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XINYI GLASS HOLDINGS LIMITED

信義玻璃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00868)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

- Total sales for the six months ended 30 June 2017 reached HK\$6,676.8 million, representing an increase of 13.5%, as compared with total sales of HK\$5,885.0 million for the six months ended 30 June 2016.
- Net profit attributable to the equity holders of the Company for the six months ended 30 June 2017 reached HK\$1,635.9 million, representing an increase of 19.5%, as compared with net profit of HK\$1,369.1 million for the six months ended 30 June 2016.
- Basic earnings per Share for the six months ended 30 June 2017 was 41.64 HK cents, as compared with basic earnings per Share of 35.33 HK cents for the six months ended 30 June 2016.
- The Directors declare an interim dividend of 20 HK cents per Share for the six months ended 30 June 2017.

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Glass Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017, together with the comparative figures for the six months ended 30 June 2016, as follows:

Condensed Consolidated Balance Sheet

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

		As at	
		30 June	31 December
		2017	2016
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	3,412,853	1,121,020
Property, plant and equipment	6	12,298,829	11,830,637
Investment properties	7	604,998	546,709
Prepayments for property, plant and equipment and land use rights		252,439	608,191
Intangible assets		70,715	71,703
Available-for-sale financial assets		—	557
Investments in associates	8	4,065,845	3,257,782
Loan to associates		34,709	49,199
		<u>20,740,388</u>	<u>17,485,798</u>
Current assets			
Inventories		1,615,358	1,320,513
Loans to associates		41,030	33,059
Trade and other receivables	9	3,134,704	2,376,953
Available-for-sale financial assets		38,554	37,951
Pledged bank deposits	10	2,521	4,975
Cash and bank balances	10	1,440,132	2,763,072
		<u>6,272,299</u>	<u>6,536,523</u>
Total assets		<u><u>27,012,687</u></u>	<u><u>24,022,321</u></u>

		As at	
		30 June 2017	31 December 2016
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	399,940	389,177
Share premium	11	1,180,173	1,360,624
Other reserves	12	711,186	(30,973)
Retained earnings		13,097,143	11,462,103
		<hr/>	<hr/>
		15,388,442	13,180,931
Non-controlling interests		70,418	65,959
		<hr/>	<hr/>
Total equity		15,458,860	13,246,890
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LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	5,307,634	4,509,073
Deferred income tax liabilities		220,057	218,125
Other payables		74,556	48,000
		<hr/>	<hr/>
		5,602,247	4,775,198
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Current liabilities			
Trade and other payables	13	2,939,814	2,296,932
Current income tax liabilities		453,195	537,936
Bank and other borrowings	14	2,558,571	3,165,365
		<hr/>	<hr/>
		5,951,580	6,000,233
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		11,553,827	10,775,431
		<hr/>	<hr/>
Total equity and liabilities		27,012,687	24,022,321
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Total assets less current liabilities		21,061,107	18,022,088
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Condensed Consolidated Income Statement

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

		Unaudited Six months ended 30 June	
	Note	2017	2016
Revenue	4	6,676,799	5,885,042
Cost of sales	15	(4,247,567)	(3,843,653)
Gross profit		2,429,232	2,041,389
Other income	4	141,414	103,993
Other (losses)/gains - net	16	(45,443)	42,873
Selling and marketing costs	15	(333,806)	(351,287)
Administrative expenses	15	(586,355)	(533,369)
Operating profit		1,605,042	1,303,599
Finance income	17	23,444	16,022
Finance costs	17	(73,005)	(60,255)
Share of profits of associates	8	367,967	312,425
Profit before income tax		1,923,448	1,571,791
Income tax expense	18	(285,371)	(202,299)
Profit for the period		<u>1,638,077</u>	<u>1,369,492</u>
Profit attributable to:			
– Equity holders of the Company		1,635,924	1,369,122
– Non-controlling interest		2,153	370
Profit for the period		<u>1,638,077</u>	<u>1,369,492</u>
Earnings per Share for profit attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per Share)			
– Basic	20	41.64	35.33
– Diluted	20	41.52	35.20

Condensed Consolidated Statement of Comprehensive Income

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

	Unaudited	
	Six months ended	
	30 June	
	2017	2016
Profit for the period	<u>1,638,077</u>	<u>1,369,492</u>
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Change in value of available-for-sale financial assets	603	(19,277)
Currency translation differences	628,645	(172,590)
Share of other comprehensive income of investments accounted for using the equity method	<u>127,668</u>	<u>(38,058)</u>
Total comprehensive income for the period	<u><u>2,394,993</u></u>	<u><u>1,139,567</u></u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	2,392,676	1,138,535
– Non-controlling interests	<u>2,317</u>	<u>1,032</u>
	<u><u>2,394,993</u></u>	<u><u>1,139,567</u></u>

Condensed Consolidated Statement of Changes in Equity

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

	Unaudited							
	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 31 December 2016 and 1 January 2017		389,177	1,360,624	(30,973)	11,462,103	13,180,931	65,959	13,246,890
Comprehensive income								
Profit for the period		—	—	—	1,635,924	1,635,924	2,153	1,638,077
Other comprehensive income								
Changes in value of available-for-sale financial assets		—	—	603	—	603	—	603
Share of other comprehensive income of investments accounted for using equity method		—	—	127,668	—	127,668	—	127,668
Currency translation differences		—	—	628,481	—	628,481	164	628,645
Total comprehensive income		—	—	756,752	1,635,924	2,392,676	2,317	2,394,993
Transactions with owners								
Employees share option scheme:								
— Proceeds from shares issued	11(a)	1,048	73,730	(15,008)	—	59,770	—	59,770
— Value of employee services		—	—	12,840	—	12,840	—	12,840
— Release on forfeiture of share options		—	—	(24)	24	—	—	—
Sales of interest in a subsidiary		—	—	—	—	—	2,411	2,411
Disposal of a subsidiary		—	—	32	—	32	—	32
Dividend paid to non-controlling interest		—	—	—	—	—	(269)	(269)
Issue of ordinary shares related to conversion of the convertible bonds	14(b)	9,715	663,804	(11,481)	—	662,038	—	662,038
Redemption of convertible bonds		—	1,860	(1,860)	—	—	—	—
Dividends relating to 2016	19	—	(919,845)	—	—	(919,845)	—	(919,845)
Transfers to reserves		—	—	908	(908)	—	—	—
Total transactions with owners		10,763	(180,451)	(14,593)	(884)	(185,165)	2,142	(183,023)
Balance at 30 June 2017		<u>399,940</u>	<u>1,180,173</u>	<u>711,186</u>	<u>13,097,143</u>	<u>15,388,442</u>	<u>70,418</u>	<u>15,458,860</u>

Unaudited								
Attributable to equity holders of the Company								
<i>Note</i>	Share capital	Share premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity	
Balance at 31 December 2015 and 1 January 2016	392,183	2,824,975	1,060,759	8,440,549	12,718,466	7,241	12,725,707	
Comprehensive income								
Profit for the period	—	—	—	1,369,122	1,369,122	370	1,369,492	
Other comprehensive income								
Changes in value of available-for-sale financial assets	—	—	(19,277)	—	(19,277)	—	(19,277)	
Share of other comprehensive income of investments accounted for using equity method	—	—	(38,058)	—	(38,058)	—	(38,058)	
Currency translation differences	—	—	(173,252)	—	(173,252)	662	(172,590)	
Total comprehensive income	—	—	(230,587)	1,369,122	1,138,535	1,032	1,139,567	
Transactions with owners								
Employees share option scheme:								
— Proceeds from shares issued	11(a)	1,911	106,984	(26,671)	—	82,224	—	82,224
— Value of employee services		—	—	17,722	—	17,722	—	17,722
— Release on forfeiture of share options		—	—	(310)	310	—	—	—
Repurchase and cancellation of shares		(6,004)	(258,534)	6,004	(6,004)	(264,538)	—	(264,538)
Dividends relating to 2015	19	—	(659,753)	—	—	(659,753)	—	(659,753)
Total transactions with owners		(4,093)	(811,303)	(3,255)	(5,694)	(824,345)	—	(824,345)
Balance at 30 June 2016		388,090	2,013,672	826,917	9,803,977	13,032,656	8,273	13,040,929

Condensed Consolidated Cash Flow Statement

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

	Unaudited	
	Six months ended	
	30 June	
	2017	2016
Cash flows from operating activities		
Cash generated from operations	1,056,454	1,660,635
Interest paid	(80,051)	(58,047)
Income tax paid	(369,388)	(138,655)
	<hr/>	<hr/>
Cash flows from operating activities - net	607,015	1,463,933
Cash flows from investing activities		
Purchase of land use rights	(1,881,874)	(13,876)
Net proceeds from disposal of a subsidiary	784	—
Net proceeds from sales of interest in a subsidiary	2,478	—
Purchase of property, plant and equipment	(583,627)	(642,210)
Addition to investment in an associate	(446,375)	(617,859)
Loan repayment from an associate	9,194	—
Interests received	23,444	16,022
Other investing activities	(29,625)	(12,292)
	<hr/>	<hr/>
Cash flows used in investing activities - net	(2,905,601)	(1,270,215)
Cash flows from financing activities		
Proceeds from bank borrowings	3,139,926	2,344,555
Repayment of banks borrowings	(2,203,851)	(1,579,326)
Redemption of convertible bonds	(91,435)	—
Dividends paid to non-controlling interests	(269)	—
Share repurchased and cancelled	—	(264,538)
Net proceeds from issuance of ordinary shares by share options	59,770	82,224
	<hr/>	<hr/>
Cash flows from financing activities - net	904,141	582,915
Net (decrease)/increase in cash and cash equivalents	(1,394,445)	776,633
Cash and cash equivalents at beginning of the period	2,763,072	1,298,255
Effect of foreign exchange rate changes	71,505	15,329
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>1,440,132</u>	<u>2,090,217</u>

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

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

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Directors on 31 July 2017.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2016, as described in 2016 annual financial statements.

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

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2017. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	(Note i)
HKAS 7 (Amendment)	Statement of Cash Flow	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRSs (Amendment)	Annual Improvements 2014-2016 Cycle	1 January 2017
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 4 (Amendment)	Insurance Contracts	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKAS 40 (Amendment)	Investment Property	1 January 2018
HKFRS 16	Leases	1 January 2019

Note:

- (i) The amendment were originally intended to be effective for annual periods beginning on or after 1 January 2017. The effective date has been deferred/removed. Early application of the amendments continues to be permitted.

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

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

4 SEGMENT INFORMATION

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

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

In line with the latest industry terminology used, we rename the “construction glass” as “architectural glass”.

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

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

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

The unaudited segment information for the period ended 30 June 2017:

	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Segment revenue	4,424,701	1,871,302	1,186,461	—	7,482,464
Inter-segment revenue	(805,665)	—	—	—	(805,665)
Revenue from external customers	3,619,036	1,871,302	1,186,461	—	6,676,799
Cost of sales	(2,529,053)	(976,874)	(741,640)	—	(4,247,567)
Gross profit	1,089,983	894,428	444,821	—	2,429,232
Depreciation of property, plant and equipment (Note 15)	286,196	48,763	56,791	2,870	394,620
Amortisation					
– leasehold land and land use rights (Note 15)	23,052	2,037	1,252	—	26,341
– intangible assets (Note 15)	—	1,071	—	—	1,071
Provision for/(reversal of provision for) impairment of trade and other receivables, net (Note 15)	142	(609)	(1,578)	—	(2,045)

	Assets and liabilities				Total
	Float glass	Automobile glass	Architectural glass	Unallocated	
Total assets	11,278,858	3,405,178	2,771,703	9,556,948	27,012,687
Total assets included:					
Investments in associates (Note 8)	—	—	—	4,065,845	4,065,845
Loans to associates	—	—	—	75,739	75,739
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	318,119	121,928	41,204	2,493,020	2,974,271
Total liabilities	1,766,989	561,735	292,677	8,932,426	11,553,827

The unaudited segment revenue for the period ended 30 June 2016 and the audited segment assets and liabilities as at 31 December 2016:

	Automobile Architectural				Total
	Float glass	glass	glass	Unallocated	
Segment revenue	3,362,842	1,990,239	1,219,845	—	6,572,926
Inter-segment revenue	(687,884)	—	—	—	(687,884)
Revenue from external customers	2,674,958	1,990,239	1,219,845	—	5,885,042
Cost of sales	(2,078,998)	(1,020,898)	(743,757)	—	(3,843,653)
Gross profit	595,960	969,341	476,088	—	2,041,389
Depreciation of property, plant and equipment (Note 15)	270,489	52,628	65,032	851	389,000
Amortisation					
– leasehold land and land use rights (Note 15)	8,493	2,305	2,778	—	13,576
– intangible assets (Note 15)	563	1,116	—	—	1,679
Provision for impairment of trade and other receivables, net (Note 15)	1,177	5,017	1,119	—	7,313

	Assets and liabilities				Total
	Float glass	Automobile glass	Architectural glass	Unallocated	
Total assets	<u>10,290,073</u>	<u>4,479,919</u>	<u>2,555,209</u>	<u>6,697,120</u>	<u>24,022,321</u>
Total assets included:					
Investments in associates (Note 8)	—	—	—	3,257,782	3,257,782
Loans to associates	—	—	—	82,258	82,258
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>932,255</u>	<u>156,895</u>	<u>56,794</u>	<u>1,366,154</u>	<u>2,512,098</u>
Total liabilities	<u>1,935,590</u>	<u>823,828</u>	<u>289,879</u>	<u>7,726,134</u>	<u>10,775,431</u>

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

	Unaudited For the six months ended 30 June	
	2017	2016
Segment gross profit	2,429,232	2,041,389
Unallocated:		
Other income	141,414	103,993
Other (losses)/gains, net	(45,443)	42,873
Selling and marketing costs	(333,806)	(351,287)
Administrative expenses	(586,355)	(533,369)
Finance income	23,444	16,022
Finance costs	(73,005)	(60,255)
Share of profits of associates	<u>367,967</u>	<u>312,425</u>
Profit before income tax	<u>1,923,448</u>	<u>1,571,791</u>

Reportable segments assets/(liabilities) for the period ended 30 June 2017 and the year ended 31 December 2016 are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2017 <i>(Unaudited)</i>	2016 <i>(Audited)</i>	2017 <i>(Unaudited)</i>	2016 <i>(Audited)</i>
Segment assets/(liabilities)	17,455,739	17,325,201	(2,621,401)	(3,049,297)
Unallocated:				
Leasehold land and land use rights	2,416,018	132,636	—	—
Property, plant and equipment	1,271,143	1,148,580	—	—
Investment properties	552,173	495,549	—	—
Prepayments for property, plant and equipment and land use rights	53,321	492,681	—	—
Investments in associates	4,065,845	3,257,782	—	—
Balances with associates	75,738	82,258	—	—
Available-for-sale financial assets	38,554	38,508	—	—
Prepayments, deposits and other receivables	428,577	311,758	—	—
Cash and bank balances	655,579	737,368	—	—
Other payables	—	—	(455,318)	(375,664)
Dividend payables	—	—	(919,845)	—
Current income tax liabilities	—	—	(134,627)	(160,685)
Deferred income tax liabilities	—	—	(214,373)	(212,630)
Bank and other borrowings	—	—	(7,208,263)	(6,977,155)
Total assets/(liabilities)	<u>27,012,687</u>	<u>24,022,321</u>	<u>(11,553,827)</u>	<u>(10,775,431)</u>

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

	Unaudited For the six months ended 30 June	
	2017	2016
Sales of float glass	3,619,036	2,674,958
Sales of automobile glass	1,871,302	1,990,239
Sales of architectural glass	1,186,461	1,219,845
Total	<u>6,676,799</u>	<u>5,885,042</u>

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

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
Greater China	4,797,176	4,060,655
North America	756,220	766,039
Europe	206,454	176,120
Other countries	916,949	882,228
	<u>6,676,799</u>	<u>5,885,042</u>

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

	As at	
	30 June	31 December
	2017	2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China	19,757,650	16,774,967
North America	6,681	6,494
Malaysia	972,557	698,863
Other countries	3,500	4,917
	<u>20,740,388</u>	<u>17,485,241</u>

5 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
As at 1 January	1,121,020	1,206,069
Currency translation differences	35,971	(63,853)
Additions	2,282,203	14,672
Amortisation of prepaid operating lease payments	(26,341)	(27,492)
Derecognised upon the Spin-off	—	(8,376)
As at 30 June/31 December	<u>3,412,853</u>	<u>1,121,020</u>

6 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
Opening net book amount					
as at 1 January 2017	1,046,779	2,897,009	7,870,326	16,523	11,830,637
Currency translation differences	48,435	88,817	253,918	(253)	390,917
Additions	498,980	21,114	35,936	4,231	560,261
Transfers	(886,556)	100,009	786,024	523	—
Disposals	—	(1,727)	(19,696)	(18)	(21,441)
Disposals of a subsidiary	—	—	(4,105)	—	(4,105)
Depreciation charge	—	(75,237)	(376,597)	(5,606)	(457,440)
Closing net book amount					
as at 30 June 2017	<u>707,638</u>	<u>3,029,985</u>	<u>8,545,806</u>	<u>15,400</u>	<u>12,298,829</u>

7 INVESTMENT PROPERTIES

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
As at 1 January	546,709	437,133
Currency translation differences	17,105	(23,803)
Additions	41,184	97,406
Fair value gains	—	35,973
As at 30 June/31 December	604,998	546,709

As at 30 June 2017, the Group has three investment properties in the PRC and an investment property in Hong Kong.

The Group's investment properties were valued at 31 December 2016 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

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

	As at 30 June 2017 Level 3	As at 31 December 2016 Level 3
Fair value hierarchy:		
– Commercial building under Construction – Xiamen, the PRC	490,174	433,549
– Commercial building – Shenzhen, the PRC	49,879	48,308
– Office unit – Hong Kong	62,000	62,000
	602,053	543,857
At cost		
– Commercial properties – Shenzhen, the PRC	2,945	2,852
	604,998	546,709

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

8 INVESTMENTS IN ASSOCIATES

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
At 1 January	3,257,782	2,534,651
Currency translation differences	387	(654)
Addition to investment in an associate	446,375	617,859
Share of profits of associates	367,967	562,605
Dividend receivable/received	(134,334)	(255,690)
Share of other comprehensive income	127,668	(200,989)
	<hr/>	<hr/>
At 30 June/31 December	<u>4,065,845</u>	<u>3,257,782</u>

9 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
Trade receivables (note (a))	1,249,717	1,082,906
Less: provision for impairment of trade receivables	(44,629)	(46,554)
	<hr/>	<hr/>
	1,205,088	1,036,352
Bills receivables (note (b))	1,092,264	492,644
	<hr/>	<hr/>
Trade and bills receivables – net	2,297,352	1,528,996
Prepayments, deposits and other receivables	1,089,791	1,456,148
	<hr/>	<hr/>
	3,387,143	2,985,144
	<hr/>	<hr/>
Less non-current portion		
Prepayments for property, plant, equipment and land use rights	(252,439)	(608,191)
	<hr/>	<hr/>
	<u>3,134,704</u>	<u>2,376,953</u>

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2017 and 31 December 2016 the ageing analysis of the Group's trade receivables was as follows:

	As at	
	30 June	31 December
	2017	2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	986,556	829,210
91-180 days	174,342	150,979
181-365 days	41,068	40,685
1-2 years	25,650	45,871
Over 2 years	22,101	16,161
	<u>1,249,717</u>	<u>1,082,906</u>

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

10 CASH AND BANK BALANCES

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

	As at	
	30 June	31 December
	2017	2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and bank balances and pledged bank deposits	1,442,653	2,768,047
Less:		
– Pledged bank deposits (note)	<u>(2,521)</u>	<u>(4,975)</u>
Cash and bank balances	<u>1,440,132</u>	<u>2,763,072</u>

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

11 SHARE CAPITAL

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

	<i>Note</i>	Number of Shares	Ordinary shares of HK\$0.1 each	Share premium	Total
Authorised:					
As at 31 December 2016 and 30 June 2017		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
As at 1 January 2017		3,891,765,199	389,177	1,360,624	1,749,801
Issues of Shares under an employees’ share option scheme	(a)	10,483,500	1,048	73,730	74,778
Issues of Shares related to the conversion of convertible bonds		97,147,948	9,715	663,804	673,519
Redemption of convertible bonds		—	—	1,860	1,860
Dividend relating to 2016		—	—	(919,845)	(919,845)
As at 30 June 2017		<u>3,999,396,647</u>	<u>399,940</u>	<u>1,180,173</u>	<u>1,580,113</u>

Notes:

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

	For the six months ended 30 June			
	2017		2016	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per Share	Options (thousands)
At 1 January	5.35	85,189	5.35	94,112
Granted	7.28	29,264	4.81	28,500
Exercised	5.70	(10,483)	4.34	(19,110)
Lapsed	5.75	(3,402)	5.60	(6,339)
Expired	5.55	(17)	4.32	(222)
At 30 June	<u>5.86</u>	<u>100,551</u>	<u>5.37</u>	<u>96,941</u>

Out of the 100,551,000 outstanding options, 19,538,000 options were exercisable as at 30 June 2017. Options exercised in 2017 resulted in 10,483,000 Shares being issued at a weighted average price at the time of exercise of HK\$5.70 each.

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

Expiry date	Exercise price in HK dollar per Share	Options (thousands)
31 March 2018	6.84	19,538
31 March 2019	4.55	24,357
31 March 2020	4.81	27,410
31 March 2021	7.28	29,246
		<hr/>
		100,551
		<hr/> <hr/>

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

Date of grant	1 March 2017
Option valued	HK\$1.2673
Share price at the date of grant	HK\$7.28
Exercisable price	HK\$7.28
Expected volatility	35.3850%
Annual risk-free interest rate	1.2886%
Life of option	3 years and 6 months
Dividend yield	5.4945%

12 OTHER RESERVES

	Statutory	Enterprise	Foreign		Share	Property	Capital	Convertible	Available-		Retained		
	reserve	expansion	currency	Capital	options	revaluation	redemption	bonds	for- sale	Subtotal	earnings	Total	
	Note	fund	translation	reserve	reserve	reserve	reserve	equity	reserve				
Balance at 1 January 2017		1,111,004	46,867	(1,327,885)	11,840	59,289	37,227	17,344	13,341	—	(30,973)	11,462,103	11,431,130
Profit for the period		—	—	—	—	—	—	—	—	—	—	1,635,924	1,635,924
Change in value of available- for-sale financial assets		—	—	—	—	—	—	—	603	603	—	603	603
Share of the other comprehensive income of investments accounted for using the equity method		—	—	127,668	—	—	—	—	—	127,668	—	127,668	127,668
Currency translation differences		—	—	628,481	—	—	—	—	—	628,481	—	628,481	628,481
Employees' share option scheme:													
– Proceeds from shares issued		—	—	—	—	(15,008)	—	—	—	(15,008)	—	(15,008)	(15,008)
– Value of employee services		—	—	—	—	12,840	—	—	—	12,840	—	12,840	12,840
– Release on forfeiture of share options		—	—	—	—	(24)	—	—	—	(24)	24	—	—
Disposal of a subsidiary		—	—	32	—	—	—	—	—	32	—	32	32
Conversion of convertible bonds		—	—	—	—	—	—	(11,481)	—	(11,481)	—	(11,481)	(11,481)
Redemption of convertible bonds		—	—	—	—	—	—	(1,860)	—	(1,860)	—	(1,860)	(1,860)
Transfer to reserves		908	—	—	—	—	—	—	—	908	(908)	—	—
Balance at 30 June 2017		<u>1,111,912</u>	<u>46,867</u>	<u>(571,704)</u>	<u>11,840</u>	<u>57,097</u>	<u>37,227</u>	<u>17,344</u>	<u>—</u>	<u>603</u>	<u>711,186</u>	<u>13,097,143</u>	<u>13,808,329</u>

13 TRADE AND OTHER PAYABLES

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
Trade payables (note (a))	667,886	789,341
Bill payables (note (b))	115,522	158,950
	<hr/>	<hr/>
	783,408	948,291
Other payables	2,230,962	1,396,641
Less: non-current portion	(74,556)	(48,000)
	<hr/>	<hr/>
Current portion	<u>2,939,814</u>	<u>2,296,932</u>

Notes:

(a) At 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
0-90 days	597,305	706,238
91-180 days	18,684	43,109
181-365 days	31,064	20,420
1-2 years	6,953	9,015
Over 2 years	13,880	10,559
	<hr/>	<hr/>
	<u>667,886</u>	<u>789,341</u>

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

14 BANK AND OTHER BORROWINGS

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
Non-current		
Bank borrowings, guaranteed (note (a))	7,866,205	6,930,130
Less: Current portion	<u>(2,558,571)</u>	<u>(2,421,057)</u>
Shown as non-current liabilities	<u>5,307,634</u>	<u>4,509,073</u>
Current		
Current portion of non- current borrowings, guaranteed	2,558,571	2,421,057
Convertible bonds liability component (note (b))	<u>—</u>	<u>744,308</u>
Shown as current liabilities	<u>2,558,571</u>	<u>3,165,365</u>
Total bank and other borrowings	<u><u>7,866,205</u></u>	<u><u>7,674,438</u></u>

Note:

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

At 30 June 2017 and 31 December 2016, the Group's bank borrowing were repayable as follows:

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
Within 1 year	2,558,571	2,421,057
Between 1 and 2 years	2,444,518	2,770,919
Between 2 and 5 years	<u>2,863,116</u>	<u>1,738,154</u>
	<u><u>7,866,205</u></u>	<u><u>6,930,130</u></u>

At 30 June 2017 and 31 December 2016, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
HKD	<u>7,866,205</u>	<u>6,930,130</u>

The carrying amounts of bank borrowings approximate their fair values as at 30 June 2017 and 31 December 2016.

The effective interest rates at the balance sheet date were as follows:

	30 June 2017		31 December 2016	
	HK\$	US\$	HK\$	US\$
Bank borrowings	<u>1.98%</u>	<u>1.84%</u>	<u>1.87%</u>	<u>2.16%</u>

- (b) The Group issued zero coupon "Convertible bonds" at a total principal value of HK\$776,000,000 on 3 May 2012. The mature date of the bonds is on the fifth anniversary of the issue date at 121.95% of their principal amount on maturity date. The Convertible bonds can be converted into Shares of the Company at the bondholder's option at conversion price of HK\$6.0 per Share, subject to adjustment. The initial fair value of the liability component of HK\$759,000,000 and the equity conversion component of HK\$17,000,000, net of transaction cost of HK\$14,125,000 and HK\$317,000 respectively, were determined at the issuance of the Convertible bonds. The fair value of the liability component included in bank and other borrowings was calculated using a market interest rate for equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in convertible bonds equity reserve under shareholders' equity.

On 12 December 2013, the Spin-off involved a distribution of certain shares of Xinyi Solar by way of special dividend and it resulted in an adjustment to the conversion price from HK\$6.0 to HK\$5.7 per Share.

The Group repurchased a total principal value of HK\$156,000,000 of the Convertible bonds on 15 August 2014 with the repurchase price of HK\$170,040,000. The repurchase Convertible bonds were cancelled upon completion.

On 11 July 2016, the Spin-off involved a distribution of certain shares of Xinyi HK by way of special dividend, and it resulted in an adjustment to the conversion price. Based on the fair market value of Xinyi HK, the conversion price shall be adjusted downward retrospectively from the date immediately after the record date for determining the entitlements to the special dividend if the qualifying shareholders, i.e. 30 June 2016, from HK\$5.70 to HK\$5.61.

On 26 April 2017 and 28 April 2017, the bondholders requested for the conversion of the Convertible bonds in the principal amount of HK\$7,000,000, HK\$7,000,000 and HK\$531,000,000 respectively. In accordance with the Convertible Bonds Announcement on 3 May 2012 and the Adjustments to the Conversion Price have been disclosed in the Adjustment Announcements on 12 December 2013 and 11 July 2016, the Company allotted and issued 1,247,771 Conversion Shares, 1,247,771 Conversion Shares and 94,652,406 Conversion Shares to the bondholders at the conversion price of HK\$5.61 per Conversion Shares on 28 April 2017, 4 May 2017 and 5 May 2017 respectively. The Convertible bonds were cancelled upon conversion.

On 10 May 2017, Convertible bonds in the principal amount of HK\$75,000,000 in full at the redemption price (together with accrued and unpaid interest thereon) in HK\$91,434,525 has been redeemed. The Convertible bonds were cancelled upon redemption.

As of 30 June 2017, the Convertible bonds were fully converted, redeemed and cancelled.

The convertible bonds recognised in the consolidated balance sheet are calculated as follows:

	As at	
	30 June	31 December
	2017	2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Liability component at 1 January	744,308	709,513
Interest expense (Note 17)	9,165	34,795
Conversion of convertible bonds	(662,038)	—
Redemption of convertible bonds	(91,435)	—
	<hr/>	<hr/>
Liability component at 30 June/31 December	<u>—</u>	<u>744,308</u>

15 EXPENSES BY NATURE

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

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
Depreciation and amortization	422,032	404,255
Employee benefit expenses	517,861	537,933
Cost of inventories	3,194,233	2,726,665
Other selling expenses (including transportation and advertising costs)	185,417	192,330
Operating lease payments in respect of land and buildings	996	4,885
(Reversal of provision for)/provision for impairment of trade and other receivables, net	(2,045)	7,313
Other expenses, net	849,234	854,928
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs and administrative expenses	<u>5,167,728</u>	<u>4,728,309</u>

16 OTHER (LOSSES)/GAINS — NET

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
Other foreign exchange (losses)/gains, net	(44,907)	21,883
Losses on disposal and written-off of property, plant and equipment, net	(12,765)	(1,696)
Others	12,229	22,686
	<hr/>	<hr/>
	<u>(45,443)</u>	<u>42,873</u>

17 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

	Unaudited For the six months ended 30 June	
	2017	2016
Interest income on short-term bank deposits	<u>23,444</u>	<u>16,022</u>

FINANCE COSTS

	Unaudited For the six months ended 30 June	
	2017	2016
Interest on bank borrowings	80,051	58,046
Less: interest expenses capitalised under construction in progress	(16,211)	(14,913)
Interest on convertible bonds	<u>9,165</u>	<u>17,122</u>
	<u>73,005</u>	<u>60,255</u>

18 INCOME TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2017	2016
Current income tax		
– Hong Kong profits tax (Note a)	18,663	25,467
– PRC corporate income tax (Note b)	265,452	176,409
– Overseas income tax (Note c)	<u>1,256</u>	<u>423</u>
	<u>285,371</u>	<u>202,299</u>

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

(b) PRC corporate income tax (“CIT”)

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the period, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rates for major subsidiaries located in Shenzhen, Dongguan and Tianjin are 25% (2016: 25%). Thirteen (2016: twelve) major subsidiaries in Shenzhen, Dongguan, Wuhu, Tianjin, Jiangmen, Yingkou and Sichuan enjoy high-tech enterprise income tax benefit and the tax rate is 15%.

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the periods ended 30 June 2017 and 2016 at the rates of taxation prevailing in the countries in which the Group operates.

19 DIVIDENDS

	For the six months ended	
	30 June	
	2017	2016
Final dividend payable for 2016 of 23.0 HK cents (2015:17.0 HK cents) per Share	919,845	659,753
Proposed interim dividend of 20 HK cents (2016: 17.0 HK cents) per Share	799,879	660,859
	<u>1,719,724</u>	<u>1,320,612</u>

Note:

At a meeting of the Board held on 31 July 2017, the Directors declared an interim dividend of 20 HK cents per Share for the six months ended 30 June 2017. The amount of 2017 proposed interim dividend is based on 3,999,396,647 shares in issue as at 30 June 2017.

This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be deducted from the share premium account of the Company in the year ending 31 December 2017.

20 EARNINGS PER SHARE

BASIC

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

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
Profit attributable to equity holders of the Company (HK\$'000)	1,635,924	1,369,122
Weighted average number of Shares in issue (thousands)	3,928,297	3,875,333
Basic earnings per Share (HK cents per Share)	41.64	35.33

DILUTED

Diluted earnings per Share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. The Group has following dilutive potential ordinary shares: share options and convertible bonds in issue. The calculation for share options is determined by the number of Shares that could have been acquired at fair value (determined as the average market price of the Company's Shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of Shares calculated as above is compared with the number of Shares that would have been issued assuming the exercise of the share options. The effect of the assumed conversion of convertible bonds in issue for the period ended 30 June 2016 and the net profit is adjusted to eliminate the interest expense less tax effect.

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	1,635,924	1,369,122
Interest expense on convertible bonds (net of tax) (HK\$'000)	—	14,297
Share of profit of an associate as a result of diluted earnings at associate level (HK\$'000)	(563)	(180)
	<u>1,635,361</u>	<u>1,383,239</u>
Weighted average number of Shares in issue (thousands)	3,928,297	3,875,333
Adjustments for:		
Share options (thousands)	10,860	—
Assumed conversion of convertible bonds (thousands) (Note)	—	54,386
	<u>3,939,157</u>	<u>3,929,719</u>
Weighted average number of Shares for diluted earnings per Share (thousands)	<u>3,939,157</u>	<u>3,929,719</u>
Diluted earnings per Share (HK cents per Share)	<u>41.52</u>	<u>35.20</u>

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

FAIR VALUE ESTIMATION

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

	Level 1	Level 2	Level 3	Total
At 30 June 2017				
Assets				
Available-for-sale financial assets				
– Equity securities	<u>38,554</u>	<u>—</u>	<u>—</u>	<u>38,554</u>
	Level 1	Level 2	Level 3	Total
At 31 December 2016				
Assets				
Available-for-sale financial assets				
– Equity securities	<u>37,951</u>	<u>—</u>	<u>557</u>	<u>38,508</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments included in level 1 at 30 June 2017 comprised available-for-sale financial assets.

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

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the changes in level 3 instruments for the period ended 30 June 2017.

	<i>(Unaudited)</i>
Available-for-sale financial assets	
At 1 January 2017 and 31 December 2016	557
Currency translation differences	7
Disposal	(564)
	<hr/>
At 30 June 2016	<hr/> <hr/>

During six months ended 30 June 2017, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2016: Nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

22 COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June	31 December
	2017	2016
	<i>(Unaudited)</i>	<i>(Audited)</i>
Land use right and property, plant and equipment		
– contracted but not provided for	<hr/> <hr/>	<hr/> <hr/>
	614,392	2,150,864

23 RELATED PARTY TRANSACTION

The following transactions were carried out with related parties:

(A) TRANSACTION WITH RELATED PARTIES

	Unaudited	
	For the six months ended	
	30 June	
	2017	2016
Purchases of goods from associates		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	138,282	23,855
– Beihai Yiyang Mineral Company Limited	72,915	62,939
– Dongyuan County Xinhuali Quartz Sand Company Limited	17,377	19,884
– A subsidiary of Xinyi Solar	395	884
	<hr/>	<hr/>
Sales of goods to an associate		
– A subsidiary of Xinyi Solar	45,731	60,798
	<hr/>	<hr/>
Sales of goods to related parties		
– Entities controlled by the ultimate controlling parties	6,993	—
– An entity controlled by the ultimate controlling parties	1,918	—
	<hr/>	<hr/>
Sales of machineries to an associate		
– A subsidiary of Xinyi Solar	25,089	13,836
	<hr/>	<hr/>
Consultancy income received from an associate		
– A subsidiary of Xinyi Solar	412	279
	<hr/>	<hr/>
Rental income received from an associate		
– A subsidiary of Xinyi Solar	2,601	2,912
	<hr/>	<hr/>
Rental income received from a related party		
– An entity controlled by the ultimate controlling parties	60	—
	<hr/>	<hr/>
Rental expenses paid to an associate		
– A subsidiary of Xinyi Solar	498	547
	<hr/>	<hr/>
Share option income received from a related party		
– An entity controlled by the ultimate controlling parties	123	—
	<hr/>	<hr/>
Transportation fee received from an associate		
– A subsidiary of Xinyi Solar	32,981	119,371
	<hr/>	<hr/>
Proceeds from disposal of a subsidiary received from an associate		
– A subsidiary of Xinyi Solar	1,136	—
	<hr/>	<hr/>
Proceeds from sales of interest in a subsidiary to a related party		
– An entity controlled by the ultimate controlling parties	2,478	—
	<hr/> <hr/>	<hr/> <hr/>

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

	As at	
	30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i>
Balance with/loan advance to associates		
– Dongyuan County Xinhuali Quartz Sand Company Limited	<u>75,739</u>	<u>82,258</u>
Receivable from an associate arising from sales of machineries		
– A subsidiary of Xinyi Solar	43,155	15,961
Receivable from an associate arising from provision of consultancy services		
– A subsidiary of Xinyi Solar	<u>70</u>	<u>67</u>
Receivable from a related party arising from sale of good		
– Entities controlled by the ultimate controlling parties	70	—
– An entity controlled by the ultimate controlling parties	<u>294</u>	<u>196</u>
Payable to a related party arising from rental deposit received		
– An entity controlled by the ultimate controlling parties	<u>20</u>	<u>20</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2017, the revenue and the net profit of the Group were HK\$6,676.8 million and HK\$1,635.9 million, respectively, representing an increase of 13.5% and 19.5% as compared with HK\$5,885.0 million and HK\$1,369.1 million, respectively, for the six months ended 30 June 2016. The Directors were thus pleased with the growth of the business of the Group during the six-month period under review.

Revenue

The increase in the revenue for the six-month period under review was mainly attributable to the strong growth of the float glass business. The expanded product mix, increased production capacity, higher average selling price and the improved market environment of the float glass industry contributed to the revenue growth of 35.3% as compared with the same period in 2016.

The drop in automobile glass revenue is mainly due to the reclassification of sales rebates from selling expenses to net against revenue, the impact of fluctuation of currency exchange rates, no contribution of automobile glass retail sales income in Hong Kong after the spin-off of Xinyi Automobile Glass Hong Kong Enterprises Limited (08328.hk) in July 2016 and a weak market environment in South America during the six-month period under review. The European market has improved while the North America market has maintained a steady volume growth in the sales of automobile glass during the period.

The policies on the PRC property market have been gradually tightened and construction activities in the PRC remain very competitive during the six-month period under review. On the other hand, with the PRC the government policies on environmental protection and the encouragement of energy-saving buildings, the Directors expect that the demand for the Group's low emission ("Low-E") glass will continue to increase. As a leading Low-E glass manufacturer in China, the Group enjoys economies of scale and a nationwide sales and delivery network. Although the sales volume has steady growth, the slight decrease of revenue is mainly due to the Renminbi depreciation as compared with the same period in 2016.

Gross Profit

The Group's gross profit for the six months ended 30 June 2017 increased by 19.0% to HK\$2,429.2 million as compared with HK\$2,041.4 million for the same period in the previous year. The gross profit margin increased to 36.4% during the six-month period under review as compared with 34.7% in 2016. There was a significant improvement in the float glass gross margin as a result of the higher selling price and the improved production efficiency. The slight decrease of gross profit margins of the automobile glass and the architectural glass businesses were mainly due to the higher float glass production cost for the period.

Other (Losses)/Gains

Other losses for the six months ended 30 June 2017 were HK\$45.4 million, as compared with a gain of HK\$42.9 million for the six months ended 30 June 2016. The significant decrease was mainly due to the exchange loss of HK\$44.9 million incurred and losses on disposal of property, plant and equipment during the six months period under review.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 5.0% to HK\$333.8 million for the period under review. The decrease was mainly due to the reclassification of sales rebates to revenue during the six-month period under review.

Administrative Expenses

Administrative expenses increased by 9.9% to HK\$586.4 million for the six months ended 30 June 2017. The increase was principally attributable to research and development expenses rising by HK\$50 million during the six-month period under review.

Finance Costs

Finance costs increased by 21.2% to HK\$73.0 million for the six months ended 30 June 2017. The increase was principally due to the higher outstanding amount of bank borrowings and the increase of the Hong Kong Interbank Offered Rate (“HIBOR”) during the six-month period under review. A significant portion of the interest expenses were previously capitalised as part of the total cost in the purchase of plant and machinery and the construction of factory buildings in the Group’s PRC and Malaysia production complexes, and these expenses were charged to the income statements of the Group following the commencement of commercial production of the relevant production facilities. Interest amounting to HK\$16.2 million was capitalised under construction-in-progress for the six months ended 30 June 2017.

Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”)

EBITDA increased by 18.6% to HK\$2,395.0 million for the six months ended 30 June 2017, as compared with HK\$2,020.3 million during the same period in 2016.

Taxation

Tax expense amounted to HK\$285.4 million for the six months ended 30 June 2017. The effective tax rate of the Group was increased to 14.8% compare to the same period of 2016. The increase was mainly due to the increase of corporate income tax by HK\$89.0 million as more profits generated by several subsidiaries with CIT tax rate of 25% and the previously unrecognised tax losses of a major subsidiary fully utilised during 2016. Most of the Group's PRC subsidiaries are qualified as high technology enterprises with a preferential tax rate of 15% under the applicable PRC corporate income tax laws and regulations.

Net Profit

Net profit for the six months ended 30 June 2017 was HK\$1,635.9 million, representing an increase of 19.5% as compared with the same period in 2016. The net profit margin for the period under review rose to 24.5% from 23.3%, principally due to the increase in the gross profit margin and profit sharing from XYS during the period.

CAPITAL EXPENDITURE

For the six months ended 30 June 2017, the Group incurred an aggregate capital expenditure amounting to HK\$2,507.0 million for the purchase of plant and machinery and the construction of factory premises at the Group's production complexes in China and Malaysia.

NET CURRENT ASSETS

As at 30 June 2017, the Group had net current assets of HK\$320.7 million mainly due to the convertible bonds amounting to HK\$744.3 million being treated as current liabilities of the Group as at 31 December 2016 having been fully converted and redeemed during the period. The Group has adequate funds to meet the payment obligation of the current liabilities.

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2017, the Group's primary sources of funding included cash generated from operating activities and credit facilities provided by principal banks in Hong Kong and China. As at 30 June 2017, the net cash inflow from operating activities amounted to approximately HK\$607.0 million (2016: HK\$1,463.9 million) and the Group had cash and cash equivalents of HK\$1,442.7 million (2016: HK\$2,091.6 million).

As at 30 June 2017, total bank borrowings were HK\$7,866.2 million. Despite the increase in the liabilities, the net debt gearing ratio, calculated based on net total borrowings divided by total shareholders' equity (excluding 2017 declared interim dividends and 2016 proposed final dividend respectively), was at 41.6% as at 30 June 2017, as compared with 37.0% as at 31 December 2016. The increase of net gearing ratio was principally due to significantly higher capital expenditures incurred during the period.

Interim Dividend and Closure of Register of Members

As the Group recorded an increase in net profit for the six months ended 30 June 2017 as compared with the six months ended 30 June 2016, the Directors consider that the Group has achieved a remarkable level of profitability. The Directors are pleased to declare an interim dividend of 20 HK cents per Share for the six months ended 30 June 2017 (2016: 17.0 HK cents) to be paid to all shareholders (the “**Shareholders**”) of the Company whose names are recorded on the register of members of the Company as at the close of business on Friday, 18 August 2017. The interim dividend is payable on or before Tuesday, 5 September 2017.

The Company’s register of members will be closed from Tuesday, 15 August 2017 to Thursday, 17 August 2017 (both days inclusive), and during this period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 14 August 2017.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group’s transactions are mainly denominated in Renminbi, US dollars, Malaysia Ringgit, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities conducted in China. As at 30 June 2017, the Group’s bank borrowings were denominated in Hong Kong dollars bearing effective interest rates at 1.98% per annum. Hence, the Group’s exposure to foreign exchange fluctuations was limited. The Group has not experienced any material difficulty and liquidity problems resulting from foreign exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the six months ended 30 June 2017, the Group did not use any financial instrument for hedging purposes.

Employees and Remuneration Policy

As at 30 June 2017, the Group had 11,691 full-time employees of whom 11,324 were based in China and 367 in Hong Kong and other countries and territories. The Group maintains a good professional relationship with its employees providing them with a positive working environment. It provides employees with training on the latest business and professional knowledge including applications of the Group’s products and developing skills in maintaining good client relationships. Remuneration packages offered to the Group’s employees are consistent with prevailing levels and are reviewed on a regular basis. Discretionary bonuses may be provided to selected employees taking into consideration the Group’s performance and that of the individual employee.

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

The Company has adopted a share option scheme on 18 January 2015 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees and other selected participants to accept options to be granted by the Group for subscription for the Shares. As at the date of this announcement, 26,000,000 options, 28,000,000 options, 28,500,000 options and 29,264,000 options were granted under the share option scheme on 27 February 2014, 2 March 2015, 16 March 2016 and 1 March 2017 respectively, and 100,551,000 options were outstanding as at 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period ended 30 June 2017.

BUSINESS REVIEW

The PRC glass industry is gradually consolidating and undergoing structural changes

The growth of the PRC economy has been steady during the six months ended 30 June 2017. The Group's operations in the automobile glass, architectural glass and the float glass segments faced different challenges and opportunities. Nonetheless, the Group achieved remarkable operating results primarily attributable to the stringent control in the production costs and the improvement of the float glass market.

The PRC property development and construction market experienced moderate growth in the six months ended 30 June 2017 because domestic market demand remained strong and the foreign exchange policy was more strictly applied. Nevertheless, the highly competitive PRC energy-saving Low-E glass market in the construction industry has led to a modest increase in the sales volume of the Group's architectural glass segment. Therefore, the growth momentum for the Group generated from the architectural glass industry has been steady.

Against the backdrop of gradually improving demand and new product specifications from the architectural glass industry in the PRC, the wider variety of the Group's float glass product and colour mix and the commencement of new float glass plant in Malaysia helped contribute to satisfactory float glass sales growth during the six-month period under review. At the same time, the rise in the average selling price contributed to the improvement in the gross profit margin of the sales of float glass.

In light of the prevailing global market conditions, the Group has proactively implemented flexible marketing strategies for its automobile glass business, with the addition of new products, such as advanced driver assistance system (“**ADAS**”), head up display (“**HUD**”) and sun roof which are suitable for new car models. At the same time, it has been approaching new overseas customers and exploring opportunities to increase the sales volume of these products. Currently, the Group's automobile glass products are sold in more than 140 countries.

As one of the leading companies in the global glass industry, the Group has secured its market-leading position and enhanced its economies of scale through the strategic and timely expansion of the production capacity of different product segments and the construction of new production complexes with streamlined production processes at different locations in the PRC and overseas. The Group has also implemented a series of measures enhancing control on the consumption of raw materials, the recycling of principal raw materials, the re-engineering of production flow to boost production efficiency and using solar power and residual heat to generate electricity and hot water for internal consumption. To maintain its competitiveness, the Group has successfully developed and launched a wide range of high value-added glass products, and adopted proactive pricing and flexible marketing strategies to take advantage of the supportive measures implemented under the Thirteenth Five-Year Plan of the PRC government.

Improved productivity, technology and economies of scale to enhance production efficiency

The Group's strength in operational management, combined with the continuous improvement in the production process, automation and well-planned equipment maintenance programmes, have enhanced its productivity and yield, which, in turn, have reduced overall labour, production and energy costs during the six months under review. Its economies of scale have enabled significant savings in production and fixed costs and increased efficiency in fuel consumption. To further control energy costs, the Group is harnessing clean environmentally-friendly energy through implementing rooftop solar power systems and low-temperature recycling residual heat power co-generation systems.

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

Expanded high value-added product mix enhances overall competitiveness

During the six-month period under review, the consolidated revenue generated from the Group's automobile glass, architectural glass and high-quality float glass businesses has achieved a satisfactory growth. This performance demonstrates that the Group's combination of its diversified business and the expanded high value-added product mix can alleviate the operational pressure in any specific business segment within a volatile and competitive market environment.

BUSINESS OUTLOOK

The Group will continue to adopt flexible production and marketing plans and increase the extent of automation to further improve operational efficiency in order to maintain its leadership and competitiveness at the forefront of the world's glass manufacturers.

The PRC government has continued to tighten the policy on constructing new float glass production lines and phasing out the obsolete and non-compliant float glass production lines because of higher environmental standards on emissions. These policies have stabilized the national float glass production capacity. The Group is embarking on prudent and flexible strategies in response to the current situation of the float glass market in the PRC and the global market. The current low international crude oil price mitigates the pressure of the natural gas prices for our operations in Guangdong province. The pipeline natural gas price adjustments in April and November 2015 in the PRC have reduced our energy costs in other provinces. Thus, the Group is optimistic that the float glass market will keep improving in the foreseeable future.

At the same time, the Directors are optimistic about the continued good performance of its automobile glass in the global market and the increased sales in the energy-saving and double and triple glazing Low-E glass segments in the future.

After years of expanding its production facilities in the PRC, the Group is ready to explore acquisition and overseas expansion opportunities which can provide an attractive market environment, lower production and energy costs, and offer favourable tax treatment and other incentives. The commencement of the Group's first float glass production line in Malaysia is its first overseas project, and its operation will boost its future growth in the region as well as facilitate specific transactions while reducing production costs.

The Group is constructing two high quality float glass production lines as the phase two project in Malacca, Malaysia. The new production lines will enable it to better serve ASEAN-based customers through the preferential import duty treatment and appropriate pricing strategy as well as the shorter transport distance that can also benefit customers in south Asia.

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

CONCLUSION

The Group continues to tackle the challenges amidst steady economic growth in the PRC and overseas by bolstering its efficiency and increasing its profitability through more effective management across its operations and continued collaboration with its customers. The Directors believe that these approaches enable the Group to maximise the benefits from the emerging and overseas business opportunities. The Directors are also optimistic about the Group's long-term business development prospects. The Group is also continuing to adopt proven business strategies to sustain and strengthen growth. To maintain its industry-leading position, the Group is exploring expanding its presence in the global glass market across a wide spectrum of industries, applications, and products as well as other opportunities for business cooperation.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Code as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with the Directors and all of the Directors have confirmed that they have complied with the Model Code throughout the six-month period ended 30 June 2017.

REVIEW OF THE INTERIM RESULTS

The Company's interim results for the six months ended 30 June 2017 have not been audited but have been reviewed by the Company's audit committee, comprising the five independent non-executive Directors.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2017 containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
XINYI GLASS HOLDINGS LIMITED
Datuk LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 31 July 2017

As at the date of this announcement, Datuk LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Datuk TUNG Ching Sai and Mr. LEE Shing Kan were the executive Directors; Mr. LI Ching Wai, Mr. LI Ching Leung, Mr. SZE Nang Sze and Mr. NG Ngan Ho were the non-executive Directors; and Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David were the independent non-executive Directors.

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