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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 2018

- Total sales for the six months ended 30 June 2018 reached HK\$7,747.8 million, representing an increase of 16.0%, as compared with total sales of HK\$6,676.8 million for the six months ended 30 June 2017.
- Net profit attributable to the equity holders of the Company for the six months ended 30 June 2018 reached HK\$2,007.5 million, representing an increase of 22.7%, as compared with net profit of HK\$1,635.9 million for the six months ended 30 June 2017.
- Basic earnings per Share for the six months ended 30 June 2018 was 50.0 HK cents, as compared with basic earnings per Share of 41.6 HK cents for the six months ended 30 June 2017.
- The Directors declare an interim dividend of 25.0 HK cents per Share for the six months ended 30 June 2018.

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 2018, together with the comparative figures for the six months ended 30 June 2017, as follows:

Condensed Consolidated Balance Sheet

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

		As at	
		30 June 2018	31 December 2017
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	3,346,157	3,426,887
Property, plant and equipment	6	13,051,543	12,929,470
Investment properties	7	1,223,813	1,204,983
Prepayments for property, plant and equipment and land use rights		645,967	299,803
Intangible assets		68,609	69,721
Investments in associates	8	4,557,753	4,415,663
Loan to associates		26,618	26,920
		<u>22,920,460</u>	<u>22,373,447</u>
Current assets			
Inventories		1,974,055	1,697,566
Loans to associates		35,499	52,421
Trade and other receivables	9	2,878,069	3,072,045
Available-for-sale financial assets		44,578	52,409
Pledged bank deposits	10	2,526	2,526
Fixed deposits		—	5,982
Cash and bank balances	10	4,254,998	3,048,604
		<u>9,189,725</u>	<u>7,931,553</u>
Total assets		<u><u>32,110,185</u></u>	<u><u>30,305,000</u></u>

		As at	
		30 June 2018	31 December 2017
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	399,733	401,766
Share premium	11	288,148	534,201
Other reserves	12	1,740,150	2,102,235
Retained earnings		16,081,075	15,199,009
		<u>18,509,106</u>	<u>18,237,211</u>
Non-controlling interests		<u>72,635</u>	<u>68,981</u>
Total equity		<u>18,581,741</u>	<u>18,306,192</u>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	6,392,777	6,398,683
Deferred income tax liabilities		333,106	335,096
Other payables		56,962	108,198
		<u>6,782,845</u>	<u>6,841,977</u>
Current liabilities			
Trade and other payables	13	3,797,885	2,554,181
Current income tax liabilities		519,726	534,948
Bank and other borrowings	14	2,427,988	2,067,702
		<u>6,745,599</u>	<u>5,156,831</u>
Total liabilities		<u>13,528,444</u>	<u>11,998,808</u>
Total equity and liabilities		<u>32,110,185</u>	<u>30,305,000</u>
Total assets less current liabilities		<u>25,364,586</u>	<u>25,148,169</u>

Condensed Consolidated Income Statement

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

		Unaudited	
		Six months ended	
		30 June	
	<i>Note</i>	2018	2017
Revenue	4	7,747,838	6,676,799
Cost of sales	15	(4,829,949)	(4,247,567)
Gross profit		2,917,889	2,429,232
Other income	4	189,591	141,414
Other gains/(losses) - net	16	40,451	(45,443)
Selling and marketing costs	15	(370,908)	(333,806)
Administrative expenses	15	(745,875)	(586,355)
Operating profit		2,031,148	1,605,042
Finance income	17	33,044	23,444
Finance costs	17	(95,046)	(73,005)
Share of profits of associates	8	363,668	367,967
Profit before income tax		2,332,814	1,923,448
Income tax expense	18	(319,961)	(285,371)
Profit for the period		<u>2,012,853</u>	<u>1,638,077</u>
Profit attributable to:			
– Equity holders of the Company		2,007,524	1,635,924
– Non-controlling interest		5,329	2,153
Profit for the period		<u>2,012,853</u>	<u>1,638,077</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	50.0	41.6
– Diluted	20	49.5	41.5

Condensed Consolidated Statement of Comprehensive Income

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

	Unaudited	
	Six months ended	
	30 June	
	2018	2017
Profit for the period	<u>2,012,853</u>	<u>1,638,077</u>
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Change in value of available-for-sale financial assets	(7,831)	603
Currency translation differences	(290,984)	628,645
Share of other comprehensive income of investments accounted for using the equity method	<u>(65,930)</u>	<u>127,668</u>
Total comprehensive income for the period	<u><u>1,648,108</u></u>	<u><u>2,394,993</u></u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	1,642,900	2,392,676
– Non-controlling interests	<u>5,208</u>	<u>2,317</u>
	<u><u>1,648,108</u></u>	<u><u>2,394,993</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 2017 and 1 January 2018		401,766	534,201	2,102,235	15,199,009	18,237,211	68,981	18,306,192
Comprehensive income								
Profit for the period		—	—	—	2,007,524	2,007,524	5,329	2,012,853
Other comprehensive income								
Changes in value of available-for-sale financial assets		—	—	(7,831)	—	(7,831)	—	(7,831)
Share of other comprehensive income of investments accounted for using equity method		—	—	(65,930)	—	(65,930)	—	(65,930)
Currency translation differences		—	—	(290,863)	—	(290,863)	(121)	(290,984)
Total comprehensive income		—	—	(364,624)	2,007,524	1,642,900	5,208	1,648,108
Transactions with owners								
Employees share option scheme:								
— Proceeds from shares issued	11(a)	1,209	72,085	(15,454)	—	57,840	—	57,840
— Value of employee services		—	—	16,622	—	16,622	—	16,622
— Release on forfeiture of share options		—	—	(38)	38	—	—	—
Repurchase and cancellation of shares	11(b)	(1,409)	(153,382)	1,409	(1,409)	(154,791)	—	(154,791)
Repurchase of shares but not yet cancelled	11(b)	(1,833)	(164,756)	—	—	(166,589)	—	(166,589)
Dividend paid to non-controlling interest		—	—	—	—	—	(1,554)	(1,554)
Dividends relating to 2017	19	—	—	—	(1,124,087)	(1,124,087)	—	(1,124,087)
Total transactions with owners		(2,033)	(246,053)	2,539	(1,125,458)	(1,371,005)	(1,554)	(1,372,559)
Balance at 30 June 2018		<u>399,733</u>	<u>288,148</u>	<u>1,740,150</u>	<u>16,081,075</u>	<u>18,509,106</u>	<u>72,635</u>	<u>18,581,741</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 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		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>

Condensed Consolidated Cash Flow Statement

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

	Unaudited	
	Six months ended	
	30 June	
	2018	2017
Cash flows from operating activities		
Cash generated from operations	2,636,180	1,056,454
Interest paid	(112,042)	(80,051)
Income tax paid	(335,183)	(369,388)
	<hr/>	<hr/>
Cash flows from operating activities - net	2,188,955	607,015
Cash flows from investing activities		
Purchase of land use rights	(229,362)	(1,881,874)
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	(835,797)	(583,627)
Addition to investment in an associate	—	(446,375)
Loan repayment from an associate	16,333	9,194
Interests received	33,044	23,444
Other investing activities	(23,747)	(29,625)
	<hr/>	<hr/>
Cash flows used in investing activities - net	(1,039,529)	(2,905,601)
Cash flows from financing activities		
Proceeds from bank borrowings	1,891,037	3,139,926
Repayment of banks borrowings	(1,536,657)	(2,203,851)
Redemption of convertible bonds	—	(91,435)
Dividends paid to non-controlling interests	(1,554)	(269)
Share repurchased and cancelled	(166,589)	—
Share repurchased but not yet cancelled	(154,791)	—
Net proceeds from issuance of ordinary shares by share options	57,840	59,770
	<hr/>	<hr/>
Cash flows from financing activities - net	89,286	904,141
Net increase/(decrease) in cash and cash equivalents	1,238,712	(1,394,445)
Cash and cash equivalents at beginning of the period	3,048,604	2,763,072
Effect of foreign exchange rate changes	(32,318)	71,505
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>4,254,998</u>	<u>1,440,132</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 2018.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, 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 2017, as described in 2017 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 2018. 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
HKFRSs (Amendment)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRSs (Amendment)	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 19 (Amendment)	Employee Benefits	1 January 2019
HKAS 28 (Amendment)	Investment in Associates and Joint Ventures	1 January 2018
HKAS 40 (Amendment)	Investment Property	1 January 2018
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Financial Instruments	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contract	1 January 2021
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contract	1 January 2021

Note:

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

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

4 SEGMENT INFORMATION

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

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

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

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

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

The unaudited segment information for the period ended 30 June 2018:

	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Segment revenue	5,055,007	2,116,178	1,493,028	—	8,664,213
Inter-segment revenue	(916,375)	—	—	—	(916,375)
Revenue from external customers	4,138,632	2,116,178	1,493,028	—	7,747,838
Cost of sales	(2,753,429)	(1,165,427)	(911,093)	—	(4,829,949)
Gross profit	1,385,203	950,751	581,935	—	2,917,889
Depreciation of property, plant and equipment (Note 15)	339,276	60,592	44,886	2,544	447,298
Amortisation					
– leasehold land and land use rights (Note 15)	10,865	2,327	1,227	29,553	43,972
– intangible assets (Note 15)	—	1,200	—	—	1,200
Provision for impairment of trade and other receivables, net (Note 15)	—	26	555	—	581

	Assets and liabilities				Total
	Float glass	Automobile glass	Architectural glass	Unallocated	
Total assets	13,680,919	3,584,597	4,013,471	10,831,198	32,110,185
Total assets included:					
Investments in associates (Note 8)	—	—	—	4,557,753	4,557,753
Loans to associates	—	—	—	62,117	62,117
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	702,337	136,475	26,098	310,498	1,175,408
Total liabilities	<u>1,475,503</u>	<u>728,318</u>	<u>437,328</u>	<u>10,887,295</u>	<u>13,528,444</u>

The unaudited segment revenue for the period ended 30 June 2017 and the audited segment assets and liabilities as at 31 December 2017:

	Automobile Architectural				Total
	Float glass	glass	glass	Unallocated	
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	<u>1,089,983</u>	<u>894,428</u>	<u>444,821</u>	<u>—</u>	<u>2,429,232</u>
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	11,734,734	5,478,944	2,818,690	10,272,632	30,305,000
Total assets included:					
Investments in associates (Note 8)	—	—	—	4,415,663	4,415,663
Loans to associates	—	—	—	79,341	79,341
Investment properties	25,045	55,471	—	1,124,467	1,204,983
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	853,816	204,994	55,976	2,695,932	3,810,718
Total liabilities	2,142,120	722,567	318,212	8,815,909	11,998,808

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

	Unaudited	
	For the six months ended	
	30 June	
	2018	2017
Segment gross profit	2,917,889	2,429,232
Unallocated:		
Other income	189,591	141,414
Other gains/(losses), net	40,451	(45,443)
Selling and marketing costs	(370,908)	(333,806)
Administrative expenses	(745,875)	(586,355)
Finance income	33,044	23,444
Finance costs	(95,046)	(73,005)
Share of profits of associates	363,668	367,967
Profit before income tax	2,332,814	1,923,448

Reportable segments assets/(liabilities) for the period ended 30 June 2018 and the year ended 31 December 2017 are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2018 <i>(Unaudited)</i>	2017 <i>(Audited)</i>	2018 <i>(Unaudited)</i>	2017 <i>(Audited)</i>
Segment assets/(liabilities)	21,278,987	20,032,368	(2,641,149)	(3,182,899)
Unallocated:				
Leasehold land and land use rights	2,334,626	2,391,488	—	—
Property, plant and equipment	1,534,166	1,548,274	—	—
Investment properties	1,144,201	1,124,466	—	—
Prepayments for property, plant and equipment and land use rights	231,138	6,366	—	—
Investments in associates	4,557,753	4,415,663	—	—
Balances with associates	62,117	79,341	—	—
Available-for-sale financial assets	44,578	52,409	—	—
Prepayments, deposits and other receivables	497,807	346,271	—	—
Cash and bank balances	424,812	308,354	—	—
Other payables	—	—	(526,205)	(538,595)
Dividend payables	—	—	(1,124,087)	—
Current income tax liabilities	—	—	(89,916)	(95,296)
Deferred income tax liabilities	—	—	(326,322)	(328,224)
Bank and other borrowings	—	—	(8,820,765)	(7,853,794)
Total assets/(liabilities)	<u>32,110,185</u>	<u>30,305,000</u>	<u>(13,528,444)</u>	<u>(11,998,808)</u>

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

	Unaudited For the six months ended 30 June	
	2018	2017
Sales of float glass	4,138,632	3,619,036
Sales of automobile glass	2,116,178	1,871,302
Sales of architectural glass	1,493,028	1,186,461
Total	<u>7,747,838</u>	<u>6,676,799</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	
	2018	2017
Greater China	5,569,325	4,797,176
North America	813,314	756,220
Europe	255,788	206,454
Other countries	1,109,411	916,949
	<u>7,747,838</u>	<u>6,676,799</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
	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China	21,125,074	21,127,344
North America	24,640	8,802
Malaysia	1,770,711	1,235,211
Other countries	35	2,090
	<u>22,920,460</u>	<u>22,373,447</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 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
As at 1 January	3,426,887	1,121,020
Currency translation differences	(36,758)	81,296
Additions	—	2,299,569
Amortisation of prepaid operating lease payments	(43,972)	(72,779)
Transfer to investment properties	—	(2,219)
	<u>3,346,157</u>	<u>3,426,887</u>
As at 30 June/31 December	<u>3,346,157</u>	<u>3,426,887</u>

6 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Freehold land	Buildings	Plant and machinery	Office equipment	Total
Opening net book amount as at 1 January 2018	470,918	76,716	3,125,962	9,238,701	17,173	12,929,470
Currency translation differences	260	759	(33,904)	(87,681)	(1,080)	(121,646)
Additions	710,124	—	900	37,949	6,984	755,957
Transfers	(217,305)	—	350,473	(133,168)	—	—
Disposals	—	—	(2,054)	(13,099)	(73)	(15,226)
Depreciation charge	—	—	(76,429)	(412,769)	(7,814)	(497,012)
	<u>963,997</u>	<u>77,475</u>	<u>3,364,948</u>	<u>8,629,933</u>	<u>15,190</u>	<u>13,051,543</u>
Closing net book amount as at 30 June 2018	<u>963,997</u>	<u>77,475</u>	<u>3,364,948</u>	<u>8,629,933</u>	<u>15,190</u>	<u>13,051,543</u>

7 INVESTMENT PROPERTIES

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
As at 1 January	1,204,983	546,709
Currency translation differences	(12,802)	42,132
Additions	31,632	146,285
Fair value gains	—	450,710
Transferred from property, plant and equipment	—	16,928
Transferred from leasehold lands and land use rights	—	2,219
	<hr/>	<hr/>
As at 30 June/31 December	<u>1,223,813</u>	<u>1,204,983</u>

As at 30 June 2018, the Group has four investment properties in the PRC and an investment property in Hong Kong.

The Group's investment properties were valued at 31 December 2017 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 2018 Level 3	As at 31 December 2017 Level 3
Fair value hierarchy:		
– Commercial building under Construction – Xiamen, the PRC	1,078,361	1,058,627
– Commercial building – Shenzhen, the PRC	51,816	52,405
– Office unit – Wuhu, the PRC	24,764	25,045
– Office unit – Hong Kong	65,840	65,840
	<hr/>	<hr/>
	1,220,781	1,201,917
At cost		
– Commercial properties – Shenzhen, the PRC	3,032	3,066
	<hr/>	<hr/>
	<u>1,223,813</u>	<u>1,204,983</u>

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

8 INVESTMENTS IN ASSOCIATES

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
At 1 January	4,415,663	3,257,782
Currency translation differences	(303)	1,086
Addition to investment in an associate	—	446,375
Share of profits of associates	363,668	699,662
Dividend receivable/received	(155,345)	(314,631)
Share of other comprehensive income	(65,930)	325,389
	<hr/>	<hr/>
At 30 June/31 December	<u>4,557,753</u>	<u>4,415,663</u>

9 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
Trade receivables (note (a))	1,489,261	1,281,277
Less: provision for impairment of trade receivables	(37,900)	(38,507)
	<hr/>	<hr/>
Bills receivables (note (b))	1,451,361	1,242,770
	459,470	980,558
	<hr/>	<hr/>
Trade and bills receivables – net	1,910,831	2,223,328
Prepayments, deposits and other receivables	1,613,205	1,148,520
	<hr/>	<hr/>
	3,524,036	3,371,848
	<hr/>	<hr/>
Less non-current portion		
Prepayments for property, plant, equipment and land use rights	(645,967)	(299,803)
	<hr/>	<hr/>
	<u>2,878,069</u>	<u>3,072,045</u>

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2018 and 31 December 2017 the ageing analysis of the Group's trade receivables was as follows:

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
0-90 days	1,163,227	982,889
91-180 days	188,038	185,597
181-365 days	81,549	65,889
1-2 years	37,040	13,550
Over 2 years	19,407	33,352
	<u>1,489,261</u>	<u>1,218,277</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 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
Cash and bank balances and pledged bank deposits	4,257,524	3,057,112
Less:		
– Pledged bank deposits (note)	(2,526)	(2,526)
– Fixed deposits	—	(5,982)
	<u>4,254,998</u>	<u>3,048,604</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 2017 and 30 June 2018		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
As at 1 January 2018		4,017,660,647	401,766	534,201	935,967
Issues of Shares under an employees’ share option scheme	(a)	12,085,000	1,209	72,085	73,294
Repurchase of Shares but not yet cancelled		(18,328,000)	(1,833)	(164,756)	(166,589)
Repurchase and cancellation of shares		(14,090,000)	(1,409)	(153,382)	(154,791)
As at 30 June 2018		<u>3,997,327,647</u>	<u>399,733</u>	<u>288,148</u>	<u>687,881</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			
	2018		2017	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per Share	Options (thousands)
At 1 January	5.64	79,214	5.35	85,189
Granted	11.74	29,600	7.28	29,264
Exercised	4.79	(12,085)	5.70	(10,483)
Lapsed	5.51	(3,193)	5.75	(3,402)
Expired	5.70	(26)	5.55	(17)
At 30 June	<u>7.69</u>	<u>93,510</u>	<u>5.86</u>	<u>100,551</u>

Out of the 93,510,000 outstanding options, 10,982,000 options were exercisable as at 30 June 2018. Options exercised in 2018 resulted in 12,085,000 Shares being issued at a weighted average price at the time of exercise of HK\$4.79 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 2019	4.55	10,982
31 March 2020	4.81	25,689
31 March 2021	7.28	27,317
31 March 2022	11.74	29,522
		<u>93,510</u>

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

Date of grant	27 February 2018
Option valued	HK\$2.1514
Share price at the date of grant	HK\$11.74
Exercisable price	HK\$11.74
Expected volatility	34.7230%
Annual risk-free interest rate	1.5481%
Life of option	3 years and 6 months
Dividend yield	4.8203%

- (b) During the period ended 30 June 2018, 32,418,000 shares repurchased by the Company and in which 14,090,000 shares were cancelled in June 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of Repurchase	Number of Shares of HK\$0.10 each	Highest price per Share	Lowest price per Share	Aggregate consideration HK\$'000
May 2018	14,090,000	HK\$11.40	HK\$10.72	154,791
June 2018	18,328,000	HK\$9.38	HK\$8.87	166,589

12 OTHER RESERVES

	Statutory	Enterprise	Foreign	Capital	Share	Property	Capital	Available-		Retained	
	reserve	expansion	currency	reserve	options	revaluation	redemption	for- sale		earnings	Total
Note	fund	fund	translation	reserve	reserve	reserve	reserve	reserve	Subtotal		
Balance at 1 January 2018	1,387,886	46,867	545,930	11,840	40,683	37,227	17,344	14,458	2,102,235	15,199,009	17,301,244
Profit for the period	—	—	—	—	—	—	—	—	—	2,007,524	2,007,524
Change in value of available- for-sale financial assets	—	—	—	—	—	—	—	(7,831)	(7,831)	—	(7,831)
Share of the other comprehensive income of investments accounted for using the equity method	—	—	(65,930)	—	—	—	—	—	(65,930)	—	(65,930)
Currency translation differences	—	—	(290,863)	—	—	—	—	—	(290,863)	—	(290,863)
Employees' share option scheme:											
– Proceeds from shares issued	—	—	—	—	(15,454)	—	—	—	(15,454)	—	(15,454)
– Value of employee services	—	—	—	—	16,622	—	—	—	16,622	—	16,622
– Release on forfeiture of share options	—	—	—	—	(38)	—	—	—	(38)	38	—
Repurchase and cancellation of shares	—	—	—	—	—	—	1,409	—	1,409	(1,409)	—
Repurchase but not yet cancelled	—	—	—	—	—	—	—	—	—	—	—
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—
Dividend relating to 2017	—	—	—	—	—	—	—	—	—	(1,124,087)	(1,124,087)
Balance at 30 June 2018	1,387,886	46,867	189,137	11,840	41,813	37,227	18,753	6,627	1,740,150	16,081,075	17,821,225

13 TRADE AND OTHER PAYABLES

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
Trade payables (note (a))	915,144	922,721
Bill payables (note (b))	311,083	97,511
	<hr/>	<hr/>
	1,226,227	1,020,232
Other payables	2,628,620	1,642,147
Less: non-current portion	(56,962)	(108,198)
	<hr/>	<hr/>
Current portion	<u>3,797,885</u>	<u>2,554,181</u>

Notes:

(a) At 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
0-90 days	833,162	817,616
91-180 days	32,356	47,535
181-365 days	22,825	9,686
1-2 years	9,427	31,899
Over 2 years	17,374	15,985
	<hr/>	<hr/>
	<u>915,144</u>	<u>922,721</u>

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

14 BANK AND OTHER BORROWINGS

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
Non-current		
Bank borrowings, guaranteed (note (a))	8,820,765	8,466,385
Less: Current portion	<u>(2,427,988)</u>	<u>(2,067,702)</u>
Shown as non-current liabilities	<u>6,392,777</u>	<u>6,398,683</u>
Current		
Current portion of non- current borrowings, guaranteed	<u>2,427,988</u>	<u>2,067,702</u>
Shown as current liabilities	<u>2,427,988</u>	<u>2,067,702</u>
Total bank and other borrowings	<u><u>8,820,765</u></u>	<u><u>8,466,385</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 2018 and 31 December 2017, the Group's bank borrowing were repayable as follows:

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
Within 1 year	2,427,988	2,067,702
Between 1 and 2 years	4,005,341	2,848,747
Between 2 and 5 years	<u>2,387,436</u>	<u>3,549,936</u>
	<u><u>8,820,765</u></u>	<u><u>8,466,385</u></u>

At 30 June 2018 and 31 December 2017, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
HKD	<u>8,820,765</u>	<u>8,466,385</u>

The carrying amounts of bank borrowings approximate their fair values as at 30 June 2018 and 31 December 2017.

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

	30 June 2018		31 December 2017	
	HK\$	US\$	HK\$	US\$
Bank borrowings	<u>2.24%</u>	<u>—%</u>	<u>2.01%</u>	<u>1.12%</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	
	2018	2017
Depreciation and amortization	492,470	422,032
Employee benefit expenses	570,798	517,861
Cost of inventories	3,684,869	3,194,233
Other selling expenses (including transportation and advertising costs)	228,177	185,417
Operating lease payments in respect of land and buildings	1,214	996
Provision for /(reversal of provision for) impairment of trade and other receivables, net	581	(2,045)
Other expenses, net	<u>968,623</u>	<u>849,234</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u>5,946,732</u>	<u>5,167,728</u>

16 OTHER GAINS/(LOSSES) — NET

	Unaudited	
	For the six months ended	
	30 June	
	2018	2017
Other foreign exchange gains/(losses), net	42,865	(44,907)
Losses on disposal and written-off of property, plant and equipment, net	(2,414)	(12,765)
Others	—	12,229
	<u>40,451</u>	<u>(45,443)</u>

17 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

	Unaudited	
	For the six months ended	
	30 June	
	2018	2017
Interest income on short-term bank deposits	<u>33,044</u>	<u>23,444</u>

FINANCE COSTS

	Unaudited	
	For the six months ended	
	30 June	
	2018	2017
Interest on bank borrowings	112,042	80,051
Less: interest expenses capitalised under construction in progress	(16,996)	(16,211)
Interest on convertible bonds	—	9,165
	<u>95,046</u>	<u>73,005</u>

18 INCOME TAX EXPENSE

	Unaudited	
	For the six months ended	
	30 June	
	2018	2017
Current income tax		
– Hong Kong profits tax (Note a)	4,330	18,663
– PRC corporate income tax (Note b)	314,945	265,452
– Overseas income tax (Note c)	686	1,256
	<u>319,961</u>	<u>285,371</u>

Note:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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, Wuhu, Dongguan, Tianjin, Jiangmen, Sichuan and Yingkou are 25% (2017: 25%). Thirteen (2017: 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 2018 and 2017 at the rates of taxation prevailing in the countries in which the Group operates.

19 DIVIDENDS

	For the six months ended	
	30 June	
	2018	2017
Final dividend payable for 2017 of 28.0 HK cents (2016: 23.0 HK cents) per Share	1,124,087	919,845
Proposed interim dividend of 25.0 HK cents (2017: 20.0 HK cents) per Share	999,332	800,787
	<u>2,123,419</u>	<u>1,719,724</u>

Note:

At a meeting of the Board held on 31 July 2018, the Directors declared an interim dividend of 25.0 HK cents per Share for the six months ended 30 June 2018. The amount of 2018 proposed interim dividend is based on 3,997,327,647 shares in issue as at 30 June 2018.

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 2018.

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	
	2018	2017
Profit attributable to equity holders of the Company (HK\$'000)	2,007,524	1,635,924
Weighted average number of Shares in issue (thousands)	4,019,079	3,928,297
Basic earnings per Share (HK cents per Share)	<u>50.0</u>	<u>41.6</u>

DILUTED

Diluted earnings per Share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. The Group has following dilutive potential ordinary shares: share options 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 2017 and the net profit is adjusted to eliminate the interest expense less tax effect.

	Unaudited	
	For the six months ended	
	30 June	
	2018	2017
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	2,007,524	1,635,924
Share of profit of an associate as a result of diluted earnings at associate level (HK\$'000)	(103)	(563)
	<hr/>	<hr/>
	2,007,421	1,635,361
Weighted average number of Shares in issue (thousands)	4,019,079	3,928,297
Adjustments for:		
Share options (thousands)	33,138	10,860
	<hr/>	<hr/>
Weighted average number of Shares for diluted earnings per Share (thousands)	4,052,217	3,939,157
	<hr/>	<hr/>
Diluted earnings per Share (HK cents per Share)	<u>49.5</u>	<u>41.5</u>

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

FAIR VALUE ESTIMATION

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

	Level 1	Level 2	Level 3	Total
At 30 June 2018				
Assets				
Available-for-sale financial assets				
– Equity securities	44,578	—	—	44,578
	<u>44,578</u>	<u>—</u>	<u>—</u>	<u>44,578</u>
	Level 1	Level 2	Level 3	Total
At 31 December 2017				
Assets				
Available-for-sale financial assets				
– Equity securities	52,409	—	—	52,409
	<u>52,409</u>	<u>—</u>	<u>—</u>	<u>52,409</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 2018 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.

During six months ended 30 June 2018, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2017: 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
	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
Land use right and property, plant and equipment		
– contracted but not provided for	<u>832,193</u>	<u>512,714</u>

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	
	2018	2017
Purchases of goods from associates		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	125,964	138,282
– Beihai Yiyang Mineral Company Limited	119,274	72,915
– Dongyuan County Xinhuali Quartz Sand Company Limited	24,171	17,377
– A subsidiary of Xinyi Solar	2,788	395
– An entity controlled by the ultimate controlling parties	291	—
Management fee paid to related parties		
– An entity controlled by the ultimate controlling parties	1,054	—
Processing fee from lithium battery energy storage product paid to related parties		
– An entity controlled by the ultimate controlling parties	29,379	—
Sales of goods to an associate		
– A subsidiary of Xinyi Solar	118,515	45,731
Sales of goods to related parties		
– Entities controlled by the ultimate controlling parties	16,535	6,993
– An entity controlled by the ultimate controlling parties	2,587	1,918
Sales of machineries to an associate		
– A subsidiary of Xinyi Solar	35,760	25,089
Consultancy income received from an associate		
– A subsidiary of Xinyi Solar	431	412
Rental income received from an associate		
– A subsidiary of Xinyi Solar	3,535	2,601
Rental income received from a related party		
– An entity controlled by the ultimate controlling parties	60	60
Rental expenses paid to an associate		
– A subsidiary of Xinyi Solar	568	498
Share option income received from a related party		
– An entity controlled by the ultimate controlling parties	74	123
Transportation fee received from an associate		
– A subsidiary of Xinyi Solar	1,969	32,981
Proceeds from disposal of a subsidiary received from an associate		
– A subsidiary of Xinyi Solar	—	1,136
Proceeds from sales of interest in a subsidiary to a related party		
– An entity controlled by the ultimate controlling parties	—	2,478

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

	As at	
	30 June 2018 <i>(Unaudited)</i>	31 December 2017 <i>(Audited)</i>
Balance with/loan advance to associates		
– Dongyuan County Xinhuali Quartz Sand Company Limited	62,117	79,341
Receivable from an associate arising from sales of machineries		
– A subsidiary of Xinyi Solar	77,226	53,709
Receivable from an associate arising from provision of consultancy services		
– A subsidiary of Xinyi Solar	85	69
Receivable from a related party arising from sale of good		
– An entity controlled by the ultimate controlling parties	429	—
Receivable from an associate arising from rental income and deposits		
– A subsidiary of Xinyi Solar	60	—
Payable to an associate arising from prepayment received for sales of freehold land		
– A subsidiary of Xinyi Solar	106,594	—

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2018, the revenue and the net profit of the Group were HK\$7,747.8 million and HK\$2,007.5 million, respectively, representing an increase of 16.0% and 22.7% as compared with HK\$6,676.8 million and HK\$1,635.9 million, respectively, for the six months ended 30 June 2017. 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 attributable to the growth of all three of our three business divisions, especially the float glass business. The wide range of product mix including the specialty glasses, higher average selling price, the good marketing strategy of the float glass division and appreciation of the Renminbi contributed to the revenue growth of 14.4% as compared with the same period in 2017.

The increase of automobile glass revenue was mainly attributable to the volume growth in the overseas sales of automobile glass through an effective marketing strategy during the period.

Government policies towards the PRC property market have been gradually tightened and construction activities there remained very competitive during the six-month period under review. On the other hand, with the government policies on environmental protection and the encouragement of energy-saving buildings in the PRC, the Directors expect that the demand for the Group's low emission ("Low-E") glass will continue to increase. As a leading Low-E glass manufacturer in China, the Group enjoys economies of scale and a nationwide sales and delivery network. The remarkable sales growth was mainly attributable to the increase of average selling price, volume growth by aggressive marketing strategy and the appreciation of the Renminbi as compared with the same period in 2017.

Gross Profit

The Group's gross profit for the six months ended 30 June 2018 increased by 20.1% to HK\$2,917.9 million as compared with HK\$2,429.2 million for the same period in the previous year. The gross profit margin increased to 37.7% during the six-month period under review as compared with 36.4% in 2017. There was a significant improvement in the float glass gross margin as a result of the higher selling price, improved production efficiency and better product mix with more specialty glass sold. The slight decrease of gross profit margins of the automobile glass was mainly due to the appreciation of the Renminbi which has greater impact on the overseas sales. The slight improvement of gross profit margin of the architectural glass businesses were mainly due to the higher average selling price for the period.

Other Gains/(Loss) - Net

Other gains for the six months ended 30 June 2018 were HK\$40.5 million, as compared with a loss of HK\$45.4 million for the six months ended 30 June 2017. The significant increase was mainly due to the exchange gain of HK\$42.9 million incurred in the current six months period under review as compared with the exchange loss of HK\$44.9 million incurred in the same period in 2017.

Selling and Marketing Expenses

Selling and marketing expenses increased by 11.1% to HK\$370.9 million for the period under review. The increase was mainly due to higher transportation costs which was in line with the increase of revenue during the six-month period under review.

Administrative Expenses

Administrative expenses increased by 27.2% to HK\$745.9 million for the six months ended 30 June 2018. The increase was principally attributable to higher research and development expenses and depreciation costs during the six-month period under review.

Finance Costs

Finance costs increased by 30.2% to HK\$95.0 million for the six months ended 30 June 2018. 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 at the relevant production facilities. Interest amounting to HK\$17.0 million was capitalised under construction-in-progress for the six months ended 30 June 2018.

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

EBITDA increased by 20.6% to HK\$2,887.3 million for the six months ended 30 June 2018, as compared with HK\$2,395.0 million during the same period in 2017.

Taxation

Tax expense amounted to HK\$320.0 million for the six months ended 30 June 2018. The effective tax rate of the Group was decreased to 13.7% compared with the same period of 2017. The decrease was mainly attributable to the tax incentive programme in the Malaysia operation. 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 2018 was HK\$2,007.5 million, representing an increase of 22.7% as compared with the same period in 2017. The net profit margin for the period under review rose to 25.9% from 24.5%, 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 2018, the Group incurred an aggregate capital expenditure amounting to HK\$1,175.4 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 2018, the Group had net current assets of HK\$2,444.1 million, representing an increase of eight times as compared with the same period in 2017. The significant improvement is attributable of stronger profitability and better cash management. 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 2018, the Group's primary sources of funding included cash generated from operating activities and credit facilities provided by principal banks in Hong Kong, China and Malaysia. As at 30 June 2018, the net cash inflow from operating activities amounted to approximately HK\$2,189.0 million (2017: HK\$607.0 million) and the Group had cash and cash equivalents of HK\$4,257.5 million (2017: HK\$1,442.7 million).

As at 30 June 2018, total bank borrowings were HK\$8,820.8 million. Despite the increase in the total liabilities, the net debt gearing ratio, calculated based on net total borrowings divided by total shareholders' equity (excluding 2018 declared interim dividends and 2017 proposed final dividend respectively), was at 24.6% as at 30 June 2018, as compared with 29.5% as at 31 December 2017. The decrease of net gearing ratio was principally due to lesser 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 2018 as compared with the six months ended 30 June 2017, the Directors consider that the Group has achieved a remarkable level of profitability. The Directors are pleased to declare an interim dividend of 25.0 HK cents per Share for the six months ended 30 June 2018 (2017: 20.0 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, 17 August 2018. The interim dividend is payable on or before Tuesday, 4 September 2018.

The Company’s register of members will be closed from Wednesday, 15 August 2018 to Friday, 17 August 2018 (both days inclusive), and during this period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 14 August 2018.

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 2018, the Group’s bank borrowings were denominated in Hong Kong dollars bearing effective interest rates at 2.24% 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 2018, the Group did not use any financial instrument for hedging purposes.

Employees and Remuneration Policy

As at 30 June 2018, the Group had 11,804 full-time employees of whom 11,176 were based in China and 628 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, 28,000,000 options, 28,500,000 options, 29,264,000 options and 29,600,000 options were granted under the share option scheme on 2 March 2015, 16 March 2016, 1 March 2017 and 27 February 2018 respectively, and 93,510,000 options were outstanding as at 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company repurchased its own Shares on the Stock Exchange in May and June 2018. 14,090,000 shares and 18,328,000 shares of the repurchased Shares were subsequently cancelled on 6 June 2018 and 11 July 2018 respectively. Accordingly, the issue share capital of the Company was reduced by the nominal value of the repurchased Shares and the premium paid on these Shares upon repurchase was charged against the share premium account. An amount equivalent to the par value of the Shares repurchased and canceled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets for the further information of such repurchases:

Month of Repurchase	Number of Repurchased Shares	Highest Price per Share	Lowest Price per Share	Aggregate Share Price Paid <i>HK\$'000</i>
May 2018	14,090,000	11.40	10.72	154,791
June 2018	18,328,000	9.38	8.87	166,589
	<u>32,418,000</u>			<u>321,380</u>

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period ended 30 June 2018.

BUSINESS REVIEW

The development of the PRC glass industry is influenced by industry, environmental and monetary policies

The growth of the PRC economy has remained steady for the six months period ended 30 June 2018. The Group's operations in the automobile glass, architectural glass and the float glass segments faced myriad challenges and opportunities. Nonetheless, the Group managed to achieve remarkable operating results primarily attributable to its stringent control over production costs, the appreciation of Renminbi, a better product mix of float glass with new overseas contributions from the operation in Malaysia, and a more effective marketing strategy for the architectural glass and automobile glass divisions.

The PRC property development market has experienced moderate growth while the construction market has operated in a tough environment for the six months period ended 30 June 2018 as domestic funding liquidity had tightened. Nevertheless, within the highly competitive PRC energy-saving Low-E glass market in the construction industry, the Group's has achieved a remarkable increase in the sales volume of the architectural glass segment due to its aggressive marketing strategy.

The float glass sector has experienced a gradual slowdown in demand during the second quarter with tighter liquidity in both funding and government policy towards property in the PRC. Positive developments for the Group include the new product specifications for its double insulation float glass for better heat retention and lamination to address higher safety standards for the architectural glass industry in the PRC, the wider variety of its float and specialty glass products and colour mix and the commencement of operation of the new float glass plant in Malaysia. These developments combined with the stronger average selling price enabled by supply side reform and stricter environmental policy in the PRC have contributed to a remarkable growth in its float glass sales during the six months period under review. At the same time, the rise in the average selling price also contributed to the improvement in the gross profit margin of the sales of the Group's float glass.

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

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

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

The Group's strength in production engineering and operational management, along 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 period under review.

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

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

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

During the six months 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 segments, global market coverage and the expanded high value-added product mix can alleviate the operational pressure in any specific business segment or country despite a volatile and competitive market environment.

BUSINESS OUTLOOK

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

The PRC government has continued 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. As a result, the effective PRC float glass production volume dropped by 0.9% as compared to the same period in 2017 according to the PRC National Bureau of Statistics. 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 price of soda ash experienced a short term rise in May and June 2018 after a declining trend since December 2017. The soda ash price dropped again from late June 2018. The industry expects the soda ash price trend to moderate in comparison with 2017. The Group's overseas network has sourced soda ash to mitigate price fluctuation as its contingency plan against a further rise. Thus, the Group is optimistic that the float glass market as well as the average selling price will keep improving in the foreseeable future.

Elsewhere, the US trade war has placed greater pressure on the US aftermarket automobile glass customers as they mostly rely on the supply in imports.

The PRC's new proactive monetary policy will add more funding to the market. It would help to ease the tightened liquidity market in the first half of 2018 and lead more construction activities. It would be positive to the demand of float glass and architectural glass businesses.

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

After years of expanding its production facilities along the coastal areas of the PRC, the Group is ready to explore acquisitions and more expansion opportunities overseas and in the western PRC expansion opportunities which can provide an attractive and larger market environment, lower production and energy costs, and offer favourable tax treatment and other incentives.

Furthermore, the Group is planning to support the PRC government's economic development plan in western China and has been qualified under the foreign investment scheme in western China to build specialty float glass production lines in Guangxi Zhuang Autonomous Region. Thus, it also plans to construct automobile glass production lines there.

The acquisition of float glass production assets and a capacity permit in Zhangjiagang, Jiangsu province, further strengthens the Group's market coverage in the Eastern PRC.

The commencement of the operation of the Group's first float glass production line in Malaysia in May 2017 was its first overseas project, and is paving the way to boost its future growth in the region as well as facilitate specific transactions in the region while also reducing production costs.

One of the two high quality float glass production lines in its Phase Two project in Malacca, Malaysia had lighted up in late June 2018. The other new float glass production line is scheduled to light up in the fourth quarter of the year. The Group is also planning to build a Phase Three project in Malaysia. The future new production lines enable it to better serve ASEAN-based, as well as Indian, Korean and Taiwanese customers through the preferential import duty treatment and appropriate pricing strategy as well as the shorter transport distance that can also benefit customers elsewhere in Asia.

The Group is planning to expand our production network outside Asia. We also plan to build new high quality float glass production lines in North America in order to expand our product coverage in that region.

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

CONCLUSION

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Code as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2018.

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 2018.

REVIEW OF THE INTERIM RESULTS

The Company’s interim results for the six months ended 30 June 2018 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 2018 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
Mr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 31 July 2018

As at the date of this announcement, Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. 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, Dr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David were the independent non-executive Directors.

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