of approximately 21% as compared to 2019 (114.9GW). In 2020, according to the same report, at least 20 countries installed more than 1GW, as compared to 18 and 10 countries passing the GW threshold in 2019 and 2018, respectively. The diversification in the PV installation markets means that the industry players are less depending on the incentive regime and the policy support of a single country and facing less demand fluctuations, which are beneficial to the Group's planning on the increase in the solar glass production capacity.

With an increasing number of countries committing to achieve net-zero carbon emissions, industry players generally expect that the pace of global PV installations will increase in the coming years and may achieve higher double-digit annual growth rates than those in the previous years.

Change in demand and supply dynamics triggered substantial drop in solar glass prices

There were approximately 3,650 tonnes/day and 7,930 tonnes/day of new solar glass capacity added during the second half of 2020 (“2H2020”) and 1H2021, respectively. With the gradual ramp up of these new capacities, the supply of solar glass increased significantly in 1H2021. On the other hand, hampered by surging module costs, the PV installations were not growing at the same pace as the market forecast. The lower-than-expected downstream demand growth, coupled with the increase in the supply of solar glass, has resulted in price pressure on solar glass starting from around March 2021 and have caused the substantial price decline in the second quarter of 2021. For example, the market price of mainstream 3.2mm solar glass dropped by more than 45% during 1H2021.

The decreases in the average selling prices have inevitably affected the profitability of the Group's solar glass segment, especially in the second quarter of 2021. However, since the selling prices remained high in the first quarter of 2021, the Group's solar glass segment was able to achieve a relatively high gross margin of 51.2% during 1H2021. The adverse impact of the substantial price decreases during the second quarter of 2021 is expected to be reflected in the profitability of this segment during the second half of 2021.

Capacity expansion, product portfolio enhancement and efficiency improvement

The medium and long-term prospects of the solar glass market remain promising amid the global transition to green energy. The price adjustments in the solar glass market in 1H2021 would not be a bad news for the Group, particularly from the perspective of its long-term development, because the adjustments would cause industry players to expand their production scale more rationally, and given the plummeting market prices and the normalised profit margins, some of the expansion plans may be postponed, downsized or even cancelled.

Continuous capacity expansion would not only further strengthen the Group's leading position, but also enable the Group to achieve economies of scale and gain market share. During 1H2021, the Group has put two new solar glass production lines with a daily melting capacity of 1,000 tonnes each in operation. The aggregate melting capacity of solar glass of the Group has been increased to 11,800 tonnes/day as at 30 June 2021.

To mitigate the impact of the price decline and rising material costs, the Group has adopted flexible marketing strategies, optimised its product portfolios to promote the sales of value-added products (thin glass and large-format glass) and implemented solid cost control measures during 1H2021. Through the addition of new solar glass production lines and the upgrade of existing facilities, the Group has further improved its overall efficiency and productivity while keeping the increase in production costs lower than that of raw material and energy prices.

The introduction of large-format PV modules is a key development in solar technology which will further drive down the overall cost. An increasing number of solar module companies have begun mass production of large-format PV panels. As a pioneer in the large-format glass market, the Group is a direct beneficiary of this new trend.

China's grid parity era has arrived

The year of 2021 is the first year in which all newly completed utility-scale and commercial distributed PV generation projects in the PRC are operated on a grid parity basis. The year is also the first year of the 14th Five-Year Plan. Against this background, the level of solar installation is expected to enjoy an unprecedented rapid development in the coming years. China deployed around 13.01GW of new PV generation capacity in 1H2021. Due to the rising solar module prices, the growth of the installed capacity was lower than the expected level, but there was still an increase of 12.9%, as compared with 1H2020. The continuous increases in the component costs inevitably limit the short-term growth of the PV installation, but the slowdown in downstream demand will put pressure on the entire solar power value chain to seek further innovation and efficiency improvement, which will drive the installation costs back to a decreasing trend.

In June 2021, the National Development and Reform Commission released a policy document related to 2021 solar on-grid tariffs, clarifying that competitive bidding methods will no longer be used to fix the feed-in-tariff (“FiT”) in 2021. Instead, the local coal-fired power generation benchmark prices will be adopted as the feed-in-tariffs for all new utility-scale and commercial distributed generation projects. New projects may voluntarily participate in market-oriented transactions to form on-grid electricity prices to better reflect the “green power value” of PV power generation. This gives a clear and strong incentive to solar farm investment and promotes the accelerated development of the PV power generation industry, ultimately helping China to achieve its goals of reaching carbon emissions peak by 2030 and carbon neutrality by 2060.

The cancellation of subsidies for new PV projects could enhance the stability and predictability of future cash flows from the solar farm projects as well as lower the risks for investors. This could benefit the Group's solar farm development and operation business. In addition, the more market-driven and accelerated downstream installation growth has the potential to benefit the Group's solar glass business.

Steady growth of contributions from solar power electricity generation

The total electricity generated from the Group's solar farm portfolio grew remarkably in 1H2021, primarily due to the new capacity completed or acquired in 2H2020 and 1H2021. Revenue and gross profit increased by 30.1% and 30.8% year-on-year, respectively, during 1H2021. No curtailment issue was encountered by the Group during 1H2021 since its solar farm projects are mostly located in regions with high electricity demand. In light of the surging solar module prices, the Group has slowed the pace of development of some new solar farm projects and postponed their construction work until later in the year. Therefore, no capacity was newly connected to the grid by the Group during 1H2021, with the exception of the acquisition of a solar farm project with a capacity of 80 megawatt ("MW") by Xinyi Energy and its subsidiaries (collectively the "**Xinyi Energy Group**") from an independent third party.

As at 30 June 2021, the accumulated approved grid-connected capacity of the Group's solar farm projects was 3,550MW, of which 3,384MW was for utility-scale ground-mounted projects and 166MW was for rooftop distributed generation projects (with electricity generated for self-consumption or for sale to the grid). In terms of ownership, solar farm projects with a capacity of 2,164MW were held through Xinyi Energy Group (of which 2,064MW were 50.05% owned and 100MW were 47.55% owned by the Company); solar farm projects with a capacity of 1,286MW were held through wholly-owned subsidiaries; and a solar farm project with a capacity of 100MW was held by a joint venture owned as to 50% by the Group.

As at 30 June 2021, out of the 3,384MW utility-scale ground-mounted projects owned by the Group, solar farms with a capacity of 1,904MW have already been enlisted on the Renewable Energy Power Generation Project List and solar farms with a capacity of 1,120MW are grid parity projects.

FINANCIAL REVIEW

Revenue

Revenue for 1H2021 was mainly derived from two business segments, namely: (i) sales of solar glass and (ii) solar farm business, which includes solar farm development, solar power generation and engineering, procurement and construction (“EPC”) services. Both segments recorded remarkable revenue growth during 1H2021.

Revenue – By segment

| | <u>1H2021</u> | | <u>1H2020</u> | | <u>Increase/(Decrease)</u> | |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------------|----------|
| | <i>HK\$ million</i> | <i>% of revenue</i> | <i>HK\$ million</i> | <i>% of revenue</i> | <i>HK\$ million</i> | <i>%</i> |
| Sales of solar glass | 6,597.7 | 81.7 | 3,487.9 | 75.4 | 3,109.8 | 89.2 |
| Solar farm business | 1,477.2 | 18.3 | 1,135.0 | 24.6 | 342.2 | 30.1 |
| Total external revenue | <u>8,074.9</u> | <u>100.0</u> | <u>4,622.9</u> | <u>100.0</u> | 3,452.0 | 74.7 |

Solar Glass Revenue – By geographical market

| | <u>1H2021</u> | | <u>1H2020</u> | | <u>Increase/(Decrease)</u> | |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------------------------|----------|
| | <i>HK\$ million</i> | <i>% of revenue</i> | <i>HK\$ million</i> | <i>% of revenue</i> | <i>HK\$ million</i> | <i>%</i> |
| Mainland China | 4,493.5 | 68.1 | 2,514.9 | 72.1 | 1,978.6 | 78.7 |
| Other countries and regions | 2,104.1 | 31.9 | 973.0 | 27.9 | 1,131.1 | 116.2 |
| Total solar glass revenue* | <u>6,597.7</u> | <u>100.0</u> | <u>3,487.9</u> | <u>100.0</u> | 3,109.8 | 89.2 |

* The sum of the individual amounts rounded off may not be the same as the actual total amount.

Revenue from sales of solar glass amounted to HK\$6,597.7 million in 1H2021, representing a year-on-year increase of 89.2%. This increase was primarily due to a higher sales volume, increased ASP, appreciation of the Renminbi (“RMB”) and Malaysian Ringgit (“MYR”) against the Hong Kong dollar (“HKD”) and an enhanced product mix.

Enhanced production capacity and increased sales of new products (thin glass and large-format glass) contributed to the Group’s high sales growth during 1H2021. Driven by the increased demand from overseas markets and the higher penetration level of double-glass and bifacial module applications, the Group’s total solar glass sales volume (in terms of tonnage) grew by 43.0% year-on-year in 1H2021. Despite the seasonal effect (decreased installation in China during winter and the Lunar New Year holiday), solar glass prices remained high in the first quarter of 2021, similar to those in the last quarter of 2020. However, rising module prices – fueled by inflated polysilicon and other component costs – have suppressed the growth momentum of downstream demand. This, coupled with the release of the new industrial supply of solar glass, triggered a substantial drop in solar glass prices during the second quarter of 2021. However, the average market price of mainstream 3.2mm solar glass still grew by around 14% in 1H2021 compared to 1H2020.

The RMB/HKD and MYR/HKD exchange rates used for converting the RMB-denominated and MYR-denominated revenue for the different months in 1H2021 into HKD were relatively higher on average – by around 8.1% and 3.6% year-on-year, respectively – than those applicable in the corresponding months in 2020, and thus had a positive impact on the Group’s revenue.

The Group’s solar glass sales had faster growth in the overseas market than in Mainland China during 1H2021, accounting for around 31.9% (1H2020: 27.9%) of the Group’s total solar glass sales revenue in 1H2021. The new solar glass production site in Guangxi, which began operation in 2H2020, greatly enhanced the Group’s flexibility in regard to fulfilling orders from customers based in Southeast Asia and India.

Revenue from the Group's solar farm segment increased by 30.1% from HK\$1,135.0 million in 1H2020 to HK\$1,477.2 million in 1H2021. The revenue of this segment comprised electricity generation income and EPC service revenue. Electricity generation income, amounting to HK\$1,382.8 million in 1H2021 – an increase of 25.6% compared to the HK\$1,101.3 million recorded in 1H2020 – was mainly derived from the solar farms located in the PRC as set forth below. EPC revenue, amounting to HK\$94.4 million in 1H2021, was mainly derived from the distributed generation PV projects developed by a 60%-owned subsidiary in Canada.

| | Approved grid-connected capacity | | |
|--|--|--|--|
| | As at 30 June 2021 MW | As at 31 December 2020 MW | As at 30 June 2020 MW |
| Utility-scale ground-mounted solar farms | | | |
| Anhui | 1,460 | 1,460 | 1,460 |
| Hubei | 530 | 450 | 360 |
| Guangxi | 400 | 400 | — |
| Others (Tianjin, Henan, Hebei, etc.) | 894 | 894 | 844 |
| Subtotal | 3,284 | 3,204 | 2,664 |
| Commercial distributed generation projects | 38 | 38 | 38 |
| Total | 3,322 | 3,242 | 2,702 |
| Total number of solar farms | 42 | 41 | 36 |
| Weighted average FiT * (RMB/kWh) | 0.73 | 0.74 | 0.83 |

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

The increase in electricity generation income was mainly attributable to the capacities added in 1H2021 and 2H2020 and appreciation of RMB against HKD. With the exception of a solar farm project with a capacity of 80MW that was acquired by Xinyi Energy Group from an independent third party, there was no new grid-connected capacity added by the Group during 1H2021. This is because the Group has postponed the construction work of its self-developed solar farm projects in view of the rising solar module costs. Though the grid parity projects added (and to be added) in 2021 will lower the weighted average FiT of the entire portfolio as they are not entitled to subsidy, they could provide the Group with a more predictable and stable cash flow.

As with the majority of other solar farm operators in the PRC, the Group has experienced delays in the collection of subsidy from the government for the electricity generated by its solar farm projects. As at 30 June 2021, the outstanding tariff adjustment (subsidy) receivable by the Group amounted to HK\$4,665.4 million. Receivables from sales of electricity are generally settled on a monthly basis by state grid companies, while tariff adjustment (subsidy) receivables are settled in accordance with prevailing government policies. In 1H2021, the Group received tariff adjustment (subsidy) payments of RMB39.7 million (equivalent to approximately HK\$47.5 million).

Gross profit

The Group's gross profit increased by HK\$2,280.9 million, or 104.2%, from HK\$2,188.7 million in 1H2020 to HK\$4,469.6 million in 1H2021. The Group's overall gross profit margin increased to 55.4% (1H2020: 47.3%). This significant growth was primarily the result of the strong profit performance of the Group's solar glass and solar farm businesses.

In 1H2021, the gross profit margin of the solar glass business increased by 12.3 percentage points to 51.2% (1H2020: 38.9%). The increase in margin was mainly attributable to: (i) a higher ASP compared to the last corresponding period (despite the substantial declines in the second quarter of 2021, the average market price of mainstream 3.2mm solar glass still rose by around 14% year-on-year in 1H2021); (ii) improvement in production efficiency after the ramp up of new production capacities added in 2H2020 and 1H2021, as well as the upgrade of certain existing facilities, which mitigated the pressure from the increase in certain raw material and energy costs; and (iii) increased revenue and profit contributions derived from thin glass products (2.5/2.0 mm).

The gross profit contribution from the solar farm business increased by 30.8% in 1H2021 to HK\$1,089.4 million (1H2020: HK\$832.7 million). This change was roughly in line with the segment's revenue growth. The gross profit margin of this segment remained relatively stable, amounting to 73.7% in 1H2021 (1H2020: 73.4%).

Other income

During 1H2021, the Group's other income increased by HK\$52.3 million to HK\$123.0 million, as compared to the HK\$70.7 million recorded in 1H2020. The increase was principally due to additional government grant income and an increase in sales of scrap and materials.

Other gains/(losses), net

The Group recorded other gains, net of HK\$9.4 million for 1H2021, as compared to other losses, net of HK\$1.4 million for 1H2020. The gains in 1H2021 mainly represented the unrealised end-of-period foreign exchange translation gains in relation to the trade receivables, bank balances and intercompany balances denominated in non-functional currencies of the Group's subsidiaries.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 83.8% from HK\$136.2 million in 1H2020 to HK\$250.2 million in 1H2021. The increase primarily stemmed from higher freight charges and additional transportation costs, alongside the rise in overseas solar glass sales. Soaring demand, container shortages and port congestion have contributed to a sharp rise in shipping costs. During 1H2021, the Group's transportation costs increased by 90.1%, much higher than the 43.0% increase in the volume of solar glass sold. The selling and marketing expenses to revenue ratio increased from 2.9% in 1H2020 to 3.1% in 1H2021.

Administrative and other operating expenses

Administrative and other operating expenses increased by HK\$147.9 million, or 71.1%, from HK\$208.2 million in 1H2020 to HK\$356.1 million in 1H2021. The increase was mainly due to the increase in: (i) research and development expenses of HK\$90.6 million; (ii) employee benefit expenses of HK\$32.8 million; and (iii) other miscellaneous operating expenses. Because of the increased revenue and certain expenses being relatively fixed, the ratio of administrative and other operating expenses to revenue decreased slightly from 4.5% in 1H2020 to 4.4% in 1H2021.

Finance costs

The Group's finance costs decreased from HK\$116.5 million (or HK\$137.3 million before capitalisation) in 1H2020 to HK\$67.1 million (or HK\$79.4 million before capitalisation) in 1H2021. The decrease was primarily due to the decreases in the interest rates and the Group's average debt levels. During 1H2021, interest expense of HK\$12.3 million (1H2020: HK\$20.8 million) was capitalised into the costs of solar farms and solar glass production facilities under construction. The capitalised amounts will depreciate along with the relevant assets over their estimated useful lives.

Share of profit of a joint venture

The Group's share of profit of a joint venture amounted to HK\$18.8 million for 1H2021 (1H2020: HK\$18.6 million), which was contributed by a 50%-owned joint venture, Xinyi Solar (Lu'an) Company Limited, engaging in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, the PRC.

Income tax expense

The Group's income tax expense increased from HK\$225.3 million in 1H2020 to HK\$613.1 million in 1H2021. The increase was primarily attributable to: (i) increased profit from the solar glass business; (ii) the expiration of a corporate income tax ("CIT") exemption/reduction period of certain solar farms during 1H2021; and (iii) recognition of deferred tax liabilities in relation to the differences between the accounting depreciation and tax depreciation (capital allowances) of a subsidiary of the Group in Malaysia.

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

EBITDA and net profit

In 1H2021, the Group's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK\$4,622.5 million, representing an increase of 95.9% when compared to the HK\$2,359.5 million recorded in 1H2020. The EBITDA margin (calculated based on total revenue for 1H2021) was 57.2% for 1H2021 as compared to 51.0% for 1H2020.

Net profit attributable to equity holders of the Company for 1H2021 was HK\$3,072.4 million, representing an increase of 118.4% as compared to HK\$1,406.5 million for 1H2020. Net profit margin increased to 38.0% for 1H2021 from 30.4% for 1H2020, and such increase was mainly due to the net effect of (i) the enhanced profitability of the solar glass business; (ii) higher finance income and lower finance costs; and (iii) the reduction in profit sharing from Xinyi Energy Group due to the dilution impact resulting from the disposal of solar farm projects totalling 230MW and 250MW to Xinyi Energy in September 2020 and February 2021, respectively, and the placing of new shares by Xinyi Energy in September 2020.

Financial Resources and Liquidity

In 1H2021, the total assets of the Group increased by 9.9% to HK\$47,718.0 million and shareholders' equity increased by 7.0% to HK\$28,367.7 million. The Group's current ratio as at 30 June 2021 was 2.3, compared to 2.6 as at 31 December 2020.

During 1H2021, the Group's primary source of funding included cash generated from the Group's operating activities and the credit facilities provided by banks. Net cash inflow from operating activities amounted to HK\$3,260.4 million (1H2020: HK\$1,259.9 million). The increase in net cash inflow was primarily attributable to the increase in revenue from the strong business and cash flow performance of the solar glass segment. Net cash used in investing activities amounted to HK\$2,500.1 million (1H2020: HK\$1,108.7 million). The increase was primarily due to capital expenditures in relation to solar glass capacity expansion and investments in new solar farm projects. Net cash generated from financing activities amounted to HK\$127.2 million (1H2020: HK\$448.5 million). During 1H2021, the Group secured new bank borrowings of HK\$2,311.1 million and repaid bank borrowings of HK\$1,879.6 million.

The Group's liquidity remains strong, with net cash position (cash and cash equivalents less bank borrowings) increased from HK\$3,177.9 million at 31 December 2020 to HK\$3,652.0 million at 30 June 2021.

BUSINESS OUTLOOK

In 2020, the global solar power generation continued to increase even though there was a decrease in the global use of electricity as a result of the COVID-19 pandemic. This demonstrates the commitment of the governments in different countries to promote the continued investments in PV power projects and more importantly, the increase in the competitiveness of solar energy as compared to fossil fuels.

The future price movements of polysilicon – a key material of solar modules – continue to be the most important consideration in the market in the short term. The increase in the production capacity will result in changes in the supply and will drive the price down. However, due to the increasing downstream demand, the prices of polysilicon are expected to maintain at relatively high levels even though the prices were generally stabilised or even started to decrease in the first month of the second half of 2021.

As for its solar glass business, the Group is expected to continue to face challenging operating environment in the second half of 2021 as the demand growth in downstream market is depending on the movements in the solar module prices and other different factors. The production capacity of solar glass industry is expected to continue to increase. With the substantial decreases in the market prices of the major solar glass products of the Group during the second quarter of 2021, the Directors expect that such impact would be carried forward to the remaining months of 2021. In response to this industry trend, the Group will strive to reduce the adverse effect through better cost controls, improved production technologies and development of new products.

Given the increasing use of bifacial solar modules and larger panels, the Group will continue to expand the thin glass and the large-format glass market so as to maintain its industry leadership and focus on the niche areas in which it enjoys high competitive advantages.

The global trend on de-carbonisation will continue to accelerate the use of solar power in the coming years and hence, it will create additional demand for solar glass. Despite the expected growth in downstream demand in 1H2021 was lower than the expectation, the Group would continue to implement its capacity expansion plan for 2021 by focusing on the construction of four new solar glass production lines with a daily melting capacity of 1,000 tonnes each in Wuhu (Anhui Province). The first three production lines have commenced their trial operation in January, March and July 2021, respectively, and the fourth production line is expected to commence its trial operation in September 2021. In addition to the above, the Group has in its pipeline the construction of another 16 new solar glass production lines (with a daily melting capacity of 1,000 tonnes each), of which four new production lines in Zhangjiagang (Jiangsu Province) and four new production lines in Wuhu (Anhui Province) are expected to be completed in 2022, while the commissioning time for the remaining eight new production lines in Wuhu (Anhui Province) are yet to be determined. The Group will constantly review and adjust its expansion plan in response to the changing market conditions.

Regarding the government industry policy on solar glass capacity in the PRC, the Ministry of Industry and Information Technology released the final policy on 20 July 2021. Pursuant to this policy, solar glass manufacturers who intend to add new capacity will not have to submit any replacement plan, but need to obtain the project construction, technology, energy consumption and environment accreditations by designated national industry associations or agencies. This arrangement has reaffirmed the government's support for the solar energy development and may promote the technological innovation, efficiency improvement and organised expansion of the solar glass industry.

As for the solar farm business, the Group will continue to explore opportunities in different regions of China so as to strengthen its project pipeline. According to data from NEA, solar power electricity generation in 2020 reached 260.5 billion kWh, which accounted for less than 3.5% of the total electricity generated in China. There is significant room for development of solar power in China. Although the implementation schedule of new solar farm projects in the second half of 2021 may still be affected by a number of factors, including the changes in the solar component costs, availability of land resources and grid connection issues, the Group will strive to achieve the annual installation of 600MW before the end of 2021.

After reaching grid parity, the next strategic step to encourage the use of solar power would be to address the inherent limitations on the use of solar energy, such as instability, intermittency and sensitivity to weather changes. Energy storage currently offers a good solution to these issues and could help to improve the level of energy utilisation in the solar power systems. Government policies and continued cost decreases will provide the foundation for the increasing deployment of different types of energy storage systems in the future. The Group will closely monitor the development of hybrid solar-plus-storage projects and determine the feasibility and the value added by such projects accordingly.

As certain silica sand produced by the Group's sand mine in Guangxi is of the quality suitable for the production of float glass but not of solar glass, the Group has entered into a framework agreement with Xinyi Group (Glass) Company Limited to provide it with a maximum of 510,000 tonnes of such silica sand at prevailing market prices in the current year. Information on this transaction is set forth in the announcement of the Company dated 26 May 2021. The Group will continue to explore upstream raw material resources to ensure a stable supply and alleviate the pressure from rising prices.

Overall, the operating environment of the solar glass market in the second half of 2021 would be challenging. The relatively low-price environment is unlikely to change in the near term. However, leveraging its scale of production, continuous efficiency improvements and optimised operational management, the Directors are confident on the medium and long-term growth of the Group's business. The Group will continue to cautiously explore development opportunities in its core business areas – solar glass and solar farms – to facilitate its future growth.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK\$2,584.6 million for 1H2021 which were primarily used in the expansion and upgrade of solar glass production capacities and the development of the solar farm projects in China. Capital commitments contracted for but not incurred by the Group as at 30 June 2021 amounted to HK\$2,075.5 million, which were mainly related to the expansion of solar glass production capacity and the development and construction of the solar farm projects in China.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as at 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in notes 19 and 20 to the condensed consolidated financial information, there was no material acquisition and disposal of subsidiaries and associated companies during 1H2021.

USE OF PROCEEDS FROM THE PLACING

The Company raised net proceeds of approximately HK\$2,645.6 million and approximately HK\$3,875.8 million from the placing of 282,000,000 new shares and 300,000,000 new shares in September and December 2020, respectively. The table below sets out the proposed application of the net proceeds and actual utilisation up to 30 June 2021.

| | Proposed application of the net proceeds | Unutilised balance at 31 December 2020 | Amount utilised in 1H2021 | Unutilised balance at 30 June 2021 | Expected timeline for the application of the unutilised net proceeds (Note) |
|------------------------------|---|---|--|---|--|
| | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> | |
| Placing in September 2020 | | | | | |
| Solar glass production | | | | | |
| capacity expansion | 2,116.5 | 1,248.4 | 1,248.4 | — | |
| General working capital | 529.1 | — | — | — | |
| Total | 2,645.6 | 1,248.4 | 1,248.4 | — | |
| Placing in December 2020 | | | | | |
| Solar glass production | | | | | |
| capacity expansion | 1,937.9 | 1,937.9 | 607.6 | 1,330.3 | End of 2021 |
| Development and construction | | | | | |
| of new solar farm projects | 1,162.7 | 1,156.4 | 565.2 | 591.2 | End of 2021 |
| General working capital | 775.2 | — | — | — | |
| Total | 3,875.8 | 3,094.3 | 1,172.8 | 1,921.5 | |

Note: The expected timeline for the application of the unutilised net proceeds is based on the latest estimation made by the Group. It may be subject to change in accordance with the future development of the market conditions.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollar (“USD”). Given the pegged exchange rate between HKD and USD, the Directors do not expect that the Group would be subject to significant foreign exchange risk arising from the transactions denominated in HKD or USD. However, the exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group’s performance and asset value. The Group also has solar glass production facilities and production activities in Malaysia. Exchange rate fluctuations between MYR and HKD could also affect the Group’s performance and asset value.

The presentation currency of the Group’s consolidated financial statements is HKD. Because of the rebound in the exchange rate between RMB and HKD in 1H2021, the Group reported non-cash translation gains, which represent an increase in the reserve of its consolidated balance sheet, in the translation of the RMB-denominated assets into HKD. For 1H2021, exchange gains of HK\$147.2 million were recorded as the exchange reserve movement. As a result, the credit balance in the Group’s consolidated exchange reserve account increased from HK\$294.4 million as at 31 December 2020 to HK\$441.6 million as at 30 June 2021.

For the Group’s solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance between the risk of currency mismatch and the advantage of the lower interest rates in HKD borrowings, as compared to those of the RMB. As at 30 June 2021, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During 1H2021, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had about 5,751 full-time employees of whom 4,834 were based in Mainland China and 917 were based in Malaysia, Hong Kong, and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK\$287.6 million in 1H2021.

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

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company in June 2014, an aggregate of 9,885,500 share options were granted to selected employees and an executive director in March 2021. The share options are valid from 31 March 2021 to 31 March 2025. One third of the share options will be vested on each year-end date of 2021, 2022 and 2023 if the relevant grantee has satisfied the conditions of vesting as stated in the letter of grant.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 17.0 HK cents per share for 1H2021 (1H2020: 8.5 HK cents) to be paid to all shareholders (the “**Shareholders**”) of the Company with their names recorded on the register of members of the Company at the close of business on Monday, 23 August 2021. The interim dividend is expected to be payable on or about Tuesday, 21 September 2021. The Company's register of members will be closed from Thursday, 19 August 2021 to Monday, 23 August 2021 (both days inclusive), and during such 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 Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 18 August 2021.

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

In 1H2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Corporate Governance Code (the “**Code**”) as set forth in Appendix 14 to the Listing Rules during 1H2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry to the Directors and all Directors have confirmed that they complied with the Model Code during 1H2021.

REVIEW OF THE INTERIM RESULTS

The Company’s interim results for 1H2021 have not been audited but have been reviewed by the audit committee of the Board. The members of the audit committee of the Board are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin, all of them are independent non-executive Directors.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for 1H2021 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 Solar Holdings Limited
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 2 August 2021

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

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