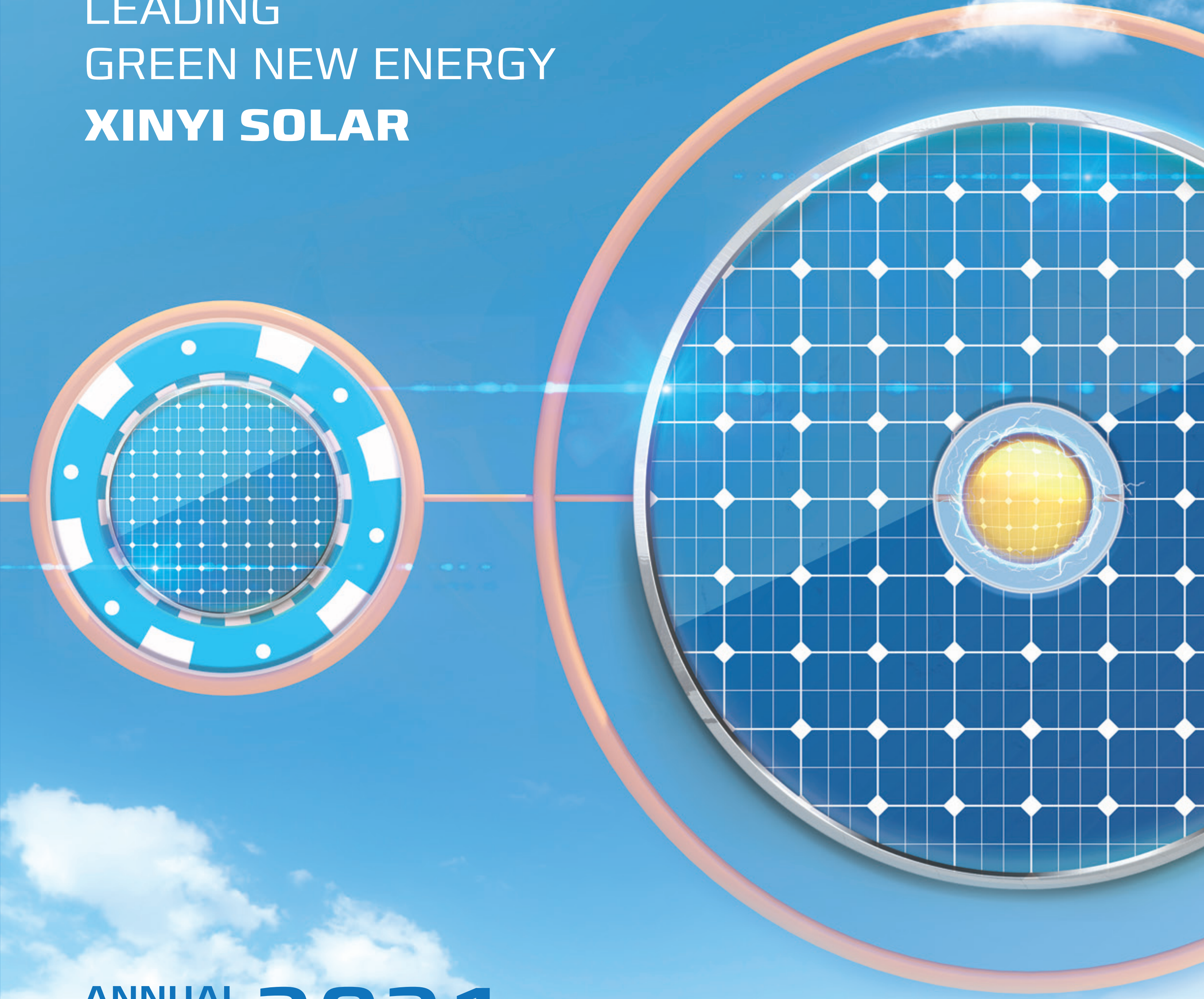
信義光能控股有限公司
XINYI SOLAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00968

LEADING
GREEN NEW ENERGY
XINYI SOLAR



ANNUAL REPORT 2021

Contents

Corporate Information

EXECUTIVE DIRECTORS

Dr. LEE Yin, Yee, B.B.S. *(Chairman)* [ø~]
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHEN Xi

NON- EXECUTIVE DIRECTORS

Tan Sri Datuk TUNG Ching Sai, *P.S.M, D.M.S.M, J.P.*
(Vice Chairman) [ø<]
Mr. LEE Shing Put, B.B.S.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul [*ø<]
Mr. LO Wan Sing, Vincent [#+<]
Mr. KAN E-ting, Martin [#ø<]

- `*` Chairman of audit committee
- `#` Members of audit committee
- `+` Chairman of remuneration committee
- `ø` Members of remuneration committee
- `~` Chairman of nomination committee
- `<` Members of nomination committee

COMPANY SECRETARY

Mr. CHU Charn Fai

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Xinyi PV Glass Industrial Zone
2 Xinyi Road
Wuhu Economic and Technology Development Zone
Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISERS AS TO HONG KONG LAW

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of East Asia
China Citic Bank
China Everbright Bank
China Guangfa Bank
Citibank, N.A.
DBS Bank
Hang Seng Bank
HSBC
Huaxia Bank
Huishang Bank
Industrial Bank
Malayan Banking Berhad
Nanyang Commercial Bank
OCBC Wing Hang
Sumitomo Mitsui Banking Corporation

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
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HONG KONG SHARE REGISTRAR

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183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

http://www.xinyisolar.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of 31 December 2021: HK$13.22
Market capitalisation as of 31 December 2021: Approximately HK$117.5 billion

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting:
Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive)
Date of Annual General Meeting:
Thursday, 2 June 2022
Closure of register of members for the purpose of entitlements to the final dividend:
Thursday, 9 June 2022 to Monday, 13 June 2022 (both days inclusive)
Proposed final dividend payable date:
On or about Wednesday, 6 July 2022

Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**" or "**Xinyi Solar**"), I present herewith the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

The year of 2021 was full of challenges in the solar industry. Value chains have been disrupted by rising fuel and material costs, as well as supply chain issues, which suppressed the growth momentum of the downstream installation demand. In spite of these challenges, the Group continued to strengthen its leading position in the industry by expanding the production capacity, enriching the product portfolio and strengthening the cost control measures. During the year, four new solar glass production lines with a daily melting capacity of 1,000 tonnes each have commenced operation. The sales ratio of thin glass and large-format glass also increased. All these efforts enabled the Group to continue to achieve revenue and profit growth during the year.

During the year, the Group's revenue amounted to HK$16,064.7 million, representing a 30.4% increase as compared to 2020. Profit attributable to equity holders of the Company increased by 8.0% to HK$4,924.3 million. Basic earnings per share were 55.65 HK cents for 2021, as compared to 55.40 HK cents for 2020. A final dividend of 10.0 HK cents per share has been proposed, which is subject to approval by the shareholders (the "**Shareholders**") of the Company at the forthcoming annual general meeting (the "**AGM**").

CHALLENGES POSED BY RISING INPUT COSTS AND SUPPLY CHAIN CONSTRAINTS

Solar deployment has been encouraged by the continuing decreases in the system costs for many years. This trend, however, reversed in 2021. In fact, solar installation costs actually increased year-on-year, particularly in the second half of the year.

The increase in the installation costs was mainly due to price hikes in solar modules in response to material shortages and elevated shipping costs. Polysilicon, an important raw material for solar modules, saw its price increases substantially during 2021 as its supply could not keep up with the downstream installation demand growth. The prices of other auxiliary materials, such as silver and aluminum, were also on upward trends. China's power rationing in response to coal shortages, leading to production curtailments during the last quarter of 2021, further exacerbated the difficult situation. High system costs and supply chain bottlenecks disrupted the investment plans and construction pace of some of the photovoltaic ("**PV**") projects.

DISTRIBUTED PV GENERATION BECAME A KEY DRIVING FORCE OF CHINA'S PV INSTALLATION IN 2021

Along with high module prices caused by the inflated cost of silicon materials, rising indirect costs such as increased land prices, mandatory energy storage and additional policy requirements in China have also hampered the development of some PV projects in 2021. The year was the first year when all newly completed utility-scale and commercial distributed generation PV projects in the People's Republic of China (the "**PRC**") were operated on a grid parity basis. It was also the first year of the 14th Five-Year Plan, and that several policy reforms on PV were introduced and implemented.

In addition to the grid parity arrangement, a number of new PV projects were mandated to be equipped with energy storage. The new PV development features competitive bidding, market-driven mechanisms, mega-sized power generation bases with hybrid energy, technical complementarity and the integration of "power generation, grids, loads and storage". The PRC government has also introduced a pilot scheme to encourage the installation of distributed PV systems. With these new initiatives, the scope and competitiveness of solar applications are expected to be strengthened and enhanced, leading to further growth of the solar industry. However, some PV developers have chosen to postpone the implementation of their projects until 2022, particularly those that are related to utility-scale centralised projects, due to the additional time and costs required to adapt to the new requirements and technology configurations. According to the statistics released by the National Energy Administration ("**NEA**"), new installed PV capacity grew by 13.9% to 54.88 gigawatts ("**GW**") in 2021, among which, however, utility-scale centralised projects only accounted for 25.60 GW, a decrease of 21.7% from 2020.

In contrast to utility-scale centralised projects, the distributed PV projects recorded a much significant growth in 2021. New distributed installations accounted for 53.4% of total installations in 2021, up 88.7% year-on-year. In late June 2021, the NEA published the "Notice on the Pilot Scheme of County-wide (City, District) Distributed Rooftop Project", requesting its provincial offices to nominate counties where a rooftop PV trial program could be run on a whole-county basis. Selected counties in the PRC require government buildings to install distributed PV systems on not less than 50% of their rooftop, 40% for non-government public buildings (such as schools, hospitals, and village committees), 30% for commercial and industrial buildings and factories, and 20% for rural households. A total of 676 PRC counties from 31 PRC provinces were selected for in the pilot scheme. Beside releasing a massive amount of distributed PV generation capacity for development, this new policy also helped promote countrywide awareness of the benefit that solar energy can provide to achieving the country's carbon neutrality goal.

Chairman's Statement

GLOBAL PV INSTALLATIONS CONTINUED TO REMAIN STRONG AND RESILIENT

The suppression of declining cost trend presents new challenges for the solar value chain, but the inflated fossil fuel prices have also made solar power more competitive. Solar installations in key markets such as the United States (the "**US**"), Europe and India have driven the industry's growth in 2021. Due to the higher electricity prices and the provision of governmental subsidies or tax reductions, as compared to counterparts in China, overseas PV project developers were more willing to accept component price increases. China's export of solar module increased by 34.2% in 2021, indicating high overseas demand despite the rising solar module prices. Even with the impact of the COVID-19 pandemic, the overseas demand for PV installations continued to grow.

Solar power is a well-developed renewable energy technology that is the most viable green option in the global transformation of electricity sector. In spite of high module prices and supply chain constraints, the growth rate of global PV installations remained strong and resilient in 2021, although it did not meet previous market predictions.

Although the global electricity consumption increases, it remains highly reliant on fossil fuels. With various carbon neutrality goals set by the largest electricity-consuming countries (such as China, the US and India), the solar deployment is poised to accelerate. The Directors believe that the supply chain issues that restricted the growth of PV installations in 2021 could be resolved when economic interests are reallocated among the different segments in the solar value chain and through capacity expansion.

DECREASING PRICES AND RISING PRODUCTION COSTS – A MORE CHALLENGING OPERATING ENVIRONMENT FOR SOLAR GLASS MANUFACTURERS

Following a surge in the second half of 2020, solar glass prices returned to more reasonable and sustainable levels in 2021. During the year, the solar glass industry added capacities of around 13,800 tonnes/day, representing an increase of about 40% from the beginning of the year. As a result of such substantial increase, solar glass supply was no longer a bottleneck for PV installation in 2021. For the solar glass industry and the solar value chain as a whole, a more balanced demand and supply environment is beneficial in the long run.

Different provincial governments in the PRC have imposed strict controls under the dual control (energy consumption and energy intensity) policy, resulting in production cuts and inflated costs for certain industrial raw materials. Meanwhile, the demand for natural gas and coal continue to increase following the economy recovery in certain countries. Increased demand for electricity generation and industrial use, particularly in China and India, coupled with supply constraints caused by severe weather in some countries, has caused global energy prices to spike.

Solar glass manufacturers faced more challenging operating conditions and higher profit margin pressure in 2021 due to the drop in the average selling prices of their solar glass products and increased material and energy costs. Industry players became more cautious and pragmatic when planning the expansion of their production capacities. As such, some of the expansion plans have been postponed, downsized or even cancelled.

PRODUCT PORTFOLIO ENHANCEMENT AND CAPACITY EXPANSION TO STRENGTHEN COMPETITIVENESS

In response to the more challenging operating environment, the Group has enhanced its product portfolio to promote value-added products (thin glass and large-format glass), tightened cost control measures to improve production efficiency and released additional production capacity in an orderly manner, thus effectively mitigating the margin pressure caused by product price reductions and rising input costs.

During 2021, the Group added four new solar glass production lines with a melting capacity of 1,000 tonnes/day each in Wuhu, Anhui Province, thereby increasing its total melting capacity to 13,800 tonnes/day. Excluding the two production lines with a melting capacity of 900 tonnes/day each, which have been under cold repair since mid-November 2021, the total melting capacity of the Group's solar glass production lines in operation as at 31 December 2021 was 12,000 tonnes/day. Expanding capacity continuously not only reinforces the Group's leading position in the industry, but also enables the Group to achieve economies of scale and boost market share. In 2021, the Group's solar glass sales volume (in terms of tonnage) grew by 30.9% year-on-year. This growth rate is greater than the industrial growth rate (increase in total demand for solar glass from solar module manufacturers) for the year.

New business opportunities have been created by the emergence of large-format, bifacial and high-power modules. To ensure that its new production lines are capable of producing glass products that fit the designated size and thickness, the Group has taken the new specification requirements into account when designing and building its new solar glass production facilities. In addition, the Group has also upgraded some of its existing production lines in order to better suit the new demands of its customers. As a market pioneer in large-format and thin glass, the Group benefits directly from this new market development trend.

STEADY GROWTH OF THE SOLAR FARM BUSINESS

As for self-developed solar farm projects, in light of the surging solar module prices, the Group has slowed its development and construction work. A number of factors such as land availability and grid connection resulted in extra costs and time for new PV projects. The Group has, therefore, connected only seven new self-developed PV projects in 2021, totaling 440 megawatts ("**MW**") of aggregate approved capacity.

As for the disposal of solar farms to its subsidiary, Xinyi Energy Holdings Limited ("**Xinyi Energy**" and its subsidiaries, collectively "**Xinyi Energy Group**"), the Group has completed the disposal of solar farm projects with a capacity of 250MW and 270MW to Xinyi Energy Group in February and December 2021, respectively. These transactions were made following the business delineation requirement between the Group and Xinyi Energy Group, and assisted the recycling of funds available to the Group. Besides the above acquisitions, Xinyi Energy Group also acquired two solar farm projects from independent third parties in 2021, with an aggregate capacity of 140MW.

Chairman's Statement

The total electricity generated from the Group's solar farm portfolio grew steadily during the year, primarily due to the new capacity completed or acquired. Revenue and gross profit of the Group's solar farm business increased by 28.0% and 29.1% year-on-year, respectively, in 2021.

As at 31 December 2021, the accumulated approved grid-connected capacity of the Group's solar farm projects was 4,073MW, of which 3,844MW was for utility-scale ground-mounted projects and 229MW was for rooftop distributed generation projects (with electricity generated for self-consumption or for sale to the grid). In terms of ownership, solar farm projects with a capacity of 2,494MW were held through Xinyi Energy Group (of which 2,394MW were 50.05% owned and 100MW were 47.55% owned by the Company); solar farm projects with a capacity of 1,479MW were held through the Group's wholly-owned subsidiaries; and a solar farm project with a capacity of 100MW was held by a joint venture in which the Group has 50.0% ownership.

As at 31 December 2021, out of the 3,844MW utility-scale ground-mounted projects owned by the Group, solar farms with a capacity of 2,104MW have already been enlisted on the Renewable Energy Power Generation Project List and solar farms with a capacity of 1,680MW are grid parity projects.

FORMATION OF XINYI SILICON FOR EXPANSION INTO POLYSILICON PRODUCTION

In mid-December 2021, the Group announced the formation of a new joint venture, Xinyi Silicon Holdings Limited ("**Xinyi Silicon**") with Xinyi Glass Holdings Limited ("**Xinyi Glass**") (Stock code: 00868) to construct polysilicon production facilities with a capacity of 60,000 tonnes/year in Qujing, Yunnan Province. This new joint venture is owned as to 52.0% by the Group and 48.0% by Xinyi Glass.

Electricity is a major cost component in polysilicon production and the cost of electricity in Yunnan is one of the lowest in China compared to base tariffs in other regions. Establishing a production site in Yunnan can therefore provide a cost advantage in this regard. In addition, Yunnan has a low temperature difference throughout the year, which can also help to reduce fixed investment costs and production costs.

Polysilicon production at the site is expected to utilise certain advanced and self-developed technologies to ensure that its output would be at the forefront of the industry in terms of quality and cost competitiveness. As some of the Group's solar module customers are also engaged in solar cell and wafer production, extending its business to the silicon segment would enrich the Group's supply chain and create more value for its customers. Besides, it can create synergy with the Group's existing sales network.

With its extensive experience in establishing new production plants and its expertise in the manufacturing business, the Group is confident that the polysilicon production project can become a new milestone in the Group's development history. Through the investment in Xinyi Silicon, the Group aims to expand its business scope in the solar value chain and capture the emerging opportunities arising from the global transition to green energy.

BUSINESS OUTLOOK

Solar power is popular in recent years, but it accounts for only a small percentage of the total global electricity generation. As countries around the world begin to integrate more renewable energy into their energy mix to reduce carbon emissions, solar installations are expected to show more rapid growth in the coming years, even though one of the major factors remains is whether the downtrend of installation costs would continue.

The global decarbonisation trend will continue to drive the use of solar energy and create additional demand for solar glass. The Group is well positioned to capture the market opportunities arising from the new PV projects and the demand from the existing projects delayed from last year. According to its expansion plan, the Group will add eight new solar glass production lines with a daily melting capacity of 1,000 tonnes each in 2022, four of which will be located in Zhangjiagang, Jiangsu Province and the other four in Wuhu, Anhui Province. Of these eight new lines, three and five lines are expected to commence operation in the first and second half of the year, respectively. As for the two production lines with a daily melting capacity of 900 tonnes each, which are currently undergoing cold repair, they are expected to resume operation in the second quarter of 2022.

Furthermore, the Group has in its pipeline the construction of ten new solar glass production lines, of which eight lines (with a daily melting capacity of 1,000 tonnes each) are to be located in Wuhu, Anhui Province and two lines (with a daily melting capacity of 1,200 tonnes each) are to be located in Qujing, Yunnan Province. The commissioning time of these ten new production lines has not yet been determined. The Group will constantly review and adjust its expansion plan amid the changing market conditions.

On the supply side, the total solar glass capacity is expected to continue to grow in 2022 following a significant increase in 2021. Over the recent years, many solar glass manufacturers have commenced or planning to expand their production capacities. While some of these expansion plans have been delayed or cancelled due to the changing market conditions, such as declinations in solar glass prices and inflation on production costs, a substantial amount of new capacity is still expected to be coming to the market. To stay ahead of the competition, the Group will strive to improve its production processes, overall cost control and product differentiation and innovation. With the increasing use of bifacial solar modules and larger panels, the Group will continue to develop the thin glass and the large-format glass market so as to maintain its industry leadership and focus on the niche areas in which it enjoys high competitive advantages.

As for the solar farm business, the Group will continue to explore opportunities in different regions of China in order to strengthen its project pipeline and establish a more diversified solar farm portfolio. The Group's annual installation target is set at 720MW for 2022.

Chairman's Statement

Following the grid parity, grid consumption will play an increasingly important role in the scale of PV development. The integration of "power generation, grids, loads and storage" and multi-energy complementary projects can improve the stability, utilisation and efficiency of the power grid, and increase the amount of renewable energy consumption. The Group will closely monitor the development of solar-plus-storage hybrid projects and determine their feasibility and the value-added potential.

Overall, the PV installations worldwide are expected to achieve faster growth in 2022 than in 2021, particularly in the second half of the year. New business opportunities will arise as downstream demand continues to grow. On the other hand, there is also significant growth in the supply of solar glass. With this supply growth and inflated input costs, solar glass manufacturers may experience intensified competition and higher margin pressure. Xinyi Solar will continue to actively explore expansion opportunities to facilitate the parallel development of its solar glass and solar farm businesses.

Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 28 February 2022

Management Discussion and Analysis

FINANCIAL REVIEW

The COVID-19 pandemic continued to evolve during the year of 2021. Several economies have resumed normal following vaccinations and different types of economic recovery packages are introduced globally. The solar industry has shown impressive resilience in the face of economic challenges and was among the few bright spots in the global economy. However, the solar value chain remained to be impacted by surging fuel and material costs and other supply chain issues. With a hope to alleviate the impact, the Group has expanded its capacity, enriched its product portfolio, further tightened cost control measures and improved its overall productivity. The Group's two core businesses – solar glass and solar farms – continued to grow in terms of revenue and profit during the year.

For the year ended 31 December 2021, the Group achieved consolidated revenue of HK$16,064.7 million, representing a 30.4% increase when compared to 2020. Profit attributable to equity holders of the Company increased by 8.0% to HK$4,924.3 million. Basic earnings per share were 55.65 HK cents for 2021, as compared to 55.40 HK cents for 2020.

Revenue

Revenue for the year ended 31 December 2021 was mainly derived from two core business segments, namely, (1) sales of solar glass and (2) solar farm business which includes solar farm development, solar power generation, and the provision of engineering, procurement and construction ("**EPC**") services.

Revenue – By Product

	Year Ended 31 December					
	2021		2020		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**13,019.4**	**81.0**	9,992.3	81.1	3,027.1	30.3
Solar farm business	**2,973.7**	**18.5**	2,323.5	18.9	650.2	28.0
Unallocated	**71.5**	**0.4**	—	—	71.5	n/a
Total external revenue*	**16,064.7**	**100.0**	12,315.8	100.0	3,748.9	30.4

* Because of rounding off, the sum of the individual amounts may not be the same as the actual total amount.

Management Discussion and Analysis

Solar Glass Revenue – By Geographical Area

	Year Ended 31 December					
	2021		2020		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Mainland China	**9,769.7**	**75.0**	7,646.3	76.5	2,123.4	27.8
Other areas in Asia	**2,461.9**	**18.9**	2,019.2	20.2	442.7	21.9
North America and Europe	**597.2**	**4.6**	262.7	2.6	334.5	127.3
Others	**190.6**	**1.5**	64.0	0.6	126.6	197.8
Total solar glass revenue*	**13,019.4**	**100.0**	9,992.3	100.0	3,027.1	30.3

* Because of rounding off, the sum of the individual amounts may not be the same as the actual total amount.

Solar glass sales revenue increased remarkably year-on-year by 30.3% to HK$13,019.4 million for the year ended 31 December 2021. The increase was primarily due to a higher sales volume, more thin glass sales and appreciation of the Renminbi ("**RMB**") and Malaysian Ringgit ("**MYR**") against the Hong Kong Dollar ("**HKD**"), which fully offset the impact of the decrease in average selling price ("**ASP**").

The increase in both production capacity and sales of new products (thin glass and large-format glass) contributed to the Group's high sales growth in 2021. Driven by growing domestic and overseas market demand, the Group's total solar glass sales volume (in terms of tonnage) grew by 30.9% year-on-year in 2021.

Rising module prices – fueled by inflated polysilicon and other component costs – have suppressed the growth momentum of downstream demand. As such, the rising module prices coupled with the release of the new industrial supply of solar glass triggered a substantial drop in solar glass prices during the second quarter of the year. As a result, solar glass prices were relatively lower than those of the previous year for most of 2021, with the exception of the first quarter. The price of mainstream solar glass product (3.2mm) at the end of 2021 was around 39.3% lower than that at the beginning of the year and the annual average price was 10.5% lower than last year.

The RMB/HKD and MYR/HKD exchange rates used for converting the RMB-denominated and MYR-denominated revenue for different months in 2021 into HKD were relatively higher on average by around 7.1% and 1.9% year-on-year, respectively compared to those applicable in the corresponding months in 2020, and thus contributing to a positive impact on the Group's revenue.

In terms of geographic mix, overseas sales and sales in Mainland China accounted for 25.0% (2020: 23.5%) and 75.0% (2020: 76.5%), respectively, of the Group's total solar glass sales in 2021. The geographic mix of the Group's solar glass sales was generally consistent with the distribution of the global solar module capacity.

Revenue from electricity generation for the year ended 31 December 2021 was mainly derived from the Group's solar farms in the PRC as set forth below.

	Approved grid-connected capacity		
	As at 31 December 2021 *(MW)*	As at 30 June 2021 *(MW)*	As at 31 December 2020 *(MW)*
Utility-scale ground-mounted solar farms			
Anhui	**1,520**	1,460	1,460
Hubei	**630**	530	450
Guangdong	**450**	450	150
Guangxi	**400**	400	400
Others (Tianjin, Henan, Hebei, etc.)	**744**	444	744
Sub-total	**3,744**	3,284	3,204
Commercial distributed generation projects	**62**	38	38
Total	**3,806**	3,322	3,242
Total number of solar farms	**49**	42	41
Weighted average feed-in-tariff ("FiT") * (RMB/kWh)	**0.69**	0.73	0.74

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

Revenue from the solar farm segment increased steadily by 28.0% from HK$2,323.5 million in 2020 to HK$2,973.7 million in 2021. The increase was mainly attributable to the first full-year contributions brought by the new capacities added in 2020, the electricity generation derived from the solar farm projects newly connected to the grid in 2021 and the appreciation of RMB against HKD.

Of the 580MW of solar farms newly added in 2021, 440MW were developed and constructed by the Group itself and 140MW were acquired by Xinyi Energy Group from independent third parties. These new solar farms are mainly non-subsidised grid parity projects and thus have lowered the weighted average FiT of the Group's entire portfolio. However, they are expected to provide the Group with more predictable and stable cash flows.

Similar to other solar farm operators in the PRC, the Group has experienced delays in collecting subsidies from the government in relation to the electricity generation of its subsidised solar farm projects. As at 31 December 2021, the outstanding tariff adjustment (subsidy) receivable of the Group amounted to HK$5,066.5 million. Receivables from sales of electricity are generally settled on a monthly basis by state grid companies, while tariff adjustment (subsidy) receivables are settled in accordance with prevailing government policies. In 2021, the Group received tariff adjustment (subsidy) payments of RMB412.4 million (equivalent to approximately HK$496.2 million).

Management Discussion and Analysis

Gross profit

Gross profit increased by HK$964.9 million, or 14.7%, from HK$6,583.6 million in 2020 to HK$7,548.5 million in 2021. Both the solar glass and solar farm businesses contributed to this increase. The overall gross profit margin dropped to 47.0% (2020: 53.5%), mainly due to the decline in the gross profit margin of the solar glass segment.

The gross profit growth of the Group's solar glass segment was primarily driven by the growth in sales volume, partially offset by margin squeeze. In 2021, the gross profit margin of this segment decreased by 7.9 percentage points to 41.1% (2020: 49.0%). The decline was mainly attributable to (i) lower ASP compared to the previous year (the average market price of mainstream 3.2mm solar glass dropped by around 10.5% year-on-year in 2021) and (ii) soaring procurement costs for certain raw materials and energy. The margin decline was partially offset by (i) higher production efficiencies from new capacity ramp-up and (ii) higher revenue and profit contributions from thin glass products (2.0mm).

The gross profit contribution from the solar farm business increased by 29.1% in 2021 to HK$2,174.1 million (2020: HK$1,683.4 million). The increase was roughly in line with the segment's revenue growth. The gross profit margin of this segment remained relatively stable, amounting to 73.1% in 2021 (2020: 72.5%).

Other income

During the year, other income increased by HK$87.1 million to HK$277.7 million, as compared to the HK$190.6 million recorded in 2020. The increase was principally due to the growth in sales of scrap materials and additional government grants received by the Group.

Other losses, net

Other losses, net increased by HK$19.5 million to HK$70.6 million in 2021 from HK$51.1 million in 2020. In November 2021, the Group donated 100% equity interest of Wuhu Xinyi Solar Technology Limited (蕪湖信義太陽能科技有限公司), a wholly-owned subsidiary which owns and operates 16MW distributed generation solar farm in the PRC, to the Wuhu Xinyi Charity Foundation (蕪湖信義慈善基金會) for charitable purpose. A loss on disposal of a subsidiary of HK$65.3 million was thus recorded during the year. Apart from this, other losses, net in 2021 comprised: (i) foreign exchange losses of HK$8.5 million; (ii) gains on disposal of property, plant and machinery of HK$0.5 million; and (iii) a gain of HK$2.7 million in relation to the hedge ineffectiveness of soda ash futures trading during the year.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 66.6% from HK$316.6 million in 2020 to HK$527.4 million in 2021. The increase primarily stemmed from higher freight charges and additional transportation costs, alongside the rise in overseas solar glass sales. Soaring demand, container shortages and port congestion have contributed to the sharp rise in shipping costs. During 2021, the Group's transportation costs increased by 69.9%, much greater than the 30.9% increase in the volume of solar glass sold. The selling and marketing expenses to revenue ratio increased from 2.6% in 2020 to 3.3% in 2021.

Administrative and other operating expenses

Administrative expenses increased by HK$162.5 million, or 29.6%, from HK$548.2 million in 2020 to HK$710.7 million in 2021. The increase in administrative expenses was mainly attributable to the increase in: (i) research and development expenses of HK$62.0 million; (ii) employee benefit expenses of HK$54.7 million; and (iii) other miscellaneous operating expenses. Because of the increased revenue and certain expenses being relatively fixed, the ratio of administrative and other operating expenses to revenue decreased slightly from 4.5% in 2020 to 4.4% in 2021.

Finance costs

Finance costs decreased from HK$191.0 million (or HK$229.0 million before capitalisation) in 2020 to HK$140.8 million (or HK$161.8 million before capitalisation) in 2021. The decrease was mainly due to the decline in interest rates. During the year, interest expense of HK$21.1 million (2020: HK$38.0 million) was capitalised into the construction costs of different solar farm projects and solar glass production facilities. The capitalised amounts will depreciate together with relevant assets over their estimated useful lives.

Share of profit in joint venture

In 2021, the Group recorded a share of profit in a joint venture of HK$38.1 million (2020: HK$35.8 million), which was contributed by a 50%-owned joint venture engaging in the management and operation of a 100MW solar farm in Lu'an, Anhui Province, the PRC.

Management Discussion and Analysis

Income tax expense

Income tax expense increased from HK$735.3 million in 2020 to HK$987.2 million in 2021. The increase was primarily attributable to: (i) increased profit from both solar glass and solar farm businesses and (ii) certain solar farms paid tax at the standard CIT rate as the tax exemption or 50% tax reduction period had expired.

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

EBITDA and net profit

In 2021, the Group's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK$7,884.9 million, representing an increase of 15.0% as compared to HK$6,853.6 million in 2020. The EBITDA margin (calculated based on total revenue for the year) was 49.1% in 2021, compared to 55.6% in 2020.

Net profit attributable to equity holders of the Company in 2021 was HK$4,924.3 million, representing an increase of 8.0%, as compared to the HK$4,560.9 million recorded in 2020. Net profit margin attributable to equity holders of the Company decreased to 30.7% in 2021 from 37.0% in 2020, mainly due to the net impact of: (i) a drop in profit margin of the solar glass business; (ii) higher finance income and lower finance costs; and (iii) the higher tax rate of certain solar farms.

Financial resources and liquidity

In 2021, total assets of the Group increased by 13.0% to HK$49,070.4 million and shareholders' equity increased by 14.3% to HK$30,312.1 million. Current ratio as at 31 December 2021 was 2.7, compared to 2.6 as at 31 December 2020.

For the year ended 31 December 2021, the Group's primary source of funding included cash generated from the Group's operating activities and the credit facilities provided by banks. Net cash inflow from operating activities amounted to HK$3,628.8 million (2020: HK$4,284.5 million). The decrease in net cash inflow was primarily attributable to the increase in inventory level and trade and other receivables as well as higher tax paid during the year. Net cash used for investing activities amounted to HK$4,757.9 million (2020: HK$3,194.8 million). The increase was primarily due to capital expenditures in relation to solar glass capacity expansion and investments in new solar farm projects. Net cash used in financing activities amounted to HK$805.8 million (2020: net cash generated of HK$5,887.0 million). During the year, the Group secured new bank borrowings of HK$4,815.6 million and repaid bank borrowings of HK$2,944.0 million.

As at 31 December 2021, the Group's net debt gearing ratio (calculated as bank borrowings less cash and cash equivalents divided by total equity) was 1.5%. The Group was in a net cash position as at 31 December 2020. The change in the Group's gearing level was primarily due to: (i) a decrease in cash and cash equivalents; and (ii) an increase in bank borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$4,938.3 million for the year ended 31 December 2021 which was primarily used in the development of the solar farm projects as well as the expansion, upgrade and modification of solar glass production capacities. Capital commitments contracted for but not incurred by the Group as at 31 December 2021 amounted to HK$3,199.9 million, which were mainly related to the development and construction of the solar farm projects and the addition of new solar glass production facilities.

PLEDGE OF ASSETS

As at 31 December 2021, bills receivables of HK$63.9 million were pledged as collaterals for obtaining letter of credit facilities in the PRC.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in notes 15, 18 and 41 to the consolidated financial statements, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2021.

Management Discussion and Analysis

USE OF PROCEEDS OF PLACING

The Company raised net proceeds of approximately HK$2,645.6 million and approximately HK$3,875.8 million from the placing of 282,000,000 new shares and 300,000,000 new shares in September and December 2020, respectively. All the previously brought forward unutilised net proceeds were utilised during the year of 2021. The table below sets out the proposed application of the net proceeds and actual utilisation up to 31 December 2021.

	Proposed application of the net proceeds *HK$ million*	Unutilised balance up to 31 December 2020 *HK$ million*	Amount utilised in 2021 *HK$ million*	Remaining balance as at 31 December 2021 HK$ million
Placing in September 2020				
Solar glass production capacity expansion	2,116.5	1,248.4	1,248.4	—
General working capital	529.1	—	—	—
Total	2,645.6	1,248.4	1,248.4	—
Placing in December 2020				
Solar glass production capacity expansion	1,937.9	1,937.9	1,937.9	—
Development and construction of new solar farm projects	1,162.7	1,156.4	1,156.4	—
General working capital	775.2	—	—	—
Total	3,875.8	3,094.3	3,094.3	—

TREASURY POLICIES, EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES AND FINANCIAL INSTRUMENT USED FOR HEDGING PURPOSE

The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollar ("**USD**"). The exchange rate fluctuations between RMB and USD or RMB and HKD could affect the Group's performance and asset value. The Directors do not foresee that the Group is subject to any significant foreign exchange risk for transactions conducted in HKD or USD. The exchange rate fluctuations between MYR and HKD could also affect the Group's performance and asset value.

The presentation currency of the Group's consolidated financial statements is HKD. Due to the appreciation of RMB against HKD in 2021, the Group reported non-cash translation gains, which represent an increase in the reserve of its consolidated balance sheet, in the translation of the RMB-denominated assets into HKD. Exchange gains of HK$702.2 million were recorded as the exchange reserve movement in 2021. As a result, the credit balance of the Group's consolidated exchange reserve account increased from HK$294.4 million as at 31 December 2020 to HK$996.6 million as at 31 December 2021.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a deliberate balance between the risk of currency mismatch and the advantage of the lower interest rates in HKD borrowings, as compared to those of the RMB. As at 31 December 2021, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations.

To mitigate the impact of soaring soda ash prices on the procurement costs of raw materials, the Group conducted a limited amount of futures trading to hedge against the fluctuations in soda ash costs starting from late August 2021. The Group has applied the hedge accounting requirements of the Hong Kong Financial Reporting Standard 9 "Financial instruments" for its futures trading of soda ash. The effective portion of the hedge (a net gain of HK$9.6 million) and the ineffective portion of the hedge (a net gain of HK$2.7 million) were recognised as the cost of sales and other losses, net in the consolidated income statement, respectively. There was no outstanding futures contract as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had about 7,072 full-time employees of whom 6,178 were based in Mainland China and 894 were based in Hong Kong, Malaysia and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK$674.4 million for the year ended 31 December 2021.

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

Profile of Directors and Senior Management

CHAIRMAN AND EXECUTIVE DIRECTOR

Dr. LEE Yin Yee, B.B.S. (李賢義), aged 69, is an executive Director and the Chairman and is responsible for the formulation of our Group's overall business strategy. Dr. LEE Yin Yee, B.B.S. joined our Group in July 2006. Dr. LEE Yin Yee, B.B.S. has 33 years experience in the glass industry. Dr. LEE Yin Yee, B.B.S. is the founder of Xinyi Glass Holdings Limited ("**Xinyi Glass**") (stock code: 00868), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**Stock Exchange**"), and its subsidiaries ("**Xinyi Glass Group**") and is currently an executive director and the chairman of Xinyi Glass. Prior to establishing the Xinyi Glass Group, Dr. LEE Yin Yee, B.B.S. engaged in the trading of automobile parts. Dr. LEE Yin Yee, B.B.S. obtained an honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, B.B.S. is a committee member of the 10th-13th Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Fu Jian Chamber of Commerce in Shenzhen (formerly known as "Shenzhen Fujian Corporate Association"). Dr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Dr. LEE Yin Yee, B.B.S. is the brother-in-law of Tan Sri Datuk TUNG Ching Sai, *P.S.M, D.M.S.M, J.P.*, a non-executive Director, and an uncle of Mr. LEE Yau Ching, the Chief Executive Officer and an executive Director. Dr. LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Put, B.B.S., a non-executive Director. Dr. LEE Yin Yee, B.B.S. was the chairman and non-executive director of Xinyi Energy Holdings Limited ("**Xinyi Energy**") during May 2018 to August 2020. Xinyi Energy (stock code: 03868) is a company listed on the main board of the Hong Kong Stock Exchange.

EXECUTIVE DIRECTOR

Mr. LEE Yau Ching (李友情), aged 46, is an executive Director and the Chief Executive Officer. Mr. LEE Yau Ching is responsible for the daily operation of our business operations. Upon graduating from The Hong Kong University of Science and Technology in 1999 with a bachelor's degree in business administration majoring in finance, Mr. LEE Yau Ching joined the Xinyi Glass Group in June 1999. From June 1999 until February 2004, Mr. LEE Yau Ching worked in various functions within Xinyi Glass Group, including overseas sales, finance, production and sales of construction glass and production and sales of automobile OEM glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass Group responsible for planning the overall marketing strategy and overseeing the marketing department. From February 2006 to February 2011, Mr. LEE Yau Ching was the chief operations officer of Xinyi Glass Group. Mr. LEE Yau Ching has since 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013. Mr. LEE Yau Ching started to involve in our business in mid-2006 and has since November 2010 been the Chief Executive Officer overseeing our business. Mr. LEE Yau Ching was awarded the "Young Industrialist Awards of Hong Kong 2014". Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, B.B.S., the Chairman and an executive Director, and a cousin of Mr. LEE Shing Put, B.B.S., a non-executive Director. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling shareholders of Xinyi Glass, Xinyi Solar and Xinyi Energy. Mr. LEE Yau Ching is an executive director of Xinyi Energy (stock code: 03868), a company listed on the main board of the Hong Kong Stock Exchange.

Mr. LI Man Yin (李文演), aged 67, is an executive Director and is responsible for overseeing the purchase and procurement functions of our business since December 2011. Mr. LI Man Yin was appointed as an executive Director on 20 September 2013. Mr. LI Man Yin has since June 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013.

Mr. CHEN Xi (陳曦), aged 64, is an executive Director and is responsible for overseeing the new energy business since 2014. He has been re-designated as a management consultant of our Company since March 2021 and is responsible for assisting new project development and new technology application in our solar farm buisness. Mr. CHEN Xi was appointed as our executive Director on 20 September 2013. Mr. CHEN Xi joined our Company in November 2010 as vice president of our TCO glass business. Mr. CHEN Xi obtained a bachelor's degree in machinery manufacturing technology, equipment and automation from Sichuan Industrial Institute (四川工業學院) in 1983. From December 1989 to February 1994, Mr. CHEN Xi was an assistant engineer and engineer of Zhongshan Tractor Factory* (中山市拖拉機廠), responsible for machinery design and manufacture. From February 1994, Mr. CHEN Xi started to work for Grand Engineering Glass Co., Ltd. (格蘭特工程玻璃(中山)有限公司) as production equipment manager. From September 1997 to April 2003, Mr. CHEN Xi was the general manager of this company, overseeing its operation. Mr. CHEN Xi joined Xinyi Glass Group in June 2003. From June 2003 to mid-2010, Mr. CHEN Xi was principally responsible for the construction and operation of the construction glass production lines of Xinyi Glass Group in Dongguan.

* *For identification purpose only.*

NON-EXECUTIVE DIRECTOR

Tan Sri Datuk TUNG Ching Sai, ***P.S.M, D.M.S.M, J.P.*** **(董清世)**, aged 56, is a non-executive Director and the Vice Chairman and is responsible for the formulation of our Group's overall business strategy and overseeing the implementation of the business strategies. Tan Sri Datuk TUNG Ching Sai, *J.P.* joined our Group in July 2006. Tan Sri Datuk TUNG Ching Sai, *J.P.* has been working in Xinyi Glass Group for 33 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Tan Sri Datuk TUNG Ching Sai, *J.P.* is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣西壯族自治區委員會常委), vice chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), a member of the executive committee of the twelve session of the All-China Federation of Industry and Commerce (第十二屆全國工商聯執行委員會委員), chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association. Tan Sri Datuk TUNG Ching Sai, *J.P.* obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Tan Sri Datuk TUNG Ching Sai, *J.P.* graduated from the Sun Yat-Sen University with a senior executive master degree in business administration in 2007. Tan Sri Datuk TUNG Ching Sai, *J.P.* is the brother-in-law of Dr. LEE Yin Yee, B.B.S., our Chairman and an executive Director, and uncle of Mr. LEE Shing Put, B.B.S., a non-executive Director. Tan Sri Datuk TUNG Ching Sai, *J.P.* is the chairman and non-executive director of Xinyi Electric Storage Holdings Limited (stock code: 08328), a company listed on the GEM of the Hong Kong Stock Exchange and an executive director and vice chairman of Xinyi Energy (stock code: 03868), a company listed on the main board of the Hong Kong Stock Exchange.

Profile of Directors and Senior Management

Mr. LEE Shing Put (李聖潑), B.B.S., aged 44, is a non-executive Director. Mr. LEE Shing Put, B.B.S. joined our Company in September 2013 and was appointed as a non-executive Director on 20 September 2013. Prior to joining us, Mr. LEE Shing Put, B.B.S. had been engaged in information technology and investment businesses in Hong Kong and China since 2001. Mr. LEE Shing Put, B.B.S. graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics; and graduated from the Peking University in 2016 with a master degree in business administration. Mr. LEE Shing Put, B.B.S. was the executive director of Xinyi Glass from June 2004 to October 2008. Mr. LEE Shing Put, B.B.S. is currently a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (政協廣東省第十二屆委員會常委). Mr. LEE Shing Put, B.B.S. is an executive director and chairman of Xinyi Energy Holdings Limited (stock code: 03868), a company listed on the main board of the Hong Kong Stock Exchange. Mr. LEE Shing Put, B.B.S. is the son of Dr. LEE Yin Yee, B.B.S., the Chairman and an executive Director, a cousin of Mr. LEE Yau Ching, an executive Director and Chief Executive Officer, and a nephew of Tan Sri Datuk TUNG Ching Sai, *J.P.*, the Vice Chairman and a non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHENG Kwok Kin Paul (鄭國乾), aged 70, has been an independent non-executive Director since 19 November 2013. Mr. Cheng has over 30 years of experience in the accounting and finance disciplines. Mr. CHENG joined Leach & Co., Chartered Accountants, of London, United Kingdom in 1972, and qualified as a Chartered Accountant in 1976. Mr. CHENG became a partner of the firm in 1978 and retired from the partnership in 1992. Mr. CHENG was with Mitsubishi UFJ Securities (HK) Holdings, Limited between April 2006 and December 2012. Mr. CHENG joined the company initially as a managing director, head of legal, compliance and company secretary. Mr. CHENG was appointed as a board director and deputy president of the company in November 2007 and held these positions until his retirement in December 2012. Mr. CHENG was admitted as an Associate of the Institute of Chartered Accountants in England and Wales ("**ICAEW**") and of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") in 1976 and 1982, respectively. He was made Fellow of ICAEW in 1982 and Fellow of HKICPA in 1990. Mr. CHENG was a member of Corporate Finance Committee of the HKICPA from 2006 to 2012. Currently, Mr. CHENG is a member of the Professional Conduct Committee of HKICPA. Mr. CHENG serves as an independent non-executive director of Kin Yat Holdings Limited (stock code: 00638), a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng has been appointed as an independent non-executive director of Bank of Shanghai (Hong Kong) Limited, a restricted licence bank in Hong Kong, since 29 June 2017.

Mr. KAN E-ting, Martin (簡亦霆), aged 39, has been an independent non-executive Director since 19 November 2013. Mr. KAN graduated from the University of Sydney with a bachelor's degree in engineering majoring in software engineering in 2005 and a bachelor's degree in laws in 2007. Mr. KAN joined Mallesons Stephen Jaques (now known as King & Wood Mallesons) in August 2008 as a trainee solicitor and left the firm as a solicitor in corporate finance and capital markets practice in February 2013. Mr. KAN was admitted as a lawyer of the Supreme Court of New South Wales, Australia, in July 2008. Mr. KAN was admitted as a solicitor of the High Court of Hong Kong in April 2011. From April 2013 to December 2016, he was the deputy general manager and general manager of Ming Hong Technology (Shenzhen) Limited and Shenzhen Ming Hong Technology Limited respectively, which are primarily engaged in the business relating to the design and production of consumer electronics products.

Mr. LO Wan Sing, Vincent (盧溫勝), aged 74, had been an independent non-executive Director since 19 November 2013. Mr. LO is a member of the Chinese People's Political Consultative Conference, with a Silver Bauhinia Star (S.B.S.) awarded on 1 July 2017 by the Hong Kong Special Administrative Region Government. Mr. LO serves as an independent non-executive director of Ever Harvest Group Holdings Limited (Stock code: 01549) which listed on the main board of the Hong Kong Stock Exchange. Mr. LO was a non-executive director of Good Resources Holdings Limited (stock code: 00109), a company listed on the main board of the Hong Kong Stock Exchange, during June 2015 to July 2020.

SENIOR MANAGEMENT

Mr. CHU Charn Fai (朱燦輝), aged 52, is our Financial Controller and our Company Secretary. Mr. CHU joined us in April 2011. Prior to joining us, Mr. CHU was the financial controller of Minmetals Resources Limited (now known as MMG Limited) (stock code: 01208), a company listed on the main board of the Hong Kong Stock Exchange, during the period between August 2002 and August 2010. Mr. CHU started working with Minmetals Resources Limited in February 1998 and held various positions in the finance department during the period up to July 2002. Before joining Minmetals Resources Limited, Mr. CHU worked in an international accounting firm for more than four years. Mr. CHU obtained a master's degree in corporate finance from The Hong Kong Polytechnic University in 2006. Mr. CHU is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. LIU Xiao Rong (劉笑榮), aged 42, is our Vice President, responsible for overseeing our ultra-clear photovoltaic glass business. Mr. LIU obtained a bachelor's degree in inorganic non-metal materials from Northwest Institute of Light Industry* (西北輕工業學院) (now known as Shanxi University of Science & Technology (陝西科技大學)) in July 2002. Mr. LIU joined Xinyi Glass Group in July 2007 as a raw material engineer of our solar glass business. From February to June 2009, Mr. LIU was transferred to the group management office of Xinyi Glass as an assistant of the chief executive officer, focusing on the development of our solar glass business. Since October 2008, Mr. LIU has been working for us and worked as our vice general manager of production from October 2010 to December 2013. In December 2013, Mr. LIU was appointed as general manager of our ultra-clear photovoltaic glass business.

Mr. LI Bin Wei (李斌偉), aged 39, is our Vice General Manager, responsible for overseeing our solar farm development and construction business. Mr. LI studied Non-metallic Materials Science at Xiamen University (廈門大學) from 2001 to 2004. Mr. LI joined the Xinyi Glass Group in February 2005 and worked in various departments such as sales, procurement, etc. Mr. LI joined Xinyi Solar in 2010 and was responsible for the procurement function of our Wuhu production complex. Since 2016, Mr. LI was responsible for the procurement function of our solar farm development and construction system. Starting in 2020, in addition to the procurement function, Mr. LI was also responsible for the technical and other management functions of our solar farm development and construction system.

* *For identification purpose only.*

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year of 2021.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2021.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 20 to 23 of this annual report.

The four executive Directors are Dr. LEE Yin Yee, B.B.S., Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi. Dr. LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Put, B.B.S., and also the brother-in-law of Tan Sri Datuk TUNG Ching Sai, *P.S.M, D.M.S.M, J.P.*, and an uncle of Mr. LEE Yau Ching. Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Shing Put, B.B.S..

The two non-executive Directors are Tan Sri Datuk TUNG Ching Sai, *J.P.* and Mr. LEE Shing Put, B.B.S. Tan Sri Datuk TUNG Ching Sai, *J.P.* is the brother-in-law of Dr. LEE Yin Yee, B.B.S. Mr. LEE Shing Put, B.B.S. is the son of Dr. LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Yau Ching and a nephew of Tan Sri Datuk TUNG Ching Sai, *J.P.*.

The three independent non-executive Directors are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.

The Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

Dr. LEE Yin Yee, B.B.S. is the Chairman of the Group and Mr. LEE Yau Ching is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Dr. LEE Yin Yee, B.B.S. is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. LEE Yau Ching closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. LEE Yau Ching is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

The two non-executive Directors and the three independent non-executive Directors have been appointed for an initial term of three years commenced from 19 November 2013 and such terms of appointment have been renewed for three years from 18 November 2019. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

Attendance records of the Directors at board meetings and general meeting in 2021 are as follows:

	Meetings attended/held	
	General meeting	Board meetings
Executive Directors		
LEE Yin Yee	1/1	6/6
LEE Yau Ching	1/1	6/6
LI Man Yin	1/1	6/6
CHEN Xi	1/1	6/6
Non-executive Directors		
TUNG Ching Sai	1/1	6/6
LEE Shing Put	1/1	6/6
Independent non-executive Directors		
CHENG Kwok Kin, Paul	1/1	6/6
LO Wan Sing, Vincent	1/1	6/6
KAN E-ting, Martin	1/1	6/6

In additions to board meetings, the Chairman also holds meetings from time to time with executive Directors and at least one meeting with independent non-executive Directors annually without the presence of executive Directors.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in relation to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on the business operation of the Group.

Corporate Governance Report

BOARD DIVERSITY

With a view to enhancing Board effectiveness and corporate governance, the Company sees increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Company has adopted the board diversity policy (the "**Board Diversity Policy**") as required by the CG code. The policy aims to achieve diversity on the members of the Board. The Nomination Committee will evaluate the balance and blend of skills, experience and diversity of perspectives of the Board in accordance with the Board Diversity Policy. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the same as appropriate. The Board Diversity Policy is available on the website of the Company for public information.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2021 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin. Three of Remuneration Committee members are independent non-executive Directors, and one of whom, Mr. LO Wan Sing, Vincent, is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange.

During the year under review, a meeting of the Remuneration Committee was held to review, consider and make recommendations to the Board where appropriate in relation to the directors' fee, the remuneration packages of the executive Directors and senior management and the granting of share options. All the committee members attended this meeting.

The remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2021 is set forth below:

In the band of:	Number of individuals
HK$500,001 to HK$1,000,000	1
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1

Details of the Directors' remuneration is set out in Note 9 to the consolidated financial statements of the Group on pages 121 to 124 in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. Mr. CHENG Kwok Kin, Paul is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control and risk management systems and oversee the auditing processes of the Group. The Audit Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange.

During the year under review, three meetings were held by the Audit Committee to review, consider and make recommendations to the Board where appropriate in relation to the following matters:

– the external auditor's independence, performance and provision of non-audit services;

– audit plans and findings of external auditor and the related management responses as well as changes in accounting standards and its impact on the Group;

– annual and interim financial statements and the related results announcement;

– the continuing connected transactions; and

– financial reporting and compliance procedures, internal control and risk management systems.

All the committee members attended these meetings.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of five members, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. Three of Nomination Committee members are independent non-executive Directors. The chairman of the Nomination Committee is Dr. LEE Yin Yee, B.B.S..

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Stock Exchange.

During the year under review, a meeting was held by the Nomination Committee to review, consider and make recommendations to the Board where appropriate in relation to the following matters:

– the structure, size, composition and diversity of the Board;

– the independence of the independent non-executive Directors; and

– re-election of the retiring Directors for shareholders' approval at the AGM.

All the committee members attended this meeting.

NOMINAION POLICY

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation to the following in assessing the suitability of the proposed candidate:

– Reputation for integrity;

– Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

– Merit and contribution that candidate will bring to the Board;

– Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive director if the proposed candidate will be nominated as an independent non-executive director; and

– Able to devote sufficient time and attention to the Company's business.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

Procedures for shareholders' nomination of any proposed candidate for election as a director are stated in "Mechanisms available for shareholders to propose a person for election as a director of the Company" and disclosed in the Company's website.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 62 to 67 of this annual report.

AUDITORS' REMUNERATION

For the year under review, the professional fees paid/payable to the external auditors of the Company in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Auditors' remuneration	HK$'000
– Audit services	3,261
– Non-audit services	—

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of risk management and internal control so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives of the Group.

The key elements of the Group's risk management and internal control structure are as follows:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff;
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and
- Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2021.

A risk-based approach is adopted to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. The internal audit team takes the lead to evaluate the risk management and internal control systems of the Group by reviewing the major operations of the Group every year. The review covers all material controls including financial, operational and compliance controls. Review results and recommendations in the form of written reports are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the internal audit team to ensure that findings previously identified have been properly resolved.

Based on the results of the internal control review for the year ended 31 December 2021 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2021.

INSIDE INFORMATION POLICY

The Company has established an inside information policy ("**Inside Information Policy**") which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulation.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

In compliance with the CG Code, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Company Secretary is Mr. CHU Charn Fai, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. CHU is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2021, Mr. CHU has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 58 of the articles of association (the "**Articles**") of the Company, an extraordinary general meeting ("**EGM**") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following channels:

(i) the AGM provides a forum for the shareholders of the Company (the "**Shareholders**") to raise comments and exchange views with the Board. The Directors are available at the AGM of the Company to address shareholders' queries;

(ii) the Company maintains a website at www.xinyisolar.com, where updated key information/news of the Group is available for public access;

(iii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iv) investor, analyst and media briefing are held as early as practicable after the publication of the interim and annual results;

(v) the Company's management may meet with shareholders, potential investors and research analysts upon request and provide update of the latest business development of the Group and answer their queries in accordance with the Group's Inside Information Policy;

(vi) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xinyisolar.com.hk"; and

(vii) Shareholders may direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company are available on the websites of the Company and the Hong Kong Stock Exchange. There was no change in the Company's constitutional documents during the year ended 31 December 2021.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The activities of the subsidiaries are mainly production and sale of solar glass products, development and operation of solar farms and the EPC services. Particulars of the subsidiaries are set forth in Note 14 to the consolidated financial statements in this annual report.

A business review of the Group and further discussion and analysis of these activities of the Group for the year ended 31 December 2021 and the future development are set out in the Chairman's Statement from pages 4 to 10 and Management Discussion and Analysis from pages 11 to 19 of this annual report. These discussions form part of the Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 68 in this annual report. During the year, an interim dividend of 17.0 HK cents per share, amounting to a total of approximately HK$1,511.2 million, was paid to shareholders in cash on 21 September 2021.

The Board proposes the payment of a final dividend of 10.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 13 June 2022. Subject to approval by Shareholders at the AGM, the final dividend will be paid on or about Wednesday, 6 July 2022.

The register of members of the Company will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022, both days inclusive, during which period, no transfer of the shares of the Company (the "**Shares**") will be registered for the purpose in order to determine the entitlement to receive the proposed final dividend. All transfer of the 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, no later than 4:30 p.m. on Wednesday, 8 June 2022.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the AGM from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the AGM, all Share certificates with completed transfer forms either overleaf or separately, 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, no later than 4:30 p.m. on Friday, 27 May 2022.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's solar glass production may generate air pollutants, waste water and other industrial waste at different stages of the production process. To ensure compliance with the applicable environmental protection laws and regulations, the Group has implemented the following environmental protection measures:

— *Energy* – Natural gas has been used as the principal energy source for the Group's glass melting furnaces.

— *Power generation from residual heat* – The Group's solar glass production plants have used the residual heat generated in the production processes for electricity generation.

— *Glass recycling* – Scraped and unused glass produced during the production process have been recycled to the glass melting furnaces for production of solar glass products.

Over the past few years, the Group has continuously invested in different types of solar farm projects, which can help to improve air quality and the environment by reducing the consumption of fossil fuels and emission of carbon dioxide.

During the year under review, the Group has utilised the solar power generation system installed on the rooftops of its production complexes to generate renewable energy for its own use. Moreover, the Group has also implemented different measures to further reduce greenhouse gases emissions per unit of solar glass output, improve the water recycling utilisation rate and promote more environmentally friendly product packaging.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance ("**ESG**") report for the year ended 31 December 2020 of the Group was published on 18 June 2021, which is available for download at the websites of the Hong Kong Stock Exchange and the Company. The Group is in the process of preparing the ESG report for the year ended 31 December 2021 and will publish it on the Stock Exchange's website and the Company's website on or before 31 May 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review and to the best knowledge of the Company's directors, the Group had obtained and completed all material licenses, certifications, permits and registration necessary for its business operations, and that the Group had complied in all material aspects with all laws, rules and regulations that have a significant impact on the Group's business and operations.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2021, there were no material dispute between the Group and its customers, suppliers and employees.

Customers are the Company's greatest assets. Xinyi Solar is committed to the production of quality solar glass, with great emphasis on product quality and reputation. Over the years, the Company has already established a professional and reliable corporate image among the customers. Xinyi Solar has been maintaining the harmonious partnership of equal footing, honest cooperation and mutual benefits with suppliers. Supplier management has been standardised. Supplier assessment system has been improved through tendering and procurement. This is to create a fair and just competition environment for suppliers. Xinyi Solar adheres to the philosophy of "People-Oriented" and is committed to providing the employees with a safe and healthy work environment. The staff members are encouraged to show their creativity and potential, realising the co-development of the staff and the enterprise.

DONATIONS

Donations by the Group for charitable purposes during the year ended 31 December 2021 amounted to HK$72,915,000 (2020: HK$15,713,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The business performance of the Group is subject to the following principal risks and uncertainties:

Solar glass business

- The levels of demand and supply of solar glass are not entirely within the Group's control and are generally affected by the solar energy industry, the overall macroeconomic factors in the principal solar energy markets, and the production capacity of other solar glass manufacturers.
- The Group may not be able to adjust its production levels promptly in response to the changing market environment and as a result, any imbalance between the demand and supply of solar glass could create significant pressure on the selling prices.
- As a solar glass manufacturer, the Group follows the technology development which may cause demand for its solar products to be reduced significantly.
- The Group also relies on the continuous supply of energy and raw materials for its production requirement.

Solar farm business

- Climate change and unpredictable weather patterns can cause output shortfalls and volatile returns.
- Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. The delay in the collection of tariff adjustment receivables may affect the cash flow and liquidity of the Group.

Report of the Directors

All of the above factors may adversely and materially affect the Group's operating results and profitability.

After the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across different countries. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Save as disclosed in the Chairman's Statement from pages 4 to 10 and Management Discussion and Analysis from pages 11 to 19 of this annual report, the Group is not aware that the COVID-19 outbreak has caused any material adverse impact on the business operation and financial position of the Group up to the date of this report.

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the section headed "Treasury Policies, Exposure to Fluctuation in Foreign Exchange Rates and Financial Instrument Used for Hedging Purpose" in the Management Discussion and Analysis on pages 18 to 19 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 98 to 108 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 28 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2021 and without taking into account the proposed final dividend of 10.0 HK cents per Share for the year then ended, share premium amounting to approximately HK$9,166.5 million (2020: HK$9,674.2 million) and retained earnings of HK$1,977.0 million (2020: HK$1,193.4 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

Save for disclosed above, the Company had no distributable reserve available for distribution to Shareholders at 31 December 2021 and 2020.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and strike a proper balance between future business growth and rewarding the Shareholders.

Provided that the daily working capital needs of the Group can be satisfied and funding has been reserved for future development, the Company intends to maintain a relatively stable dividend distribution ratio. However, the Company's dividend distribution record in the past does not necessarily imply that the same level of dividends may be declared or paid by the Company in the future.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of Shareholders, contractual restrictions on payment of dividends, taxation considerations, statutory and regulatory restrictions, general economic conditions, business cycle of the Group's business and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's memorandum and articles of association.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. *(Chairman)*
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin#
Mr. CHEN Xi

NON-EXECUTIVE DIRECTORS

Tan Sri Datuk TUNG Ching Sai, *P.S.M, D.M.S.M, J.P.* *(Vice Chairman)*
Mr. LEE Shing Put, B.B.S.

Report of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul*
Mr. LO Wan Sing, Vincent#
Mr. KAN E-ting, Martin#

* Will retire from the directorship at the AGM for his personal ventures.

\# Will retire in accordance with article 84 of the Company's articles of association by rotation and being eligible, will offer themselves for re-election at the AGM.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, taking into account the Group's operating results, individual performance as well as market trends and practices. The Company's policies concerning remuneration of the executive Directors are:

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package;

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme of the Company, as part of their remuneration package;

(iv) annual director's fee of HK$250,000 for the year ended 31 December 2021 and HK$250,000 for the year ending 31 December 2022.

During the year ended 31 December 2021, two directors waived the director's fees of aggregate amount of HK$500,000 to be received by them from the Company. Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the connected transactions and continuing connected transactions disclosed on pages 54 to 59 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

SHARE OPTION SCHEME

(a) Share Option Scheme of the Company

In June 2014, the Company adopted a share option scheme (the "**Share Option Scheme**"). The following table sets forth movements in the share options of the Company for the year ended 31 December 2021:

Grantee	Grant date	Exercise price (HK$)	Price of the Company's shares immediately before the grant date (HK$)	Vesting period	Exercisable period	Number of share options At 1/1/2021	Granted	Exercised	Lapsed	Cancelled	At 31/12/2021
Executive director – Mr. CHEN Xi	29/3/2018	3.18	3.17	29/3/2018-31/12/2020	1/4/2021-31/3/2022	375,000	—	(375,000)[2]	—	—	—
	28/3/2019	3.76	3.72	28/3/2019-31/12/2021	1/4/2022-31/3/2023	375,000	—	—	—	—	375,000
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	375,000	—	—	—	—	375,000
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	—	300,000	—	—	—	300,000
Continuous contract employees	31/3/2017	2.48[1]	2.50	31/3/2017-31/12/2019	1/4/2020-31/3/2021	211,075	—	(210,958)[3]	(117)	—	—
	29/3/2018	3.18	3.17	29/3/2018-31/12/2020	1/4/2021-31/3/2022	6,892,000	—	(3,927,500)[4]	(22,000)	—	2,942,500
	28/3/2019	3.76	3.72	28/3/2019-31/12/2021	1/4/2022-31/3/2023	8,029,500	—	—	(125,000)	—	7,904,500
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	8,153,500	—	—	(141,000)	—	8,012,500
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	—	9,585,500	—	—	—	9,585,500
Total						24,411,075	9,885,500	(4,513,458)	(288,117)	—	29,495,000

(1) Adjusted in June 2017 upon the completion date of the rights issue of the Company. The adjustments were made in accordance with the terms of the share option scheme of the Company and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules.

(2) The closing price of shares immediately before the date on which the options were exercised was HK$13.00.

(3) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$13.75.

(4) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$14.59.

For the year ended 31 December 2021, 9,885,500 share options were granted. The fair value of the equity-settled share options granted under the Share Option Scheme during the year ended 31 December 2021 was estimated at approximately HK$37,459,000. The fair value of the share options granted to the Director and eligible employees of the Group were approximately HK$1,137,000 and HK$36,322,000, respectively. The value of the share options granted during the year ended 31 December 2021 is to be expensed through the Group's income statement over a three-year vesting period.

The fair value of share options granted by the Company during the year ended 31 December 2021 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the share options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	12.78
Exercise price (HK$)	12.99
Volatility (%)	47.04
Dividend yield (%)	2.00
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.48

During the year ended 31 December 2021, 4,513,458 options (2020: 5,890,363 options) were exercised. Taking in account the share options exercised or lapsed subsequent to 31 December 2021, as at 28 February 2022, a total of 28,607,000 options were still outstanding under the Share Option Scheme which represents approximately 0.32% of the issued ordinary shares of the Company.

A summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants (the "**Participants**") had or may have made to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants

The Participants include: (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultants, advisers, managers, officers who provide research, development, other technological support or services to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

(iii) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). The shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate Limit.

Notwithstanding the above, the aggregate number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(iv) Maximum entitlement of each eligible participant

Unless with the approval of the Shareholders in general meeting, the maximum number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

(v) Option period

The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. A nominal consideration of HK$1.00 is required to be paid by the grantee of the share option to the Company upon acceptance of the offer.

(vii) Option price for subscription of shares

The subscription price of a Share in respect of any particular share option granted under the Share Option Scheme will be such price as determined by the Board in its absolute discretion, but in any event will not be less than the higher of:

(a) the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average of the official closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 6 June 2014.

(b) Share Option Scheme of a subsidiary

Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a non-wholly owned subsidiary of the Company, adopted a share option scheme (the "**XYE Share Option Scheme**") in November 2018. The following table sets forth movements in the share options of Xinyi Energy ("**XYE Share Options**") for the year ended 31 December 2021:

Grantee	Grant date	Exercise price (HK$)	Price of Xinyi Energy's shares immediately before the grant date (HK$)	Vesting period	Exercisable period	Number of XYE Share Options: At 1/1/2021	Granted	Exercised	Lapsed	Cancelled	At 31/12/2021
Executive director – Ms. CHENG Shu E	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	450,000	—	—	—	—	450,000
	31/3/2021	3.78	3.81	31/3/2021-31/12/2023	1/4/2024-31/3/2025	—	347,000	—	—	—	347,000
Continuous contract employees	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	1,379,500	—	—	—	(67,000)	1,312,500
	31/3/2021	3.78	3.81	31/3/2021-31/12/2023	1/4/2024-31/3/2025	—	2,133,000	—	—	(87,000)	2,046,000
						1,829,500	2,480,000	—	—	(154,000)	4,155,500

During the year ended 31 December 2021, 2,480,000 XYE Share Options were granted. The fair value of the equity-settled share options under the XYE Share Option Scheme granted during the year was estimated at HK$2,524,000. The fair value of the XYE Share Options granted to Director and eligible employees of the Xinyi Energy Group were HK$353,000 and HK$2,171,000, respectively.

The value of the XYE Share Options granted during the year ended 31 December 2021 is to be expensed through the income statement of Xinyi Energy over a three-year vesting period.

The fair value of XYE Share Options granted during the year ended 31 December 2021 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the XYE Share Options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	3.78
Exercise price (HK$)	3.78
Volatility (%)	47.66
Dividend yield (%)	3.84
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.49

Taking the XYE Share Options lapsed subsequent to 31 December 2021, as at 28 February 2022, a total of 4,155,500 XYE Share Options were still outstanding under the XYE Share Option Scheme which represents approximately 0.058% of the issued ordinary shares of Xinyi Energy.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 20 to 23 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

THE COMPANY AND ASSOCIATED CORPORATIONS

(i) Long position in the Shares of the Company

Name of Director	Capacity	Name of the controlled corporations	Number of shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation(1)	Realbest (as defined below)	861,992,784	9.695%
	Interest in persons acting in concert (2)		1,454,264,645	16.357%
Tan Sri Datuk TUNG Ching Sai *J.P.*	Interest in a controlled corporation(3)	Copark (as defined below)	220,919,131	2.484%
	Family interest(3)		16,497,057	0.185%
	Interest in persons acting in concert (2)		2,078,841,241	23.382%
Mr. LI Man Yin	Interest in a controlled corporation(4)	Perfect All (as defined below)	90,279,566	1.015%
	Personal interest(4)		3,942,784	0.044%
	Family interest(4)		1,623,254	0.018%
	Interest in persons acting in concert (2)		2,220,411,825	24.974%
Mr. LEE Yau Ching	Interest in a controlled corporation(5)	Telerich (as defined below)	302,728,516	3.405%
Mr. CHEN Xi	Personal interest(6)		233,551	0.002%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") which in turn is the registered owner of 861,992,784 Shares.

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013.

(3) Tan Sri Datuk TUNG Ching Sai, *J.P.* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") which is the registered owner of 220,919,131 Shares. Tan Sri Datuk TUNG Ching Sai, *J.P.* also has 16,497,057 Shares through his spouse, Puan Sri Datin SZE Tan Hung.

(4) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited ("**Perfect All**") which is the registered owner of 90,279,566 Shares. Mr. LI Man Yin also has 3,942,784 Shares in his own name and 1,623,254 Shares through his spouse, Madam LI Sau Suet.

(5) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 302,728,516 Shares.

(6) Mr. CHEN Xi has 233,551 Shares held through his spouse, Madam MAO Ke.

(ii) Share options of the Company

Name of Director	Capacity	Number of share options outstanding	Approximate percentage of the Company's issued share capital
Mr. CHEN Xi	Personal interest	1,050,000	0.011%

(iii) Long positions in an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy, a non-wholly owned subsidiary of the Company, as at 31 December 2021:

Name of Director	Capacity	Name of the controlled corporations	Number of shares held in Xinyi Energy	Approximate percentage of Xinyi Energy's issued shares
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation[1]	Charm Dazzle (as defined below)	457,957,500	6.441%
	Interest in a controlled corporation[1]	Realbest	82,901,405	1.166%
	Interest in a controlled corporation[2]	Full Guang (as defined below)	7,606,019	0.107%
	Joint interest[1]		3,575,733	0.050%
	Family interest[1]		4,337,354	0.061%
	Interest in persons acting in concert[3]		909,783,718	12.795%
Tan Sri Datuk TUNG Ching Sai *J.P.*	Interest in a controlled corporation[4]	Sharp Elite (as defined below)	187,687,500	2.639%
	Interest in a controlled corporation[4]	Copark	29,803,255	0.419%
	Family interest[4]		14,544,041	0.204%
	Interest in persons acting in concert[3]		1,234,126,933	17.357%
Mr. LI Man Yin	Interest in a controlled corporation[5]	Will Sail (as defined below)	45,045,000	0.633%
	Interest in a controlled corporation[5]	Perfect All	9,139,496	0.128%
	Personal interest[5]		394,278	0.005%
	Family interest[5]		162,325	0.002%
	Interest in persons acting in concert[3]		1,411,420,630	19.851%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest and Charm Dazzle Limited ("**Charm Dazzle**") which in turn are the registered owner of 82,901,405 and 457,957,500 shares of Xinyi Energy ("**XYE Shares**") respectively. Dr. LEE Yin Yee, B.B.S. also has 3,575,733 XYE Shares jointly held with and 4,337,354 XYE Shares held by his spouse, Madam TUNG Hai Chi.

(2) The interest in the XYE Shares are held through Full Guang Holdings Limited ("**Full Guang**"). Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Tan Sri Datuk TUNG Ching Sai, *J.P.* as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(3) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to dispose of their XYE Shares received at the time of listing of Xinyi Energy.

(4) Tan Sri Datuk TUNG Ching Sai, *J.P.* is the beneficial owner of the entire issued share capital of Copark and Sharp Elite Holdings Limited ("**Sharp Elite**") which are the registered owner of 29,803,255 and 187,687,500 XYE Shares respectively. Tan Sri Datuk TUNG Ching Sai, *J.P.* also has 14,544,041 XYE Shares through his spouse, Puan Sri Datin SZE Tan Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Will Sail Limited ("**Will Sail**") and Perfect All which are the registered owner of 45,045,000 and 9,139,496 XYE Shares respectively. Mr. LI Man Yin also has 394,278 XYE Shares in his own name and 162,325 XYE Shares through his spouse, Madam LI Sau Suet.

Save as disclosed above, as at 31 December 2021, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2021, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial Shareholders	Nature of interest and capacity	(L/S)*	Number of shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	(L)	2,040,470,009	22.950%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	(L)	2,040,470,009	22.950%
Xinyi Glass Holdings Limited	Beneficial owner	(L)	26,460,842	0.297%
	Interest in a controlled corporation	(L)	2,040,470,009	22.950%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	(L)	312,113,711	3.510%
	Joint interest(1)	(L)	19,278,890	0.216%
	Interest in persons acting in concert(2)	(L)	1,984,864,828	22.325%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	(L)	302,728,516	3.405%
	Personal interest(3)	(L)	2,406,475	0.027%
	Joint interest(3)	(L)	35,033,048	0.394%
	Interest in persons acting in concert(2)	(L)	1,976,089,390	22.226%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	(L)	132,304,327	1.488%
	Personal interest	(L)	3,000,000	0.033%
	Interest in persons acting in concert(2)	(L)	2,180,953,102	24.530%
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	(L)	123,338,468	1.387%
	Personal interest	(L)	3,739,282	0.042%
	Interest in persons acting in concert(2)	(L)	2,189,179,679	24.623%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	(L)	89,394,543	1.005%
	Personal interest	(L)	2,514,901	0.028%
	Interest in persons acting in concert(2)	(L)	2,224,347,985	25.018%

Name of substantial Shareholders	Nature of interest and capacity	(L/S)*	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. LI Ching Leung	Interest in a controlled corporation[7]	(L)	86,858,695	0.977%
	Personal interest[7]	(L)	7,830,166	0.088%
	Family interest[7]	(L)	461,831	0.005%
	Interest in persons acting in concert[2]	(L)	2,221,106,737	24.982%
JPMorgan Chase & Co. ("**JPMC**")	Interest in controlled corporations	(L)	49,321,015	
	Investment manager	(L)	465,110,268	
	Person having a security interest in shares	(L)	1,676,780	
	Trustee	(L)	35,600	
	Approved lending agent	(L)	288,061,604	
	Sub-total		804,205,267[8]	9.045%
	Interest in controlled corporations	(S)	37,760,182[9]	0.425%

* (L) represents Long Position; (S) represents Short Position.

Notes:

(1) Mr. TUNG Ching Bor's interests in the shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor also has 19,278,890 Shares held through a joint account with his spouse, Madam KUNG Sau Wai.

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013.

(3) Mr. LEE Sing Din's interests in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 2,406,475 Shares held in his own name and 35,033,048 shares held through a joint account with his spouse, Madam LI Kam Ha.

(4) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.

(5) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(6) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.

(7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 7,830,166 Shares held in his own name and 461,831 shares held through his spouse, Madam DY Maria Lumin.

(8) It included an aggregate interest in 18,320,365 underlying Shares through JPMC's holding of certain unlisted derivatives (physically settled: 766,424 Shares; cash settled: 17,553,941 Shares).

(9) It included an aggregate interest in 32,744,834 underlying shares through JPMC's holding of certain listed derivatives (cash settled: 768,200 Shares) and certain unlisted derivatives (physically settled: 26,448,293 Shares; cash settled: 5,528,341 Shares).

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person having an interests or short position in the Shares and the underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition dated 19 November 2013 entered by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Convenantors.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2021, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	11.9%
– five largest customers in aggregate	49.3%
Purchases	
– the largest supplier	8.9%
– five largest suppliers in aggregate	33.3%

None of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2021 amounted to HK$8,007.9 million (2020: HK$6,113.3 million). Particulars of the bank borrowings are set out in Note 32 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2021, the Group had about 7,072 full-time employees of whom 6,178 were based in Mainland China and 894 were based in Hong Kong, Malaysia and Canada. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes.

Report of the Directors

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group had the following non-exempt connected transactions, details of which are set out below:

Connected transaction – Change in ownership interests in subsidiaries without loss of control

The Group completed the disposal of the entire equity interest of Xinyi Solar Farm (Group 6) Limited ("**Xinyi Solar Farm (6)**") at a cash consideration of HK$520.2 million (the "**Group 6 Disposal**") and the disposal of the entire equity interest of Xinyi Solar Farm (Group 7) Limited ("**Xinyi Solar Farm (7)**") at a cash consideration of HK$181.3 million (the "**Group 7 Disposal**") to Xinyi Energy on 11 February 2021 and 15 December 2021, respectively. Xinyi Solar Farm (6) and Xinyi Solar Farm (7), through their respective subsidiaries, own and operate 250MW and 270MW solar farm projects in the PRC, respectively. Upon completion of the Group 6 Disposal and Group 7 Disposal, the Company's indirect interests in Xinyi Solar Farm (6) and Xinyi Solar Farm (7) were reduced from 100% to 50.05% and 100% to 50.05%, respectively. For further details about the Group 6 Disposal and Group 7 Disposal, please refer to the Company's announcement dated 6 January 2021.

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. The Group 6 Disposal and Group 7 Disposal constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Connected transaction – Formation of Xinyi Silicon for the Polysilicon Production Project

On 16 December 2021, the Group entered into a joint venture agreement ("**JV Agreement**") with Xinyi Group (Glass) Company Limited ("**Xinyi Glass Hong Kong**") in relation to the formation of a joint venture company, Xinyi Silicon Holdings Limited ("**Xinyi Silicon**"), to construct polysilicon production facilities with an annual capacity of 60,000 tonnes in Yunnan Province, the PRC. Xinyi Silicon is owned as to 52% by the Group and 48% by Xinyi Glass Hong Kong. According to the JV Agreement, the maximum funding commitment by the Group to Xinyi Silicon is RMB1,716.0 million (equivalent to approximately HK$2,098.8 million). For further details about this transaction, please refer to the Company's announcement dated 16 December 2021.

Xinyi Glass Hong Kong is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the JV Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Continuing connected transactions during the reporting period

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in Note 38 to the consolidated financial statements. Some of these transactions also constitute "Non-exempt Continuing Connected Transactions" under the Listing Rules, as identified below.

1) *Purchase of glass products*

   As disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021, the Company entered into a glass purchase framework agreement and a supplemental glass agreement (collectively the "**Glass Purchase Framework Agreements**") with Xinyi Glass Hong Kong in relation to the purchase of float glass and architectural glass products by the Group from Xinyi Glass Hong Kong and its subsidiaries for the year ended 31 December 2021. The purpose of the Glass Purchase Framework Agreements was to secure a stable and reliable supply source of float glass and architectural glass products with savings in transportation and handling costs.

   The annual cap and the actual transaction amount of the transactions contemplated under the Glass Purchase Framework Agreements for the year ended 31 December 2021 is HK$150,500,000 and HK$143,297,000 respectively.

   Xinyi Glass Hong Kong is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Glass Purchase Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2) *Purchase of machineries*

   As disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021, the Group entered into an equipment purchase framework agreement and a supplemental equipment agreement (collectively the "**Equipment Purchase Framework Agreements**") with Wuhu Jinsanshi Numerical Control Technology Company Limited ("**Wuhu Jinsanshi**") in relation to the purchase of the production equipment and auxiliary facilities from Wuhu Jinsanshi by the Group for the year ended 31 December 2021. The purpose of entering into the Equipment Purchase Framework Agreements was to enable the Group to continue to purchase from Wuhu Jinsanshi the required automation equipment for production purpose.

   The annual cap and the actual transaction amount of the transactions contemplated under the Equipment Purchase Framework Agreements for the year ended 31 December 2021 are HK$279,100,000 and HK$177,195,000 respectively.

   Wuhu Jinsanshi is a non-wholly owned subsidiary of the substantial shareholder of the Company, Xinyi Glass Holdings Limited, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equipment Purchase Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Report of the Directors

3) *Solar Farm O&M Agreement*

Pursuant to the solar farm operation and management agreement ("**Solar Farm O&M Agreement**") dated 5 December 2018 entered into between the Company and Xinyi Energy, Xinyi Energy and its subsidiaries (collectively the "**Xinyi Energy Group**") have agreed to provide solar farm operation and management services to the connection-ready solar farm projects developed or constructed by the Group but excluding Xinyi Energy Group (the "**Remaining Group**") from 28 May 2019 to 31 December 2021. The purpose of entering into the Solar Farm O&M Agreement is to facilitate clear business delineation between Xinyi Energy Group and the Remaining Group.

The annual cap and the actual transaction amount of the transactions contemplated under the Solar Farm O&M Agreement for the year ended 31 December 2021 are approximately RMB15,000,000 and RMB8,345,000 (equivalent to approximately HK$10,046,000), respectively.

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. Accordingly, the solar farm operation and management services provided by Xinyi Energy Group constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules. For further details about the Solar Farm O&M Agreement, please refer to the Company's announcements dated 2 November 2018 and 15 May 2019 and the Company's circular dated 2 November 2018 and 15 May 2019.

4) *Rechargeable Battery packs and Energy Storage Systems*

As disclosed in the Company's announcement dated 8 April 2021, the Group entered into a product sales framework agreement ("**Energy Storage System Agreement**") with Xinyi Electric Storage Holdings Limited ("**Xinyi Electric Storage**") in relation to the purchase of the rechargeable battery packs and energy storage systems from Xinyi Electric Storage by the Group from 8 April 2021 to 31 December 2023. The purpose of entering into the Energy Storage System Agreement is to enable the Group to have in-time supply of the electric products and systems from Xinyi Electric Storage upon such acceptable terms and conditions and assurance on product specifications and quality.

The annual cap and the actual transaction amount of the transactions contemplated under the Energy Storage System Agreement for the year ended 31 December 2021 are RMB30,000,000 and RMB589,000 (equivalent to approximately HK$709,000) respectively.

As various Directors of the Company, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai, *J.P.* and Mr. LI Man Yin and their associates are interested in more than 30% in aggregate of the issued share capital of Xinyi Electric Storage, Xinyi Electric Storage is a connected person of the Company under the Listing Rules. Accordingly, the Energy Storage System Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

5) Sales of Silica Sand

As disclosed in the Company's announcement dated 26 May 2021, the Group entered into a silica sand supply framework agreement ("**Silica Sand Supply Framework Agreement**") with Xinyi Glass Hong Kong in relation to the sales of silica sand by the Group to Xinyi Glass Hong Kong from 26 May 2021 to 31 December 2021. The purpose of entering into the Silica Sand Supply Framework Agreement was to better utilise the resources and generate additional revenue from the Group's sand mine.

The annual cap and the actual transaction amount of the transactions contemplated under the Silica Sand Supply Framework Agreement for the year ended 31 December 2021 are RMB66,200,000 (equivalent to approximately HK$79,500,000) and RMB54,256,000 (equivalent to approximately HK$65,374,000), respectively.

Xinyi Glass Hong Kong is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Silica Sand Supply Framework Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 55 to 57 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Continuing connected transactions after the reporting period

The Group had the following non-exempt continuing connected transactions after the reporting period, details of which are set out below:

1) *Purchase of glass products*

As disclosed in the Company's announcement dated 29 December 2021, the Company entered into a glass purchase agreement ("**2022 Glass Purchase Agreement**") dated 29 December 2021 with Xinyi Glass Hong Kong in relation to the purchase of float glass and architectural glass products by the Group from Xinyi Glass Hong Kong and its subsidiaries for the year ending 31 December 2022. The purpose of the 2022 Glass Purchase Agreement was to secure a stable and reliable supply source of float glass and architectural glass products with savings in transportation and handling costs. The annual cap of the transactions contemplated under the 2022 Glass Purchase Agreement for the year ending 31 December 2022 is RMB38,200,000 (equivalent to approximately HK$46,600,000).

Xinyi Glass Hong Kong is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2022 Glass Purchase Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2) *Purchase of machineries*

As disclosed in the Company's announcement dated 29 December 2021, the Group entered into a production equipment purchase agreement ("**2022 Production Equipment Purchase Agreement**") dated 29 December 2021 with Wuhu Jinsanshi in relation to the purchase of the production equipment and auxiliary facilities from Wuhu Jinsanshi by the Group for the year ending 31 December 2022. The purpose of entering into the 2022 Production Equipment Purchase Agreement was to enable the Group to continue to purchase from Wuhu Jinsanshi the required automation equipment for production purpose. The annual cap of the transactions contemplated under the 2022 Production Equipment Purchase Agreement for the year ending 31 December 2022 is RMB234,800,000 (equivalent to approximately HK$287,000,000).

Wuhu Jinsanshi is a non-wholly owned subsidiary of the substantial Shareholder of the Company, Xinyi Glass Holdings Limited, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2022 Production Equipment Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) *Solar Farm O&M Agreement*

As disclosed in the Company's announcement dated 31 December 2021, the Company entered into a memorandum ("**Renewal Memorandum**") dated 31 December 2021 with Xinyi Energy to confirm the renewal of the Solar Farm O&M Agreement for the three years ending on 31 December 2024. Pursuant to the Solar Farm O&M Agreement, Xinyi Energy Group have agreed to provide solar farm operation and management services to the connection-ready solar farm projects developed or constructed by the Remaining Group. The purpose of entering into the Renewal Memorandum is to facilitate clear business delineation between Xinyi Energy Group and the Remaining Group. The annual cap of the transactions contemplated under the Renewal Memorandum for the three years ending 31 December 2024 is RMB15,000,000.

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. Accordingly, the solar farm operation and management services provided by Xinyi Energy Group constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

4) *Sales of Silica Sand*

As disclosed in the Company's announcement dated 2 January 2022, the Group entered into an agreement ("**2022 Silica Sand Sales Agreement**") dated 31 December 2021 with Xinyi Glass Hong Kong in relation to the sales of silica sand by the Group to Xinyi Glass Hong Kong for the year ending 31 December 2022. The purpose of entering into the 2022 Silica Sand Sales Agreement was to better utilise the resources and generate additional revenue from the Group's sand mine. The annual cap of the transactions contemplated under the 2022 Silica Sand Sales Agreement for the year ending 31 December 2022 is RMB95,600,000 (equivalent to approximately HK$116,800,000).

Xinyi Glass Hong Kong is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2022 Silica Sand Sales Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

5) *Purchase of low iron silica sand*

As disclosed in the Company's announcement dated 2 January 2022, the Group entered into an agreement ("**2022 Silica Sand Purchase Agreement**") dated 31 December 2021 with Xinyi Glass Hong Kong in relation to the purchase of low iron silica sand from Xinyi Glass Hong Kong by the Group for the year ending 31 December 2022. The purpose of entering into the 2022 Silica Sand Purchase Agreement was to secure a stable and reliable supply source of low iron silica sand for the production of solar glass. The annual cap of the transactions contemplated under the 2022 Silica Sand Purchase Agreement for the year ending 31 December 2022 is RMB45,600,000 (equivalent to approximately HK$55,700,000).

Xinyi Glass Hong Kong is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2022 Silica Sand Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set out in page 24 to 32 of this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2021.

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

No significant events have taken place subsequent to 31 December 2021 and up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required under the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 2 June 2022, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 10:15 a.m. The notice convening the AGM will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyisolar.com, and will be dispatched to the shareholders in due course.

On Behalf of the Board

Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 28 February 2022

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Xinyi Solar Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 68 to 179 comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to recoverability of overdue and long-aged trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of overdue and long-aged trade receivables Refer to Notes 2.11, 2.13, 2.16, 3,1(b), 4(a) and 24 to the consolidated financial statements. Trade receivables amounted to HK7,080,238,000 as at 31 December 2021. The Group had certain amounts of overdue and long-aged trade receivables which were exposed to a higher risk of collectability issue. In particular, the collection of tariff adjustment receivables, being the subsidy receivable in respect of the sales of renewable energy, is subject to the registration approval of the solar farms to the Renewable Energy Power Generation Project List (the "Project List") with the respective state grid companies and prevailing government policies on settlement of tariff adjustment. The Group grouped trade receivables based on shared credit risk characteristics and ageing profiles and made provisions for loss allowance on trade receivables based on an assessment of the recoverability of overdue and long-aged trade receivables on individual customer basis and the lifetime expected credit loss allowance on each group of trade receivables. The lifetime expected credit loss allowance is measured based on past settlement history and the historical default rates over the expected life of the trade receivables with similar credit risk characteristics adjusted with current and forward-looking information on macroeconomic factors that affects the ability of the customers to settle the receivables.	We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process. We assessed the appropriateness of the methodology of impairment assessment in determining the expected credit losses of trade receivables. We also considered whether the judgements made in selecting the methodology of impairment assessment, significant assumptions and data used by management would give rise to indicators of possible management bias. We assessed management's assessment of the recoverability of overdue and long-aged trade receivables and lifetime expected credit loss allowance by comparing to supportable evidence such as past settlement history, business performance and financial capability of customers, and historical default rates. We challenged management for the use of forward-looking information and factors in adjusting the rates of credit loss by reference to external market data or industry information.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
We focus on this area because the carrying values of the overdue and long-aged trade receivables are significant to the consolidated balance sheet, and the identification of doubtful debts and the measurement of lifetime expected credit loss allowance is subject to a high degree of judgement and estimation uncertainty, including assessments on the default rates of customers and the success of the respective solar farm's registration to the Project List.	We tested, on a sample basis, the accuracy of the ageing profile of the trade receivables used in the calculation of expected credit losses. In relation to the tariff adjustment receivables, we also checked the status of the registration and approval of individual solar farms by making enquiries with the management, inspecting all the registration documents, checking the government publications and industry news and performing research on the settlement pattern of tariff adjustment receivables for other market participants. We assessed the adequacy of the disclosures related to expected credit losses of trade receivables in the context of HKFRS 9. Based on the procedures performed, we considered that the risk assessment of expected credit losses of trade receivables remained appropriate and the methodology of impairment assessment, significant assumptions and data used by management in the assessment of expected credit losses of trade receivables including the related disclosures were supported by the available evidence. Based on the above, we considered that management's judgements and assumptions in the assessment of expected credit losses of trade receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Xinyi Solar Holdings Limited 2021 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Environmental, Social and Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	5	**16,064,655**	12,315,829
Cost of sales	7	**(8,516,183)**	(5,732,238)
Gross profit		**7,548,472**	6,583,591
Other income	5	**277,664**	190,608
Other losses, net	6	**(70,617)**	(51,146)
Selling and marketing expenses	7	**(527,387)**	(316,610)
Administrative and other operating expenses	7	**(710,697)**	(548,216)
Impairment losses on trade receivables	7, 24(b)	**(3,029)**	(5,029)
Operating profit		**6,514,406**	5,853,198
Finance income	10	**156,645**	60,532
Finance costs	10	**(140,766)**	(190,954)
Share of profits of a joint venture	16	**38,129**	35,821
Share of losses of associates		**(93)**	(203)
Profit before income tax		**6,568,321**	5,758,394
Income tax expense	11	**(987,210)**	(735,268)
Profit for the year		**5,581,111**	5,023,126
Profit for the year attributable to:			
– the equity holders of the Company		**4,924,347**	4,560,853
– non-controlling interests		**656,764**	462,273
		5,581,111	5,023,126
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	12(a)	**55.65**	55.40
– Diluted	12(b)	**55.56**	55.32

The notes on pages 75 to 179 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		**5,581,111**	5,023,126
Other comprehensive income for the year, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences		**901,613**	1,879,552
Gains on cash flow hedges	30	**9,642**	—
Hedging gains reclassified to profit or loss	30	**(9,642)**	—
Share of other comprehensive income of a joint venture accounted for under equity method			
– Share of currency translation differences	16	**9,945**	25,680
Release of exchange reserve upon disposal of a subsidiary	41	**(1,279)**	—
Total comprehensive income for the year		**6,491,390**	6,928,358
Total comprehensive income for the year attributable to:			
– the equity holders of the Company		**5,626,469**	6,013,549
– non-controlling interests		**864,921**	914,809
		6,491,390	6,928,358

The notes on pages 75 to 179 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	19	**24,844,459**	20,406,175
Right-of-use assets	20	**1,917,239**	1,407,700
Intangible assets	21	**24,081**	24,777
Prepayments for land use rights and property, plant and equipment	25	**733,156**	809,271
Finance lease receivables	26	**247,046**	211,521
Interests in a joint venture	16	**387,667**	365,751
Investments in associates	17	**68,940**	69,034
Deferred income tax assets	33	**23,185**	251,119
Total non-current assets		**28,245,773**	23,545,348
Current assets			
Inventories	22	**2,045,318**	728,277
Contract assets	23	**38,987**	51,296
Trade receivables	24	**7,070,189**	5,297,159
Bills receivables	24	**2,400,292**	2,838,874
Prepayments, deposits and other receivables	25	**1,670,513**	1,662,164
Finance lease receivables	26	**12,107**	8,281
Current income tax recoverable		**118,634**	—
Amounts due from related companies	38(b)	**10,273**	—
Amount due from a joint venture	16	**—**	796
Cash and cash equivalents	27	**7,458,267**	9,291,194
Total current assets		**20,824,580**	19,878,041
Total assets		**49,070,353**	43,423,389
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**889,076**	880,925
Share premium and other reserves	30	**13,986,575**	13,107,452
Retained earnings		**15,436,432**	12,533,429
		30,312,083	26,521,806
Non-controlling interests		**5,585,338**	5,502,712
Total equity		**35,897,421**	32,024,518

	Note	2021 HK$'000	2020 HK$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	33	**30,497**	11,936
Bank borrowings	32	**4,350,341**	2,703,109
Lease liabilities	20	**793,778**	646,458
Other payables	31	**282,303**	312,123
Total non-current liabilities		**5,456,919**	3,673,626
Current liabilities			
Bank borrowings	32	**3,657,554**	3,410,143
Trade and other payables	31	**3,717,890**	3,377,600
Contract liabilities	23	**91,098**	181,402
Lease liabilities	20	**46,813**	48,519
Amounts due to related companies	38(b)	**16,740**	167,118
Current income tax liabilities		**185,918**	540,463
Total current liabilities		**7,716,013**	7,725,245
Total liabilities		**13,172,932**	11,398,871
Total equity and liabilities		**49,070,353**	43,423,389

The consolidated financial statements on pages 68 to 179 were approved by the Board of Directors on 28 February 2022 and were signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman and Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

The notes on pages 75 to 179 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital (Note 28) HK$'000	Share premium (Note 30) HK$'000	Other reserves (Note 30) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	For the year ended 31 December 2021						
	Attributable to equity holders of the Company						
Balance at 1 January 2021	880,925	9,674,180	3,433,272	12,533,429	26,521,806	5,502,712	32,024,518
Comprehensive income							
Profit for the year	—	—	—	4,924,347	4,924,347	656,764	5,581,111
Other comprehensive income							
Currency translation differences	—	—	693,456	—	693,456	208,157	901,613
Gains on cash flow hedges	—	—	9,642	—	9,642	—	9,642
Hedging gains transferred to the carrying value of inventory purchased	—	—	(9,642)	—	(9,642)	—	(9,642)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	9,945	—	9,945	—	9,945
Release of exchange reserve upon disposal of a subsidiary (Note 41)	—	—	(1,279)	—	(1,279)	—	(1,279)
Total comprehensive income for the year	—	—	702,122	4,924,347	5,626,469	864,921	6,491,390
Transactions with owners							
Employees' share option scheme:							
– exercise of employees' share options	451	16,927	(3,174)	—	14,204	—	14,204
– value of employee services	—	—	14,440	—	14,440	—	14,440
Issuance of shares in respect of scrip dividend of 2020 final dividend	7,700	973,232	—	—	980,932	—	980,932
Dividend:							
– 2020 final dividend	—	(1,497,872)	—	—	(1,497,872)	—	(1,497,872)
– 2021 interim dividend	—	—	—	(1,511,234)	(1,511,234)	—	(1,511,234)
Dividend paid to non-controlling interests (Note 15)	—	—	—	—	—	(564,680)	(564,680)
Appropriation to statutory reserve	—	—	512,292	(512,292)	—	—	—
Changes in ownership interest in subsidiaries without loss of control (Note 15)	—	—	163,338	—	163,338	(217,615)	(54,277)
Disposal of a subsidiary	—	—	(2,182)	2,182	—	—	—
Balance at 31 December 2021	889,076	9,166,467	4,820,108	15,436,432	30,312,083	5,585,338	35,897,421

For the year ended 31 December 2020

	Attributable to equity holders of the Company						
	Share capital (Note 28) HK$'000	Share premium (Note 30) HK$'000	Other reserves (Note 30) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020	808,186	2,956,278	1,261,663	9,150,719	14,176,846	4,396,283	18,573,129
Comprehensive income							
Profit for the year	—	—	—	4,560,853	4,560,853	462,273	5,023,126
Other comprehensive income							
Currency translation differences	—	—	1,427,016	—	1,427,016	452,536	1,879,552
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	25,680	—	25,680	—	25,680
Total comprehensive income for the year	—	—	1,452,696	4,560,853	6,013,549	914,809	6,928,358
Transactions with owners							
Employees' share option scheme:							
– exercise of employees' share options	589	18,275	(4,208)	—	14,656	—	14,656
– value of employee services	—	—	7,057	—	7,057	—	7,057
Issuance of shares in respect of scrip dividend of 2019 final dividend and 2020 interim dividend	13,950	923,421	—	—	937,371	—	937,371
Issuance of shares in respect of placing, net of transaction costs (Note 28)	58,200	6,463,235	—	—	6,521,435	—	6,521,435
Dividend:							
– 2019 final dividend	—	(687,029)	—	—	(687,029)	—	(687,029)
– 2020 interim dividend	—	—	—	(694,069)	(694,069)	—	(694,069)
Dividend paid to non-controlling interests (Note 15)	—	—	—	—	—	(463,117)	(463,117)
Appropriation to statutory reserve	—	—	484,074	(484,074)	—	—	—
Changes in ownership interest in subsidiaries without loss of control	—	—	231,990	—	231,990	654,737	886,727
Balance at 31 December 2020	880,925	9,674,180	3,433,272	12,533,429	26,521,806	5,502,712	32,024,518

The notes on pages 75 to 179 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	4,966,454	4,997,436
Interest paid		(106,185)	(196,028)
Income tax paid		(1,231,456)	(516,910)
Net cash generated from operating activities		3,628,813	4,284,498
Cash flows from investing activities			
Prepayment for acquisition of right-of-use assets		(338,401)	(38,552)
Purchases of and prepayment for purchase of property, plant and equipment		(4,599,889)	(3,249,449)
Acquisition of subsidiaries, net of cash acquired	18	(4,520)	1,102
Repayment from a joint venture	16	26,158	30,610
Proceeds from disposal of property, plant and equipment	34(b)	2,550	948
Net cash outflows from disposal of a subsidiary	41	(393)	—
Interest received		156,645	60,532
Net cash used in investing activities		(4,757,850)	(3,194,809)
Cash flows from financing activities			
Proceeds from changes in ownership interest in subsidiaries without loss of control		—	893,800
Payment for professional fee in connection with changes in ownership interest in subsidiaries without loss of control		—	(626)
Proceeds from issuance of shares in respect of placing	28(a), (b)	—	6,562,080
Payment for professional fee in connection with issuance of shares in respect of placing	28(a), (b)	—	(40,645)
Proceeds from exercise of employees options		14,204	14,656
Proceeds from bank borrowings		4,815,620	2,508,441
Repayment of bank borrowings		(2,944,001)	(3,096,507)
Principal element of lease payments	20	(98,788)	(47,370)
Dividend paid to Company's shareholders		(2,028,174)	(443,725)
Dividend paid to non-controlling interests	15	(564,680)	(463,117)
Net cash (used in)/generated from financing activities		(805,819)	5,886,987
Net (decrease)/increase in cash and cash equivalents		(1,934,856)	6,976,676
Cash and cash equivalents at beginning of year		9,291,194	2,221,055
Effect of foreign exchange rate changes		101,929	93,463
Cash and cash equivalents at end of year	27	7,458,267	9,291,194

The notes on pages 75 to 179 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2021:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standard, amendments to standards, accounting guideline and interpretation have been issued but are not effective for the accounting period beginning on 1 January 2021 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new standard, amendments to standards, accounting guideline and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interests in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of a subsidiary

When the Group ceases to consolidate an entity because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

The Group's share of profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the consolidated income statement.

2.4 Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profit or loss of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "other losses, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Freehold land is stated at historical cost less subsequent accumulated impairment losses.

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced parts are derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress represents buildings, solar power electricity generating equipment and plants ("Solar Farms") and other equipment on which construction work has not been completed and which, upon completion, management intends to hold for generation of electricity income or solar glass production purposes. Construction in progress is carried at cost which includes development and construction expenditures incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

Depreciation of completed Solar Farms commences when the Solar Farms are successfully connected to grids and completed trial operation. Depreciation of completed other property, plant and equipment commences when the assets are ready for use.

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

– Buildings	30 years
– Plant and machinery	5-20 years
– Solar Farms	25 years
– Office equipment	3-7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses, net" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. The CGUs or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Mining rights

Separately acquired mining licences are stated at historical cost less accumulated amortisation and impairment losses. The Group amortises mining licences with a finite useful life using the straight-line method over nine years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets other than derivative financial instruments as those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Finance lease receivables are regarded as financial assets for the purpose of derecognition and impairment.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Financial assets at amortised cost are asset that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other losses, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 set forth how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, finance lease receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on bills and other receivables (excluding prepayments) and receivables from related parties is measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.14 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

As at 31 December 2021, there is no outstanding derivative financial instrument. Movements in the hedging reserve in shareholders' equity are shown in Note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derivatives and hedging activities (Continued)

(a) *Cash flow hedge that qualify for hedge accounting*

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "other losses, net".

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship to ensure that an economic relationship exists between the hedged items and hedging instruments as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within an effective range. The Group enters into hedge transactions where the critical terms of the hedging instrument match with the terms of the hedged item by performing a qualitative assessment of effectiveness. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variation in cash flows that ultimately could affect reported profit or loss.

Hedging ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty.

(b) *Derivatives that do not quality for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "other losses,net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.17 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in Note 2.13. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Government grant

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are initially included in liabilities as deferred government grants and when such property, plant and equipment are built or purchased, the received government grants are netted off with cost of the related assets.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a joint venture and associates, including the taxable temporary differences arising from undistributed profits, as the timing of the reversal of the temporary difference is not controlled by the Group.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, a joint venture and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income taxes balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

Revenue is recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

(a) Sales of goods

The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Revenue is recognised as follows:

The Group manufactures and sells solar glass. Revenue from sales of solar glass are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice.

No contract liability for the right to the returned goods is recognised as insignificant amount of returns are expected based on previous experience.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(b) *Sales of electricity*

Revenue arising from the sales of electricity is recognised at a point in time in the accounting period when electricity is generated and transmitted.

The revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government of the PRC (the "PRC government"). It is currently settled by state grid companies for the electricity generated by the solar farms on a monthly basis.

(c) *Tariff adjustment*

Tariff adjustment represents amount received and receivable from the sales of electricity to the customer pursuant to the government policy on subsidies of solar energy in respect of solar power electricity generation. The revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government and the on-grid benchmark tariff rates of local coal-fired power plants. Tariff adjustment is recognised at a point in time in the accounting period when electricity is generated and transmitted.

Contract with customers contains significant financing component when the timing of payments agreed to the customers provides significant financing benefit to the transfer of goods or services. The transaction price shall be adjusted for the effects of the time value of money when significant financing component exist. The Group considers that the contracts with customers do not provide any significant financing benefit as the timing of settlement is subject to government policies and budget and for reasons other than provision of finance to either the customer or the entity. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(d) *Revenue from construction contracts (EPC services)*

Revenues from EPC services are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The Group considers that the contracts with customers in connection with EPC services do not provide any significant financing benefit and therefore does not adjust any of the transaction prices for the time value of money.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, details are disclosed in Note 10.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.28 Employee benefits

(a) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that take into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Share-based payments

(a) *Equity-setttled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entities revise their estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) *Share-based payment transaction among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonable certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Financial guarantee

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to various types of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates internationally and is exposed to foreign exchange risk primarily arising from Chinese Renminbi ("RMB"), HK$, US dollar ("US$"), Malaysian Ringgit ("MYR") and Canada dollar ("CAD"), some of which are not the functional currencies of respective operating subsidiaries within the Group. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews when considered necessary.

As at 31 December 2021, if US$ had strengthened/weakened by 5% (2020: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$4,393,000 (2020: HK$3,351,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2021, if US$ had strengthened/weakened by 5% (2020: 5%) against the CAD, which is the functional currency of the Canada subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$135,000 (2020: HK$441,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents.

As at 31 December 2021, if US$ had strengthened/weakened by 5% (2020: 5%) against the MYR, which is the functional currency of a Malaysia subsidiary, with all other variables held constant, profit after income tax for the year would have been approximately HK$9,708,000 (2020: HK$8,577,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables and cash and cash equivalents.

Details of the Group's trade receivables and cash and cash equivalents are disclosed in Note 24 and Note 27.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash at bank and short-term deposits and bank borrowings. Except for cash at bank and short-term deposit and bank borrowings with variable interest, the Group has no other significant interest-bearing assets or liabilities. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Other financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash at bank and short-term deposit and bank borrowings have been disclosed in Note 27 and Note 32 to the consolidated financial statements.

As at 31 December 2021, if interest rates on cash at bank and short-term deposit and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$2,345,000 lower/higher mainly as a result of higher/lower net interest expense being incurred (2020: profit after income tax would have been approximately HK$5,750,000 higher/lower mainly as a result of lower/higher net interest expense being incurred).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk (Continued)*

(iii) Price risk

During the year ended 31 December 2021, the Group entered into certain exchange-traded commodity futures contracts to manage exposures to fluctuations in raw material prices in accordance with the Group's risk management policies. The Group does not hold or issue derivative financial instruments for proprietary trading purposes. All derivative financial instruments are recognised at fair value in the consolidated statement of financial position. Where derivative financial instruments are designated as hedging instruments in a cash flow hedge and hedge exposure to fluctuations in raw material prices, any fair value change is accounted for in accordance with Note 2.14. As at 31 December 2021 and 2020, there is no outstanding derivative financial instrument.

(b) *Credit risk*

The Group's credit risk arises from cash and cash equivalents, bills receivables, trade and other receivables, finance lease receivables, contract assets, amounts due from related parties and amount due from a joint venture. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2021 HK$'000	2020 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	7,502,414	5,516,615
Bills receivables (Note 24)	2,400,292	2,838,874
Contract assets (Note 23)	38,987	51,296
Finance lease receivables (Note 26)	259,153	219,802
Amounts due from related companies (Note 38(b))	10,273	—
Amount due from a joint venture (Note 16)	—	796
Cash at bank and short-term deposit (Note 27)	7,458,232	9,291,168
Maximum exposure to credit risk	17,669,351	17,918,551

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets at the reporting date with risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that expected to cause a significant change to the customer's ability to meeting its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer and changes in the operating results of the customer; and
- actual or expected significant adverse changes in the government policies and incentives.

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate provision for impairment losses are made for irrecoverable amounts. Depending on the customer's credit worthiness and historical relationship with us, the Group may require cash payment before delivery of products, and record such receipts as advances from customers.

The Group grants extended credit terms to customers with overall creditworthiness, as determined by its credit assessment. For customers to whom credit terms are extended, the Group assesses a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has following types of financial assets that are subject to the expected credit loss model:

- trade and other receivables excluding prepayments and other tax receivables;
- bills receivables;
- contract assets;
- amounts due from related companies;
- amount due from a joint venture;
- finance lease receivables; and
- cash at bank.

Bills receivables and cash at bank

As at 31 December 2021 and 2020, most of the bank deposits are deposited with reputable banks in the PRC and Hong Kong. Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of cash at bank and bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank and bills receivables are assessed to be close to zero and no provision was made as at 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the past settlement history and historical default rates over the expected life of the trade receivables with similar credit risk characteristics adjusted with current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period within normal operating cycle.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

In respect of trade receivables arising from sales of solar glass and EPC services, the Group has policies in place to ensure that the sales of solar glass and EPC services are made to customers with appropriate credit history and the Group performs credit evaluations of these counterparties and customers. The credit periods of the majority of these trade receivables are within 90 days and largely comprise amounts receivable from business customers. Trade receivables arising from EPC services construction contract revenue were due from third parties. Given the track record of regular repayment of receivables from EPC services, the directors are of the opinion that the risk of default by these customers is not significant. Therefore, expected credit loss rate of trade receivables arising from sales of solar glass and EPC services and contract assets is assessed to be close to zero.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"). In June 2018, the Group has another eight ground-mounted solar farms, located in Nanping in Fujian Province, Huainan, Bozhou, Wuhu, Fanchang and Shouxian in Anhui Province, Hong'an in Hubei Province, and Binhai in Tianjin Municipality with an aggregate capacity of 724 MW, successfully enlisted on the seventh batch of the Catalogue.

On 20 January 2020, the PRC government announced that the Catalogue would be replaced by the Renewable Energy Power Generation Project List (the "Project List"). All solar farm projects listed in the Catalogue have been enlisted in the Project List, and all of the eligible solar farm projects which are outside the Catalogue previously have been or will also be enlisted once the submission and application in the National Renewable Energy Information Management Platform (the "Platform") is completed. These solar farms are eligible to receive tariff adjustment in accordance with the prevailing government policies. As at 31 December 2021, 25 solar farms with aggregated capacity of 2,104 MW are already enlisted on the Project List.

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables from sales of electricity is assessed to be close to zero and no provision was made as at 31 December 2021 and 2020.

The Group's sales are made to several major customers and there is some concentration of credit risks. Sales to the top five customers constituted approximately 49% (2020: 52%) of the Group's total sales. They accounted for approximately 63% (2020: 63%) of the gross trade receivables balances as at 31 December 2021.

As at 31 December 2021 and 2020, the loss allowances for trade receivables were HK$10,049,000 and HK$19,214,000, respectively.

Net impairment losses on trade receivables of HK$3,029,000 (2020: HK$5,029,000) relate to receivables arising from contracts with customers are recognised in profit or loss during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised costs

Other financial assets at amortised cost include the amounts due from related companies, amount due from a joint venture and other receivables excluding prepayments and other tax receivables.

The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the other financial assets at amortised cost is assessed to be close to zero and no provision was made as at 31 December 2021 and 2020.

Finance lease receivables

The Group applies the simplified approach to recognise lifetime expected credit loss for finance lease receivables that results from transactions that are within the scope of HKFRS 15. Given the track record of regular cash flow received by the Group, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the finance lease receivables is assessed to be close to zero and no provision was made as at 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group maintains liquidity by a number of means including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and other credit lines available. The Group monitors rolling forecasts of its working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2021					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	3,323,173	71,931	—	—	3,395,104
Bank borrowings	3,730,904	2,764,947	1,631,879	—	8,127,730
Lease liabilities	64,184	44,612	195,892	1,370,993	1,675,681
Amounts due to related companies	16,740	—	—	—	16,740
Total	7,135,001	2,881,490	1,827,771	1,370,993	13,215,255
At 31 December 2020					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	3,080,458	102,424	—	—	3,182,882
Bank borrowings	3,480,914	1,645,966	1,094,821	—	6,221,701
Lease liabilities	63,163	46,054	159,356	1,140,819	1,409,392
Amounts due to related companies	167,118	—	—	—	167,118
Total	6,791,653	1,794,444	1,254,177	1,140,819	10,981,093

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations.

The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings, and repurchase its own shares when the Company's shares are trading at a discount to the expected net assets value per share, as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Total borrowings (Note 32)	**8,007,895**	6,113,252
Less: Cash and cash equivalents (Note 27)	**(7,458,267)**	(9,291,194)
Net debt/(cash)	**549,628**	(3,177,942)
Total equity	**35,897,421**	32,024,518
Gearing ratio	**1.5%**	N/A

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as of 31 December 2021 and 2020. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade receivables, other receivables and contract assets

The Group makes provision for loss allowance of trade receivables, other receivables and contract assets based on assumptions about risk of default and expected credit loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the loss allowance calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled and that is probable that the temporary differences will not reverse in the foreseeable future (Note 33).

Deferred income tax assets relating to certain temporary differences, tax losses and tax credit are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. A subsidiary of the Group in Malaysia is entitled to investment tax allowance ("ITA") on its qualifying capital expenditure incurred during the eligible period to be utilised against its assessable profit, subject to fulfillment of certain conditions. The Group has made its best estimate based on the assumption that it will continue to comply with all the conditions attached to the ITA to be claimed. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the year in which such estimate is changed.

(e) Determination of right-of-use assets and lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue and other income recognised during the year are as follows:

	2021 HK$'000	2020 HK$'000
Revenue		
Sales of solar glass	13,019,419	9,992,290
Solar farm business		
– Sales of electricity	1,447,598	977,340
– Tariff adjustment	1,391,871	1,253,520
– EPC services	134,227	92,679
	2,973,696	2,323,539
Unallocated		
– Sales of mining products	71,540	—
Total revenue	16,064,655	12,315,829
Other income		
Government grants (Note (a))	152,600	134,100
Scrap sales	74,405	25,385
Tariff adjustments for electricity generation from self-used solar power system	17,839	17,250
Rental income	2,055	2,422
Others (Note (b))	30,765	11,451
	277,664	190,608

Notes:

(a) Government grants mainly represent grants received from the PRC government in subsidising the Group's certain operating costs and general operations.

(b) It mainly represents compensation of insurance claims and contract disputes, repairs and maintenance income and other miscellaneous income.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information

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

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

For the year ended 31 December 2021, there are two operating segments based on business type: (1) sales of solar glass and (2) solar farm business, which includes solar farm development, solar power generation and engineering, procurement and construction ("EPC") services. The Group started silica sand mining operation for raw material extraction in late 2020 and derived revenue from sales of certain mining products in 2021. As the mining operation is not considered as a core or separate business segment of the Group, it is presented as "unallocated" in the segment information. Certain comparative figures have been re-presented to conform to current year presentation.

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

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

The segment information provided to the Executive Directors for the reportable segments is as follows:

	Year ended 31 December 2021			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
Segment revenue				
Recognised at a point in time	13,019,419	2,839,469	71,540	15,930,428
Recognised over time	—	134,227	—	134,227
Revenue from external customers	13,019,419	2,973,696	71,540	16,064,655
Cost of sales	(7,666,590)	(799,614)	(49,979)	(8,516,183)
Gross profit	5,352,829	2,174,082	21,561	7,548,472
Segment revenue by geographical area				
The PRC	9,769,715	2,844,530	71,540	12,685,785
Other areas in Asia	2,461,905	—	—	2,461,905
North America and Europe	597,197	129,166	—	726,363
Others	190,602	—	—	190,602
	13,019,419	2,973,696	71,540	16,064,655

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Year ended 31 December 2020			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
Segment revenue				
Recognised at a point in time	9,992,290	2,230,860	—	12,223,150
Recognised over time	—	92,679	—	92,679
Revenue from external customers	9,992,290	2,323,539	—	12,315,829
Cost of sales	(5,092,121)	(640,117)	—	(5,732,238)
Gross profit	4,900,169	1,683,422	—	6,583,591
Segment revenue by geographical area				
The PRC	7,646,345	2,232,063	—	9,878,408
Other areas in Asia	2,019,239	—	—	2,019,239
North America and Europe	262,681	91,476	—	354,157
Others	64,025	—	—	64,025
	9,992,290	2,323,539	—	12,315,829

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Other segment information			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2021				
Depreciation charge of property, plant and equipment	509,409	605,952	3,047	1,118,408
Depreciation charge of right-of-use assets	19,677	36,333	—	56,010
Amortisation charges of intangible assets	—	—	1,432	1,432
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	3,383,756	2,198,813	—	5,582,569

	Other segment information			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2020				
Depreciation charge of property, plant and equipment	368,602	486,768	—	855,370
Depreciation charge of right-of-use assets	17,230	31,180	—	48,410
Amortisation charges of intangible assets	504	—	—	504
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	2,052,043	1,907,954	89,528	4,049,525

Notes to the Consolidated Financial Statements

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Assets and liabilities			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
At 31 December 2021				
Total assets	**24,097,990**	**24,340,485**	**631,878**	**49,070,353**
Total liabilities	**2,570,341**	**7,450,289**	**3,152,302**	**13,172,932**
At 31 December 2020				
Total assets	21,427,185	21,409,160	587,044	43,423,389
Total liabilities	2,879,150	4,235,910	4,283,811	11,398,871

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

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Segment assets/(liabilities)	**48,438,475**	42,836,345	**(10,020,630)**	(7,115,060)
Unallocated:				
Property, plant and equipment	**70,233**	83,527	—	—
Right-of-use assets	**7,147**	7,108	—	—
Intangible assets	**10,892**	12,222	—	—
Prepayments for land use rights and property, plant and equipment	**4,143**	26,707	—	—
Interests in a joint venture	**387,667**	365,751	—	—
Investments in associates	**68,940**	69,034	—	—
Inventories	**10,814**	906	—	—
Prepayments, deposits and other receivables	**53,173**	8,553	—	—
Cash and cash equivalents	**9,613**	3,505	—	—
Deferred income tax assets	**9,256**	9,731	—	—
Other payables	—	—	**(24,626)**	(33,660)
Bank borrowings	—	—	**(3,127,676)**	(4,250,151)
Total assets/(liabilities)	**49,070,353**	43,423,389	**(13,172,932)**	(11,398,871)

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	2021 HK$'000	2020 HK$'000
Segment gross profit	7,526,911	6,583,591
Unallocated gross profit	21,561	—
Total gross profit	7,548,472	6,583,591
Other unallocated items:		
Other income	277,664	190,608
Other losses, net	(70,617)	(51,146)
Selling and marketing expenses	(527,387)	(316,610)
Administrative and other operating expenses	(710,697)	(548,216)
Impairment losses on trade receivables	(3,029)	(5,029)
Finance income	156,645	60,532
Finance costs	(140,766)	(190,954)
Share of profits of a joint venture	38,129	35,821
Share of losses of associates	(93)	(203)
Profit before income tax	6,568,321	5,758,394

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

An analysis of the Group's revenue by segment of its customers is as follows:

Revenue of approximately HK$1,679,334,000 (2020: HK$1,428,558,000) were derived from customer A from solar farm business, which accounted for more than 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

Revenue of approximately HK$1,903,967,000 (2020: HK$1,474,873,000) and HK$1,857,992,000 (2020: HK$1,453,163,000) were derived from customer B and customer C from solar glass business, which separately accounted for more than 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

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

	2021 HK$'000	2020 HK$'000
Mainland China	**26,514,054**	21,587,384
Other countries	**1,461,488**	1,495,324
	27,975,542	23,082,708

6 OTHER LOSSES, NET

	2021 HK$'000	2020 HK$'000
Foreign exchange losses, net	**(8,471)**	(19,176)
Gains/(losses) on disposal of property, plant and equipment	**476**	(31,970)
Net gain on futures contracts not qualified as effective hedges (note)	**2,700**	—
Loss on disposal of a subsidiary (Note 41)	**(65,322)**	—
	(70,617)	(51,146)

Note:

The measurement of fair value of futures contracts is based on quoted market prices which is level 1 fair value hierarchy measurement under HKFRS13.

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative and other operating expenses and impairment losses on trade receivables are analysed as follows:

	2021 HK$'000	2020 HK$'000
Auditors' remuneration		
– Audit services	3,261	3,210
Amortisation charge of intangible assets (Note 21)	1,432	504
Depreciation charge of property, plant and equipment (Note 19)	1,118,408	855,370
Depreciation charge of right-of-use assets (Note 20)	56,010	48,410
Employee benefit expenses (including directors' emoluments) (Note 8)	674,414	466,509
Raw material and consumables used	8,121,546	4,802,443
Changes in inventories	(1,317,041)	(317,797)
Cost of inventories sold (Note 22)	6,804,505	4,484,646
Other direct operating costs of solar farms	42,437	40,153
Construction contracts costs	84,839	59,096
Impairment losses on trade receivables (Note 24(b))	3,029	5,029
Payments in relation to short term leases of land and buildings	1,637	—
Transportation costs	493,028	290,155
Research and development expenditures	323,615	261,628
Other expenses	150,681	87,383
	9,757,296	6,602,093

8 EMPLOYEE BENEFIT EXPENSES

	2021 HK$'000	2020 HK$'000
Wages and salaries	607,934	428,849
Retirement benefit - defined contribution plans (Note (i))	52,040	30,603
Share options granted to employees (Note 29)	14,440	7,057
	674,414	466,509

8 EMPLOYEE BENEFIT EXPENSES (Continued)

Note (i):

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. These plans are funded by contributions from employees and by the Group and the Group's contributions to the plans are expensed as incurred. No forfeited contribution is available to reduce the contribution payable in future year. The assets are held separately from those of the Group and managed by related independent professional fund managers.

The Group's subsidiaries in the PRC and Malaysia also participate in defined contribution retirement schemes covering its employees in the PRC and Malaysia. The schemes are administered by the relevant government authorities in the PRC and Malaysia. The Group and the eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the relevant countries. The subsidiaries there have no other legal or constructive obligation apart from the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (2020: three) directors whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining one (2020: two) individual during the year are as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, bonus, other allowances and benefits	5,717	7,527
Retirement benefits - defined contribution scheme	18	36
Share options granted	—	184
	5,735	7,747

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$2,500,001 - HK$3,000,000	—	1
HK$5,000,001 - HK$5,500,000	—	1
HK$5,500,001 - HK$6,000,000	1	—
	1	2

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2021 is set out below:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note (ii)) HK$'000	Allowances and benefits in kind (Note (iii)) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—
LEE Yau Ching	250	—	34,953	—	18	3,407	38,628
LI Man Yin	250	—	13,981	—	—	1,553	15,784
CHEN Xi	250	—	1,455	572	15	779	3,071
LEE Shing Put	250	—	—	—	—	3,800	4,050
CHENG Kwok Kin, Paul	300	—	—	—	—	—	300
LO Wan Sing, Vincent	250	—	—	—	—	—	250
KAN E-ting, Martin	250	—	—	—	—	—	250
Total	1,800	—	50,389	572	33	9,539	62,333

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director for the year ended 31 December 2020 is set out below:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note (ii)) HK$'000	Allowances and benefits in kind (Note (iii)) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—
LEE Yau Ching	250	—	24,078	—	18	4,820	29,166
LI Man Yin	250	—	9,631	—	3	2,035	11,919
CHEN Xi	250	—	1,282	396	15	790	2,733
LEE Shing Put	250	—	—	—	—	—	250
CHENG Kwok Kin, Paul	300	—	—	—	—	—	300
LO Wan Sing, Vincent	250	—	—	—	—	—	250
KAN E-ting, Martin	250	—	—	—	—	—	250
Total	1,800	—	34,991	396	36	7,645	44,868

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The remuneration shown above represents remuneration received/receivable from the Group by these directors in their capacity as employees to the Group.

(ii) The discretionary bonus is determined with reference to the operating results of the Group, individual performance and comparable market statistics during the respective years.

(iii) The allowances and benefits in kind include housing allowances and estimated money value of share options.

(iv) No director of the Company was appointed/resigned during the year (2020: same).

(v) Dr. LEE Yin Yee, B.B.S. and Tan Sri Datuk TUNG Ching Sai, *J.P.* waived emoluments of HK$250,000 (2020: HK$250,000) and HK$250,000 (2020: HK$250,000) respectively for the year. Except these, no directors waived or agreed to waive any emoluments for the years ended 31 December 2021 and 2020. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2021 and 2020.

(vi) Mr. LEE Yau Ching is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

(vii) During the year ended 31 December 2021, none of the directors of the Company received any salary (2020: same).

(viii) Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking is HK$1,800,000 (2020: HK$1,800,000).

(ix) Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking is HK$60,533,000 (2020: HK$43,068,000).

(b) Directors' termination benefits

None of the directors of the Company received termination benefits during the year ended 31 December 2021 (2020: same).

(c) Consideration provided to third parties for making available directors' services

No consideration was provided by the Group to third party for making available services of directors during the year ended 31 December 2021 (2020: same).

(d) Directors' loans, quasi-loans and other dealings

There is no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2021 (2020: same).

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(e) Directors' material interests in transactions, arrangements or contracts

Except for those transactions disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: same).

10 FINANCE INCOME AND COSTS

	2021 HK$'000	2020 HK$'000
Finance income		
Interest income from bank deposits	**156,645**	60,532
Finance costs		
Interest for lease liabilities (Note 20)	**45,497**	35,774
Interest on bank borrowings	**116,330**	193,211
Less: Amounts capitalised on qualifying assets (Note 19)	**(21,061)**	(38,031)
	140,766	190,954

11 INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current income tax		
– PRC corporate income tax ("CIT") (Note (iii))	**749,607**	698,778
– Overseas income tax (Note (iv))	**1,693**	239,222
– Overprovision in prior years	**(159)**	(72)
	751,141	937,928
Deferred income tax (Note (iv), Note 33)	**236,069**	(202,660)
Income tax expense	**987,210**	735,268

11 INCOME TAX EXPENSE (Continued)

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the year (2020: same).

(iii) The applicable CIT rate for the Group's subsidiaries in the PRC is 25% except that:

- A subsidiary engaging in solar glass business in Anhui is qualified as a "High and New Technology Enterprise" and would be entitled to enjoy a preferential CIT rate of 15% (2020: 15%);
- A subsidiary engaging in solar glass business in Guangxi is qualified as an "Encouraged Enterprise" in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and would be entitled to enjoy a preferential CIT rate of 9% (2020: 9%);
- Subsidiaries engaging in the operation and management of solar farms enjoyed tax holiday and their profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, their government grants and insurance claims received are subject to the CIT rate of 25% (2020: 25%).

(iv) Taxation on overseas profits mainly include Malaysia income tax which has been calculated on the estimated assessable profits for the year at the standard Malaysia corporate income tax rates of 24% (2020: 24%). A subsidiary of the Group in Malaysia is entitled to ITA on its qualifying capital expenditure incurred during the eligible period to be utilised against its assessable profit. Upon the fulfillment of the conditions attached to ITA, certain ITA allowance previously recognised as deferred tax assets amounting to HK$234,242,000 was utilised to set off against the assessable profit of a subsidiary of the Group in Malaysia for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**6,568,321**	5,758,394
Calculated at weighted average tax rate of 20.8% (2020: 19.9%)	**1,369,237**	1,143,454
Tax impact on share of a joint venture's and associates' profits	**(9,517)**	(8,921)
Preferential tax rates on income of certain PRC subsidiaries	**(403,731)**	(297,035)
Effect of additional tax deduction enacted by tax authorities (Note a)	**—**	(158,912)
Income not subject to tax	**(18,426)**	(8,839)
Expenses not deductible for tax purposes	**49,647**	65,521
Income tax expense	**987,210**	735,268

Note:

(a) Additional tax deduction mainly represents the ITA entitled by the Group's subsidiary in Malaysia on its qualifying capital expenditure incurred, which can be utilised against its assessable profit. ITA is subject to the fulfilment of certain conditions and the Group has made its best estimate, based on the assumption that it will comply with all the conditions imposed upon the fulfilment deadline for the ITA to be claimed.

12 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (HK$'000)	**4,924,347**	4,560,853
Weighted average number of shares in issue (thousands)	**8,849,069**	8,233,323
Basic earnings per share (HK cents)	**55.65**	55.40

12 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprised of share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) 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 number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2021	2020
Profit attributable to equity holders of the Company (HK$'000)	**4,924,347**	4,560,853
Weighted average number of ordinary shares in issue (thousands)	**8,849,069**	8,233,323
Adjustment for share options (thousands)	**13,695**	11,252
	8,862,764	8,244,575
Diluted earnings per share (HK cents)	**55.56**	55.32

13 DIVIDENDS

	2021 HK$'000	2020 HK$'000
Interim dividend of 17.0 HK cents (2020: 8.5 HK cents) per share (Note (a))	**1,511,234**	694,069
Proposed final dividend of 10.0 HK cents (2020: final dividend of 17.0 HK cents) per share (Note (b))	**889,076**	1,497,872

Notes:

(a) 2021 interim dividend of 17.0 HK cents (2020: 8.5 HK cents) per share was paid in cash (2020 interim dividend: partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend) whose names appeared on the Register of Members of the Company on 23 August 2021 (2020: 24 August 2020).

(b) A final dividend in respect of the year ended 31 December 2021 of 10.0 HK cents per share, amounting to a total dividend of HK$889,076,000 is to be proposed at the forthcoming annual general meeting. The amount of 2021 proposed final dividend is based on 8,890,763,338 shares in issue as at 31 December 2021. These financial statements do not reflect the proposed final dividend for the year ended 31 December 2021. The amount of 2020 final dividend represents the aggregated dividend partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend based on 8,811,014,660 shares in issue as at the record date for the dividend entitlement.

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14 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2021 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Solar (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding and trading of solar glass products	200 ordinary shares of HK$1 each	100.0%	—
Xinyi PV Products (Anhui) Holdings Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid up capital of US$438,000,000	100.0%	—
Xinyi Solar (Malaysia) Sdn Bhd	Malaysia, limited liability company	Manufacturing of solar glass in Malaysia	Authorised and paid up capital of 20,000,000 ordinary shares of MYR1 each	100.0%	—
Guangxi Xinyi PV Products Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid up capital of US$38,000,000	100.0%	—
Xinyi Energy	The British Virgin Islands, limited liability company	Investment holding	7,109,998,471 ordinary shares of HK$0.01 each	50.05%	49.95%
Lu'an Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	50.05%	49.95%
Hong'an Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	50.05%	49.95%
Xinyi Solar (Wuhu) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	50.05%	49.95%

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2021 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Renewable Energy (Bozhou) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	50.05%	49.95%
Xinyi Solar (Tianjin) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of US$48,000,000	50.05%	49.95%
Xinyi Solar (Shouxian) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB215,000,000	50.05%	49.95%
Xinyi Solar (Xiaochang) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of US$32,700,000	50.05%	49.95%
Xinyi Solar (Suiping) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB210,000,000	50.05%	49.95%
Xinyi Renewable Energy (Shouxian) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	50.05%	49.95%
Polaron Solartech Corporation	Canada, limited liability company	Provision of solar power systems in Canada	353,000 common shares	60.0%	40.0%

Note:

All subsidiaries listed in the above table are indirectly held by the Company.

14 SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

15 MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2021 is HK$5,585,338,000 (2020: HK$5,502,712,000), of which HK$5,557,486,000 (2020: HK$5,482,968,000) is attributable to Xinyi Energy Group.

Significant restrictions

Cash and short-term deposits of HK$710,496,000 (2020: HK$1,039,235,000) are held by Xinyi Energy Group in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information of Xinyi Energy Group which has non-controlling interests that are material to the Group. See Note (a) below for transactions with non-controlling interests.

Summarised balance sheet

	2021 HK$'000	2020 HK$'000
Current		
Assets	**6,138,674**	5,224,249
Liabilities	**(4,707,547)**	(3,780,908)
Total current net assets	**1,431,127**	1,443,341
Non-current		
Assets	**15,027,198**	12,036,714
Liabilities	**(3,857,968)**	(1,433,242)
Total non-current net assets	**11,169,230**	10,603,472
Net assets	**12,600,357**	12,046,813

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised income statement and other comprehensive income

	2021 HK$'000	2020 HK$'000
Revenue	2,296,648	1,722,051
Profit before income tax	1,463,276	1,084,464
Income tax expense	(226,035)	(165,676)
Profit after income tax	1,237,241	918,788
Other comprehensive income	446,793	983,048
Total comprehensive income for the year	1,684,034	1,901,836
Profit allocated to non-controlling interests	649,019	457,955
Dividends paid to non-controlling interests	564,680	463,117

Summarised cash flow statement

	2021 HK$'000	2020 HK$'000
Net cash generated from operating activities	1,177,357	1,052,200
Net cash used in investing activities	(3,075,511)	(1,253,606)
Net cash generated from/(used in) financing activities	1,663,277	(184,057)
Net decrease in cash and cash equivalents	(234,877)	(385,463)

The information above is the amount before intercompany eliminations.

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of material non-controlling interests.

	2021 HK$'000	2020 HK$'000
Net assets at 1 January	**12,046,813**	10,230,913
Total comprehensive income for the year	**1,684,034**	1,901,836
Issuance of shares upon placing	—	893,174
Dividend		
– 2020 and 2019 final dividend	**(604,350)**	(573,961)
– 2021 and 2020 interim dividend	**(526,140)**	(405,149)
Net assets at 31 December	**12,600,357**	12,046,813
Non-controlling interests	**49.95%**	49.95%
Carrying value before elimination of unrealised profit	**6,293,878**	6,017,383
Elimination of the fair value adjustment attributable to non-controlling interests	**(736,392)**	(534,415)
Carrying value	**5,557,486**	5,482,968

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

(a) Transactions with non-controlling interests

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

On 15 December 2021, Xinyi Power completed the disposal of all issued shares of Xinyi Solar Farm (Group 7) Limited ("Solar Farm (Group 7)") (the "Group 7 Disposal"), to Xinyi Energy at a cash consideration of HK$181.3 million pursuant to a sale and purchase agreement dated 6 January 2021 entered into between Xinyi Power and Xinyi Energy. Solar Farm (Group 7), through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 270MW in the PRC. Upon completion of the Group 7 Disposal, the Company's indirect equity interest in Solar Farm (Group 7) had been reduced from 100% to 50.05% without loss of control. Hence, the Group recognised a transaction with non-controlling interests of HK$70.9 million in relation to the fair value adjustment of the Group 7 Disposal attributable to the non-controlling interests.

The effect of the above disposals on the equity attributable to equity holders of the Company during the year ended 31 December 2021 is summarised as follows:

	Group 6 Disposal HK$'000	Group 7 Disposal HK$'000	Total HK$'000
Increase in equity attributable to equity holders of the Company	109,518	53,820	163,338
Decrease in non-controlling interests	(146,627)	(70,988)	(217,615)
Decrease in total equity	(37,109)	(17,168)	(54,277)

The Group had certain transactions with non-controlling interests during the year ended 31 December 2020. Further information on which is set forth in the annual report of the Company dated 1 March 2021.

16 INTERESTS IN A JOINT VENTURE AND BALANCE WITH A JOINT VENTURE

	2021 HK$'000	2020 HK$'000
Interests in a joint venture		
At 1 January	**365,751**	334,860
Repayment from a joint venture	**(26,158)**	(30,610)
Share of profits of a joint venture	**38,129**	35,821
Currency translation differences	**9,945**	25,680
At 31 December	**387,667**	365,751
Balance with a joint venture		
Amount due from a joint venture (Note (ii))	**—**	796

Notes:

(i) Interests in a joint venture

The equity interest in the joint venture listed below is held directly by the Group at 31 December 2021 and 2020.

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest	Measurement method
Xinyi Solar (Lu'an) Company Limited ("Xinyi Solar (Lu'an)")	Anhui Province, the PRC	Management and operation of solar farm in Lu'an	50%	Equity accounting

Xinyi Solar (Lu'an) is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the investment in the joint venture.

During the year ended 31 December 2021, the Group received cash of RMB23,500,000 (equivalent to HK$26,158,000) (2020: RMB27,500,000 (equivalent to HK$30,610,000)) from the joint venture as repayment of investment to finance its construction of a solar farm.

(ii) Amount due from a joint venture

The amount due from a joint venture is unsecured, interest free and repayable on demand.

The carrying amount approximates its fair value and is denominated in RMB.

16 INTERESTS IN A JOINT VENTURE AND BALANCE WITH A JOINT VENTURE (Continued)

Summarised financial information for the joint venture

Set out below are the summarised financial information for Xinyi Solar (Lu'an) which is accounted for using the equity method.

Summarised balance sheet

	2021 HK$'000	2020 HK$'000
Current		
Cash and cash equivalents	**18,371**	20,084
Other current assets (excluding cash and cash equivalents)	**260,170**	209,935
Total current assets	**278,541**	230,019
Financial liabilities	**(6,694)**	(11,540)
Non-current		
Assets	**643,507**	657,108
Financial liabilities	**(47,470)**	(46,780)
Net assets	**867,884**	828,807

16 INTERESTS IN A JOINT VENTURE AND BALANCE WITH A JOINT VENTURE (Continued)

Summarised financial information for the joint venture (Continued)

Summarised statement of comprehensive income

	2021 HK$'000	2020 HK$'000
Revenue	118,160	109,765
Depreciation	(30,554)	(28,413)
Interest income	33	29
Interest expense	(3,091)	(2,873)
Profit before income tax	80,529	75,135
Income tax expense	(9,025)	(8,250)
Profit after income tax	71,504	66,885
Currency translation differences	19,889	51,359
Total comprehensive income for the year	91,393	118,244
Dividends received from the joint venture	—	—

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	2021 HK$'000	2020 HK$'000
Net assets at 1 January	828,807	771,783
Repayment to shareholders	(52,316)	(61,220)
Total comprehensive income for the year	91,393	118,244
Net assets at 31 December	867,884	828,807
The Group's ownership interest	50%	50%
Carrying value before elimination of unrealised profit	433,942	414,404
Elimination of unrealised profit	(46,275)	(48,653)
Carrying value	387,667	365,751

17 INVESTMENTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
At 31 December	68,940	69,034

Notes:

The equity interests in associates listed below is held indirectly by the Group at 31 December 2021 and 2020.

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest	Measurement method
Ultimate Luck Global Limited	British Virgin Islands	Investment holding	40%	Equity accounting
Cheer Wise Investments Limited ("Cheer Wise")	Hong Kong	Property and car parks holding	40%	Equity accounting

Summarised financial information for the associates

On 26 April 2016, Ultimate Luck Global Limited was incorporated as an associate of the Company, with registered capital of US$50,000. Cheer Wise is a wholly owned subsidiary of Ultimate Luck Global Limited.

The associates are private companies and there are no quoted market price available for their shares.

As at 31 December 2021 and 2020, there are no contingent liabilities relating to the Group's interest in the associates.

Set out below are the summarised financial information for Ultimate Luck Global Limited and its subsidiary which is accounted for using the equity method.

Notes to the Consolidated Financial Statements

17 INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information for the associates (Continued)

Summarised balance sheet

	2021 HK$'000	2020 HK$'000
Current		
Cash and cash equivalents	1,299	880
Other current assets (excluding cash and cash equivalents)	151	150
Total current assets	1,450	1,030
Financial liabilities	(4,539)	(4,420)
Total current liabilities	(4,539)	(4,420)
Non-current		
Assets	175,440	175,975
Net assets	172,351	172,585

Summarised statement of comprehensive income

	2021 HK$'000	2020 HK$'000
Gross rental income from an investment property	300	300
Depreciation	(534)	(780)
Loss before income tax	(234)	(507)
Income tax expense	—	—
Loss after income tax	(234)	(507)
Other comprehensive income	—	—
Total comprehensive loss for the year	(234)	(507)
Dividends received from the associates	—	—

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

17 INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information for the associates (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the associates.

	2021 HK$'000	2020 HK$'000
Net assets at 1 January	**172,585**	173,092
Total comprehensive loss for the year	**(234)**	(507)
Net assets at 31 December	**172,351**	172,585
The Group's ownership interest	**40%**	40%
Carrying value	**68,940**	69,034

18 BUSINESS COMBINATION

To build up a more diversified solar farm investment portfolio, Xinyi Energy Group acquired two solar farm projects from independent third parties during the year ended 31 December 2021. The details of the acquisition are set forth below.

Name of the company	Consideration HK$'000	Month of acquisition	Equity interest acquired	Location	Approved capacity (MW)
Hubei Jingping Renewable Energy Limited	1,194	February	100%	Hubei Province, the PRC	80
Wuhu Xiangtai Solar Power Development Limited	4,549	December	100%	Anhui Province, the PRC	60

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

	HK$'000
Purchases consideration	
Cash consideration	5,743
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	488,525
Right-of-use assets	18,984
Other receivables and prepayments (Note (ii))	15,029
Cash and cash equivalents	29
Lease liabilities	(18,984)
Deferred income tax liabilities	(186)
Other payables and accruals	(498,288)
Total identifiable net assets	5,109
Goodwill (Note (iii))	634
	5,743
Net cash outflow arising from the acquisitions	
Cash consideration	5,743
Less: Cash and cash equivalents acquired	(29)
Less: Cash consideration payable	(1,194)
	4,520

18 BUSINESS COMBINATION (Continued)

Notes:

(i) Revenue and profits contribution

The revenue and the profits included in the consolidated income statement since the respective acquisition date contributed by the acquired business during the year amounted to HK$32,793,000 and HK$25,332,000 respectively.

If the acquisition had occurred on 1 January 2021, the consolidated income statement would show pro-forma revenue and profit of approximately HK$16,064,655,000 and HK$5,581,111,000 respectively.

(ii) Acquired receivables

The fair values of other receivables and prepayments acquired was HK$15,029,000. No trade receivables were acquired during the year.

(iii) Goodwill

The Group recognised goodwill of approximately HK$634,000 in the consolidated balance sheet in connection with the acquisition. The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. The goodwill is attributable to the synergies expected to arise after the acquisition because of the close proximity of these projects to other solar farms currently operated by the Group as well as the saving of certain administrative and operating costs. The goodwill will not be deductible for tax purposes.

19 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Solar Farms HK$'000	Office Equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2020							
Cost	202,287	1,283,844	4,852,134	12,674,673	12,957	527,826	19,553,721
Accumulated depreciation	—	(134,684)	(1,254,104)	(1,447,498)	(6,467)	—	(2,842,753)
Net book amount	202,287	1,149,160	3,598,030	11,227,175	6,490	527,826	16,710,968
Year ended 31 December 2020							
Opening net book amount	202,287	1,149,160	3,598,030	11,227,175	6,490	527,826	16,710,968
Additions	—	11	126,264	46,478	2,972	2,687,927	2,863,652
Transfers	—	253,526	783,873	1,429,577	—	(2,466,976)	—
Acquisition of subsidiaries	—	—	453	66,054	—	471,882	538,389
Disposals	—	—	(32,878)	—	(40)	—	(32,918)
Depreciation charge	—	(39,445)	(347,757)	(482,512)	(1,804)	—	(871,518)
Currency translation differences	2,610	68,222	236,496	817,420	427	72,427	1,197,602
Closing net book amount	204,897	1,431,474	4,364,481	13,104,192	8,045	1,293,086	20,406,175
At 31 December 2020							
Cost	204,897	1,615,690	6,027,634	15,161,063	16,154	1,293,086	24,318,524
Accumulated depreciation	—	(184,216)	(1,663,153)	(2,056,871)	(8,109)	—	(3,912,349)
Net book amount	204,897	1,431,474	4,364,481	13,104,192	8,045	1,293,086	20,406,175
Year ended 31 December 2021							
Opening net book amount	204,897	1,431,474	4,364,481	13,104,192	8,045	1,293,086	20,406,175
Additions	—	12,727	198,346	48,050	3,546	4,383,775	4,646,444
Transfers	—	244,211	1,824,417	1,663,454	—	(3,732,082)	—
Acquisition of subsidiaries (Note 18)	—	—	—	294,552	—	193,973	488,525
Disposals	—	—	(1,606)	(451)	(17)	—	(2,074)
Disposal of a subsidiary (Note 41)	—	—	—	(55,133)	—	—	(55,133)
Depreciation charge	—	(53,525)	(504,388)	(598,133)	(2,208)	—	(1,158,254)
Currency translation differences	(5,860)	18,017	94,727	363,027	202	48,663	518,776
Closing net book amount	199,037	1,652,904	5,975,977	14,819,558	9,568	2,187,415	24,844,459
At 31 December 2021							
Cost	199,037	1,893,925	8,183,107	17,529,655	19,857	2,187,415	30,012,996
Accumulated depreciation	—	(241,021)	(2,207,130)	(2,710,097)	(10,289)	—	(5,168,537)
Net book amount	199,037	1,652,904	5,975,977	14,819,558	9,568	2,187,415	24,844,459

19 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2021 HK$'000	2020 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	1,088,116	836,012
– Administrative and other operating expenses	30,292	19,358
	1,118,408	855,370
Depreciation charges capitalised in inventories	66,138	26,292
Depreciation of right-of-use assets capitalised in construction in progress	6,521	—

During the year, the Group capitalised borrowing costs amounted to HK$21,061,000 (2020: HK$38,031,000) on qualifying assets (Note 10). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 1.64% (2020: 2.55%).

20 LEASES

This note provides information for leases where the Group is a lessee.

The Group's right-of-use assets and lease liabilities mainly arise from lease of various land use rights for solar farm projects with typically lease terms of 20 to 30 years and solar glass factory with terms of 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The consolidated balance sheet shows the following amounts relating to leases:

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Leasehold land and land use rights	1,870,615	1,373,447
Leases of factory, office premises and warehouses	3,693	6,230
Leases of rooftops	42,931	28,023
	1,917,239	1,407,700
Lease liabilities		
Current	46,813	48,519
Non-current	793,778	646,458
	840,591	694,977

20 LEASES (Continued)

The movements of right-of-use assets and lease liabilities are analysed as follows:

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
At 1 January	1,407,700	1,249,116
Additions	516,903	94,368
Depreciation charge	(62,531)	(48,410)
Acquisition of subsidiaries (Note 18)	18,984	47,305
Disposal of a subsidiary (Note 41)	(9,117)	—
Modification of leases	—	(23,469)
Currency translation difference	45,300	88,790
At 31 December	1,917,239	1,407,700

	2021 HK$'000	2020 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales (Note 7)	56,010	48,410
Depreciation capitalised in construction in progress (Note 19)	6,521	—
	62,531	48,410

	2021 HK$'000	2020 HK$'000
Lease liabilities		
At 1 January	694,977	626,495
Principal element of lease payments	(98,788)	(47,370)
Interest paid	(13,076)	(15,538)
Additions	182,646	31,245
Interest for lease liabilities (Note 10)	45,497	35,774
Acquisition of subsidiaries (Note 18)	18,984	43,825
Disposal of a subsidiary (Note 41)	(10,393)	—
Modification of leases	—	(23,469)
Currency translation difference	20,744	44,015
At 31 December	840,591	694,977

21 INTANGIBLE ASSETS

	Goodwill HK$'000	Mining rights HK$'000	Total HK$'000
At 1 January 2020			
Cost	10,471	—	10,471
Accumulated amortisation	—	—	—
Net book amount	10,471	—	10,471
Year ended 31 December 2020			
Opening net book amount	10,471	—	10,471
Acquisition of subsidiaries	2,084	—	2,084
Additions	—	13,599	13,599
Amortisation charge	—	(2,141)	(2,141)
Currency translation differences	—	764	764
Closing net book amount	12,555	12,222	24,777
At 31 December 2020			
Cost	12,555	14,505	27,060
Accumulated amortisation	—	(2,283)	(2,283)
Net book amount	12,555	12,222	24,777
Year ended 31 December 2021			
Opening net book amount	12,555	12,222	24,777
Acquisition of subsidiaries (Note 18)	634	—	634
Amortisation charge	—	(1,629)	(1,629)
Currency translation differences	—	299	299
Closing net book amount	13,189	10,892	24,081
At 31 December 2021			
Cost	13,189	14,890	28,079
Accumulated amortisation	—	(3,998)	(3,998)
Net book amount	13,189	10,892	24,081

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21 INTANGIBLE ASSETS (Continued)

	2021 HK$'000	2020 HK$'000
Amortisation charged in consolidated income statement:		
– Cost of sales (Note 7)	1,432	504
Amortisation capitalised in inventories	197	—
Amortisation capitalised in construction in progress	—	1,637
	1,629	2,141

22 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	655,975	430,259
Work in progress	130,349	66,944
Finished goods	1,258,994	231,074
	2,045,318	728,277

The cost of inventories included in cost of sales amounted to approximately HK$6,804,505,000 (2020: HK$4,484,646,000).

23 CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	Note	2021 HK$'000	2020 HK$'000
Current contract assets relating to EPC services	(a)	38,987	51,296
Contract liabilities relating to sales of solar glass	(b)	91,098	181,402

23 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(a) Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract. There is no recent history of default. Management believes that no loss allowance is necessary.

(b) Contract liabilities

The contract liabilities primarily relate to the deposits or payments received in advance for sales of glass not yet delivered to customers. Revenue is recognised when goods are delivered to customers.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior years.

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Receipt in advance for sales of goods not yet delivered to customers	181,402	31,889
Revenue recognised from performance obligations satisfied in previous years		
Adjustment of EPC revenue upon the final settlement with customers in relation to certain EPC projects completed in prior years	2,480	—

24 TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables (Note (a))	7,080,238	5,316,373
Less: Loss allowance of trade receivables (Note (b))	(10,049)	(19,214)
Trade receivables, net	7,070,189	5,297,159
Bills receivables	2,400,292	2,838,874
Trade and bills receivables, net	9,470,481	8,136,033

(a) Trade and bills receivables

Breakdown of trade receivables by segment is as follows:

	Sales of solar glass HK$'000	Solar farm business HK$'000	Total HK$'000
At 31 December 2021			
Sales of solar glass	1,819,437	—	1,819,437
Sales of electricity	—	131,791	131,791
Tariff adjustment	—	5,066,506	5,066,506
EPC service revenue	—	62,504	62,504
Total	1,819,437	5,260,801	7,080,238
At 31 December 2020			
Sales of solar glass	1,217,287	—	1,217,287
Sales of electricity	—	112,183	112,183
Tariff adjustment	—	3,885,545	3,885,545
EPC service revenue	—	101,358	101,358
Total	1,217,287	4,099,086	5,316,373

24 TRADE AND BILLS RECEIVABLES (Continued)

(a) Trade and bills receivables (Continued)

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

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

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

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	6,988,909	5,204,358
91 days to 180 days	70,154	14,849
181 days to 365 days	5,302	16,539
1 to 2 years	2,674	72,697
Over 2 years	13,199	7,930
	7,080,238	5,316,373

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	500,542	428,398
91 days to 180 days	434,193	415,786
181 days to 365 days	791,233	737,492
1 to 2 years	1,465,723	1,599,708
Over 2 years	2,006,606	816,344
	5,198,297	3,997,728

The maturity of the bills receivables is within 1 year. As at 31 December 2021, bills receivables of HK$63,926,000 (2020: Nil) was pledged as collaterals for obtaining letter of credit facilities in the PRC.

24 TRADE AND BILLS RECEIVABLES (Continued)

(a) Trade and bills receivables (Continued)

The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**9,277,130**	7,875,573
US$	**182,208**	167,386
Other currencies	**21,192**	112,288
	9,480,530	8,155,247

(b) Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables by segment.

Sales of solar glass

The credit periods of the majority of the trade receivables from sales of solar glass are generally within 90 days and comprise amounts receivable from business customers. The trade receivables have been grouped based on shared credit risk characteristics and ageing profiles. The lifetime expected credit loss allowance is measured based on past settlement history and the historical default rates over the expected life of the trade receivables with similar credit risk characteristics adjusted with current and forward-looking information on macroeconomic factors that affects the ability of the customers to settle the receivables.

24 TRADE AND BILLS RECEIVABLES (Continued)

(b) Loss allowance of trade receivables (Continued)

Sales of electricity

As at 31 December 2021, the Group has 25 ground-mounted solar farms with aggregate capacity of 2,104 MW successfully enlisted on the Renewable Energy Power Generation Project List ("Project List"). Given the track record of regular repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance.

During the year ended 31 December 2021, the Group received aggregate payment of RMB412,435,000 (equivalent to approximately HK$496,172,000) (2020: RMB551,442,000 (equivalent to approximately HK$625,194,000)) for the subsidies in relation to the solar power generation by the solar farm projects enlisted on the Project List. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. However, given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2021 (2020: Nil). As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets.

As of 31 December 2021, except a loss allowance of trade receivables of HK$10,049,000 (2020: HK$19,214,000), all other trade receivables were expected to be recoverable.

The closing loss allowance for trade receivables of the Group as at 31 December 2021 reconcile to the opening loss allowance as follows:

	2021 HK$'000	2020 HK$'000
Opening loss allowance	**19,214**	14,657
Increase in loss allowance recognised in consolidated income statement during the year	**3,029**	5,029
Receivables written off during the year as uncollectible	**(12,194)**	(472)
Closing loss allowance	**10,049**	19,214

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**1,243,018**	1,468,661
Deposits and other receivables (Note (a))	**432,225**	219,456
Other tax receivables (Note (b))	**728,426**	783,318
	2,403,669	2,471,435
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	**(733,156)**	(809,271)
Current portion	**1,670,513**	1,662,164

Note:

(a) Deposits and other receivables were all expected to be recoverable and therefore no provision was made. The carrying amounts of the Group's deposits and other receivables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**428,898**	214,482
HK$	**1,232**	—
MYR	**264**	2,239
Other currencies	**1,831**	2,735
	432,225	219,456

(b) Other tax receivables mainly represent value added tax recoverable.

(c) Prepayments, deposits and other receivables approximate their fair values and do not contain impaired assets.

26 FINANCE LEASE RECEIVABLES

Future receivables under finance leases as lessor are as follows:

	2021 HK$'000	2020 HK$'000
Non-current receivables		
Finance leases - gross receivables	422,179	376,882
Unearned finance income	(175,133)	(165,361)
	247,046	211,521
Current receivables		
Finance leases - gross receivables	33,918	27,969
Unearned finance income	(21,811)	(19,688)
	12,107	8,281
Gross receivables from finance leases:		
– No later than 1 year	33,918	27,969
– Later than 1 year and no later than 5 years	109,067	85,875
– Later than 5 years	313,112	291,007
	456,097	404,851
Unearned future finance income on finance leases	(196,944)	(185,049)
Net investment in finance leases	259,153	219,802

The net investment in finance leases may be analysed as follows:

	2021 HK$'000	2020 HK$'000
– No later than 1 year	12,107	8,281
– Later than 1 year and no later than 5 years	47,042	30,643
– Later than 5 years	200,004	180,878
	259,153	219,802

27 CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank	7,458,232	8,091,168
Bank deposits with original maturity less than three months (Note)	—	1,200,000
Cash on hand	35	26
	7,458,267	9,291,194

Note:

The effective interest rate on short-term bank deposits held in 2020 was 0.39% per annum and these deposits have a maturity ranging from 15 days to 32 days.

As at 31 December 2021, funds of the Group amounting to HK$5,538,673,000 and HK$177,979,000 (2020: HK$4,090,247,000 and HK$235,832,000) were deposited in bank accounts opened with banks in the PRC and Malaysia, respectively, where the remittance of funds is subject to foreign exchange control.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	5,477,911	4,066,305
HK$	1,277,489	4,389,153
US$	650,979	728,308
Other currencies	51,888	107,428
	7,458,267	9,291,194

28 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2020, 31 December 2020 and 2021	80,000,000	8,000,000
Issued:		
At 1 January 2020	8,081,863	808,186
Issuance of shares by the way of placing (Note (a), (b))	582,000	58,200
Issuance of shares under employees' share option scheme	5,891	589
Issuance of shares in respect of scrip dividend of:		
– 2019 final dividend (Note (c))	78,408	7,841
– 2020 interim dividend (Note (d))	61,092	6,109
At 31 December 2020 and 1 January 2021	**8,809,254**	**880,925**
Issuance of shares under employees' share option scheme	**4,513**	**451**
Issuance of shares in respect of scrip dividend of 2020 final dividend (Note (e))	**76,996**	**7,700**
At 31 December 2021	**8,890,763**	**889,076**

Note:

(a) In September 2020, the Company allotted and issued 282,000,000 shares by way of placing at HK$9.44 each. Proceeds of approximately HK$2,662,080,000 were received and the related transaction costs of approximately HK$16,445,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

(b) In December 2020, the Company allotted and issued 300,000,000 shares by way of placing at HK$13.0 each. Proceeds of approximately HK$3,900,000,000 were received and the related transaction costs of approximately HK$24,200,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

28 SHARE CAPITAL (Continued)

Note: (Continued)

(c) On 15 May 2020, the shareholders approved in annual general meeting a final dividend of 8.5 HK cents per share for the year ended 31 December 2019. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. On 24 June 2020, 78,407,570 shares were issued at an issue price of HK$5.34 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

(d) On 3 August 2020, the board of directors declared an interim dividend of 8.5 HK cents per share for the six months ended 30 June 2020. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 23 September 2020, 61,092,426 shares were issued at an issue price of HK$8.49 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

(e) On 28 May 2021, the shareholders approved in annual general meeting a final dividend of 17.0 HK cents per share for the year ended 31 December 2020. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. On 7 July 2021, 76,996,178 shares were issued at an issue price of HK$12.74 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

29 SHARE-BASED PAYMENTS

In June 2014, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of the Company on the Stock Exchange, unless the Company obtains further approval from the shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

29 SHARE-BASED PAYMENTS (Continued)

Information in relation to the share options granted to a director of the Company and employees of the Group is as follows:

Date of grant	Number of share options granted (Note 1)	Exercise price per share (HK$)	Validity period	Expiry date
31 March 2017	7,381,500	2.50 (Note 2)	31 March 2017 to 31 March 2021	31 March 2021
29 March 2018	7,805,000	3.18 (Note 2)	29 March 2018 to 31 March 2022	31 March 2022
28 March 2019	8,865,000	3.76 (Note 2)	28 March 2019 to 31 March 2023	31 March 2023
31 March 2020	8,589,000	4.39 (Note 3)	31 March 2020 to 31 March 2024	31 March 2024
31 March 2021	9,885,500	12.99 (Note 2)	31 March 2021 to 31 March 2025	31 March 2025

Notes:

1) One third of the options will vest on each of the year-end date within the three years after the date of the grant of the share options.

2) The exercise prices of the share options are equal to the average closing price of the Company's share for the five trading days immediately preceding the respective dates of grant.

3) The exercise price of the share options is equal to the closing price of the Company's share on the date of grant.

29 SHARE-BASED PAYMENTS (Continued)

Movements in the number of share options granted by the Company to the employees of the Group and their related weighted average exercise prices are as follows:

	2021		2020	
	Average exercise price per share (HK$)	Options ('000)	Average exercise price per share (HK$)	Options ('000)
At 1 January	**3.80**	**24,411**	3.21	22,173
Granted	**12.99**	**9,885**	4.39	8,589
Forfeited	**4.02**	**(288)**	3.55	(461)
Exercised	**3.15**	**(4,513)**	2.49	(5,890)
Expired	**2.48**	**—**	2.78	—
At 31 December	**6.97**	**29,495**	3.80	24,411

During the year ended 31 December 2021, a total of 4,513,458 options (2020: 5,890,363) were exercised and a total of 288,000 options (2020: 460,149) were forfeited.

Out of the above outstanding share options, 2,942,500 options were exercisable at 31 December 2021 (2020: 211,075).

These outstanding share options at the end of the year, after adjustments of the exercise prices and the number of share options as a result of the rights issue completed in June 2017, have the following expiry dates and exercise prices:

	Adjusted exercise price per share	Options ('000)	
Expiry date	(HK$)	2021	2020
31 March 2021	2.48	**—**	211
31 March 2022	3.18	**2,943**	7,267
31 March 2023	3.76	**8,279**	8,404
31 March 2024	4.39	**8,388**	8,529
31 March 2025	12.99	**9,885**	—
		29,495	24,411

29 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of the share options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer. Greater China Appraisal Limited, was approximately HK$3.79 (2020: HK$1.02) per option. The significant inputs into the model are as follows:

	2021	2020
Share price, at the grant date (HK$)	12.78	4.39
Exercise price (HK$)	12.99	4.39
Volatility (%)	47.04	39.76
Dividend yield (%)	2.00	3.19
Expected share option life (years)	3.50	3.50
Annual risk-free interest rate (%)	0.48	0.60

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 8 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

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30 SHARE PREMIUM AND OTHER RESERVES

	Share premium (Note (a))	Merger reserve (Note (b))	Capital reserve (Note (c))	Statutory reserves (Note (d))	Share option reserve	Exchange reserve	Hedging reserve (Note (e))	Sub-total	Total
		Other reserves							
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	2,956,278	(209,495)	1,398,292	1,222,930	8,197	(1,158,261)	—	1,261,663	4,217,941
Currency translation differences	—	—	—	—	—	1,427,016	—	1,427,016	1,427,016
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	25,680	—	25,680	25,680
Employees' share option scheme:									
– exercise of employees' share options	18,275	—	—	—	(4,208)	—	—	(4,208)	14,067
– value of employee services	—	—	—	—	7,057	—	—	7,057	7,057
Appropriation to statutory reserve	—	—	—	484,074	—	—	—	484,074	484,074
Issuance of shares in respect of scrip dividend of 2019 final dividend and 2020 interim dividend	923,421	—	—	—	—	—	—	—	923,421
Issuance of shares in respect of placing, net of transaction cost	6,463,235	—	—	—	—	—	—	—	6,463,235
Dividends:									
–2019 final dividend	(687,029)	—	—	—	—	—	—	—	(687,029)
Changes in ownership interest in subsidiaries without loss of control	—	—	231,990	—	—	—	—	231,990	231,990
At 31 December 2020	9,674,180	(209,495)	1,630,282	1,707,004	11,046	294,435	—	3,433,272	13,107,452

30 SHARE PREMIUM AND OTHER RESERVES (Continued)

	Share premium (Note (a)) HK$'000	Other reserves: Merger reserve (Note (b)) HK$'000	Capital reserve (Note (c)) HK$'000	Statutory reserves (Note (d)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Hedging reserve (Note (e)) HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2021	9,674,180	(209,495)	1,630,282	1,707,004	11,046	294,435	—	3,433,272	13,107,452
Currency translation differences	—	—	—	—	—	693,456	—	693,456	693,456
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	9,945	—	9,945	9,945
Gains on cash flow hedges	—	—	—	—	—	—	9,642	9,642	9,642
Hedging gains transferred to the carrying value of inventory purchased	—	—	—	—	—	—	(9,642)	(9,642)	(9,642)
Release of exchange reserve upon disposal of a subsidiary (Note 41)	—	—	—	—	—	(1,279)	—	(1,279)	(1,279)
Employees' share option scheme:									
– exercise of employees' share options	16,927	—	—	—	(3,174)	—	—	(3,174)	13,753
– value of employee services	—	—	—	—	14,440	—	—	14,440	14,440
Appropriation to statutory reserve	—	—	—	512,292	—	—	—	512,292	512,292
Disposal of a subsidiary	—	—	—	(2,182)	—	—	—	(2,182)	(2,182)
Issuance of shares in respect of scrip dividend of 2020 final dividend	973,232	—	—	—	—	—	—	—	973,232
Dividends:									
–2020 final dividend	(1,497,872)	—	—	—	—	—	—	—	(1,497,872)
Changes in ownership interest in subsidiaries without loss of control (Note 15)	—	—	163,338	—	—	—	—	163,338	163,338
At 31 December 2021	9,166,467	(209,495)	1,793,620	2,217,114	22,312	996,557	—	4,820,108	13,986,575

30 SHARE PREMIUM AND OTHER RESERVES (Continued)

(a) Share premium

Share premium of the Company is available for distributions or paying dividends to the Shareholders, according to the provisions of the Articles of Association and the Companies Law of the Cayman Islands. When the Company issues shares, excess of net proceeds received over the par value of the shares are credited to the share premium.

During the year ended 31 December 2021, the 2020 final dividend of HK$1,497,872,000 (2020: 2019 final dividend of HK$687,029,000) was paid out from share premium. Issuance of shares in respect of scrip dividend of 2020 final dividend and net proceeds received from exercise of share options exceeded the par value of the issued shares by approximately HK$973,232,000 (2020: HK$923,421,000) and HK$16,927,000 (2020: HK$18,275,000), respectively, which were credited to the share premium.

(b) Merger reserve

For the purpose of preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Group undertook a reorganisation (the "Reorganisation") in 2011. Merger reserve represents the difference between the share capital and share premium issued by the Company for acquisition of the subsidiaries pursuant to the Reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

(c) Capital reserve

In 2011, the Group's PRC subsidiary declared dividends of RMB421,826,000 (equivalent to HK$514,423,000). The related withholding tax of HK$26,744,000 arising from the dividends distribution was paid on behalf by Xinyi Glass Holdings Limited ("Xinyi Glass") and Xinyi Glass has not recharged back the Group. Such amount was accounted for as capital reserve within equity.

In 2015, changes in ownership interests in Xinyi Energy from a wholly-owned subsidiary to a 75% partially-owned subsidiary resulted in an increase of capital reserve of HK$411,367,000.

During the year ended 31 December 2019, an increase in equity attributable to owners of the Company, amounting to HK$960,181,000, was credited to the capital reserve in relation to the spin-off of Xinyi Energy on 28 May 2019, Disposal of Xinyi Solar Farm (1) to Xinyi Energy on 3 June 2019; and the Over-allotment Issue on 24 Jun 2019.

During the year ended 31 December 2020, an increase in equity attributable to owners of the Company, amounting to HK$231,990,000, was credited to the capital reserve in relation to the XYE Placing on 21 September 2020 and the disposal of Xinyi Solar Farm (3) to Xinyi Energy on 30 September 2020.

During the year ended 31 December 2021, an increase in equity attributable to owners of the Company, amounting to HK$163,338,000, was credited to the capital reserve in relation to the Group 6 Disposal and Group 7 Disposal to Xinyi Energy on 11 February 2021 and 15 December 2021.

30 SHARE PREMIUM AND OTHER RESERVES (Continued)

(d) Statutory reserve

The PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2021, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$512,292,000 (2020: HK$484,074,000) from retained earnings to statutory reserve.

(e) Hedging reserve

The hedging reserve includes the cash flow hedge reserve that is used to recognise the effective portion of gains or losses on derivatives designated and qualified as cash flow hedges, as described in Note 2.14. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

31 TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	549,406	667,734
Retention payables for EPC services	157	352
Trade payables and retention payables for EPC services (Note (a))	549,563	668,086
Bills payables (Note (b))	733,986	381,584
Trade, retention and bills payables (Note (c))	1,283,549	1,049,670
Accruals and other payables (Note (d))	2,434,341	2,327,930
Current portion	3,717,890	3,377,600

	2021 HK$'000	2020 HK$'000
Deferred government grants (Note (e))	210,372	209,699
Retention payables for construction of solar farms	71,931	102,424
Non-current portion	282,303	312,123

Notes to the Consolidated Financial Statements

31 TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	**517,566**	609,737
91 days to 180 days	**10,787**	26,199
181 days to 365 days	**4,471**	5,538
Over 1 year	**16,739**	26,612
	549,563	668,086

(b) The maturity of the bills payables is within 6 months.

(c) The carrying amounts of the Group's trade, retention and bills payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**1,232,408**	1,003,025
Other currencies	**51,141**	46,645
	1,283,549	1,049,670

(d) Details of accruals and other payables are as follows:

	2021 HK$'000	2020 HK$'000
Payables for property, plant and equipment	**1,743,529**	1,766,901
Accruals for employee benefits and welfare	**200,676**	144,375
Payables for transportation costs and other operating expenses	**152,664**	105,927
Provision for value added tax and other taxes in the PRC	**194,041**	152,767
Payables for utilities	**79,311**	74,652
Others	**64,120**	83,308
	2,434,341	2,327,930

(e) The government grants were received from the government in subsidising the Group's purchase of property, plant and equipment in the PRC. It will be netted off with the cost of acquisition when property, plant and equipment are acquired and are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(f) The carrying amounts of trade and other payables approximate their fair values.

32 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2021 HK$'000	2020 HK$'000
Repayable on demand and within 1 year	**3,657,554**	3,410,143
Between 1 and 2 years	**2,727,774**	1,615,136
Between 2 and 5 years	**1,622,567**	1,087,973
	8,007,895	6,113,252
Less: Non-current portion	**(4,350,341)**	(2,703,109)
Current portion	**3,657,554**	3,410,143

As at 31 December 2021, bank borrowings containing repayment on demand clause and were classified as current liabilities are HK$300,000,000 (2020: HK$615,000,000).

As at 31 December 2021, all bank loans bore floating interest rates. All bank borrowings are repayable by instalments up to year 2024 (2020: year 2023). The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2021, as the impact of discounting is not significant.

The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting period.

The effective interest rate per annum at reporting date were as follows:

	2021	2020
Bank borrowings	**1.25%**	1.48%

All bank borrowings were exposed to interest rate changes.

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

Notes to the Consolidated Financial Statements

33 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	23,185	251,119
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(30,497)	(11,936)
Deferred income tax (liabilities)/assets, net	(7,312)	239,183

The gross movement on the deferred income tax account is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	239,183	34,558
Acquisition of subsidiaries (Note 18)	(186)	(108)
Disposal of a subsidiary (Note 41)	(265)	—
(Debited)/credited to the consolidated income statement (Note 11)	(236,069)	202,660
Currency translation difference	(9,975)	2,073
At 31 December	(7,312)	239,183

33 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances of HK$283,276,000 (2020: HK$274,329,000) within the same tax jurisdiction are as follows:

Deferred income tax assets	Provisions HK$'000	Capital allowance HK$'000	Lease liabilities HK$'000	Unrealised profit HK$'000	Total HK$'000
At 1 January 2020	5,645	130,044	145,119	10,207	291,015
Acquisition of subsidiaries	—	—	74	—	74
(Charged)/credited to the consolidated income statement	(5,353)	227,637	8,735	(475)	230,544
Currency translation difference	(41)	2,827	1,029	—	3,815
At 31 December 2020	251	360,508	154,957	9,732	525,448
At 1 January 2021	**251**	**360,508**	**154,957**	**9,732**	**525,448**
Disposal of a subsidiary (Note 41)	**—**	**—**	**(428)**	**—**	**(428)**
(Charged)/credited to the consolidated income statement	**2**	**(215,737)**	**10,043**	**(475)**	**(206,167)**
Currency translation difference	**—**	**(13,017)**	**625**	**—**	**(12,392)**
At 31 December 2021	**253**	**131,754**	**165,197**	**9,257**	**306,461**

33 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities	Revaluation of property, plant and equipment HK$'000	Accelerated depreciation allowance HK$'000	Right-of-use assets HK$'000	Finance lease income HK$'000	Total HK$'000
At 1 January 2020	—	104,376	140,548	11,533	256,457
Acquisition of subsidiaries	182	—	—	—	182
Charged to the consolidated income statement	—	22,725	5,159	—	27,884
Currency translation difference	—	969	550	223	1,742
At 31 December 2020	182	128,070	146,257	11,756	286,265
At 1 January 2021	182	128,070	146,257	11,756	286,265
Acquisition of subsidiaries (Note 18)	186	—	—	—	186
Disposal of a subsidiary (Note 41)	—	—	(163)	—	(163)
Charged to the consolidated income statement	—	18,441	5,115	6,346	29,902
Currency translation difference	—	(2,807)	310	80	(2,417)
At 31 December 2021	368	143,704	151,519	18,182	313,773

Capital allowance mainly represents the ITA entitled by the Group's subsidiary in Malaysia on its qualifying capital expenditure incurred, which can be utilised against its assessable profit.

Withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in the PRC that held by intermediate holding companies incorporated in Hong Kong, is subject to 5% to 10% withholding tax.

As at 31 December 2021, deferred income tax liabilities of approximately HK$785,976,000 (2020: HK$618,074,000) were not recognised for withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$15,719,510,000 (2020: HK$12,361,485,000).

Deferred tax assets are recognised for tax loss carrying-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2021, there was no significant unrecognised tax losses (2020: Nil).

34 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2021 HK$'000	2020 HK$'000
Profit before income tax	6,568,321	5,758,394
Adjustments for:		
Share options granted to employees (Note 8)	14,440	7,057
Interest income (Note 10)	(156,645)	(60,532)
Interest expense (Note 10)	140,766	190,954
Impairment losses on trade receivables (Note 7)	3,029	5,029
Amortisation of intangible assets (Note 7)	1,432	504
Depreciation of property, plant and equipment (Note 7)	1,118,408	855,370
Depreciation of right-of-use assets (Note 7)	56,010	48,410
(Gains)/losses on disposal of property, plant and equipment (Note 6)	(476)	31,970
Loss on disposal of a subsidiary (Note 41)	65,322	—
Share of profits of a joint venture	(38,129)	(35,821)
Share of losses of associates	93	203
	7,772,571	6,801,538
Changes in working capital:		
Inventories	(1,276,996)	(301,649)
Trade and other receivables	(1,150,188)	(2,685,387)
Finance lease receivables	(39,351)	(23,523)
Trade and other payables	(101,732)	987,400
Contract liabilities	(90,304)	149,513
Amount due from a joint venture	796	4,834
Amounts due to related companies	(150,378)	76,386
Amounts due from related companies	(10,273)	—
Contract assets	12,309	(11,676)
Cash generated from operations	4,966,454	4,997,436

Notes to the Consolidated Financial Statements

34 CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2021 HK$'000	2020 HK$'000
Net book amount (Note 19)	2,074	32,918
Gains/(losses) on disposal of property, plant and equipment (Note 6)	476	(31,970)
Proceeds from disposal of property, plant and equipment	2,550	948

(c) Analysis of changes in financing activities during the year

	Liabilities from financing activities			
	Borrowing HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
As at 1 January 2021	(6,113,252)	(694,977)	(8)	(6,808,237)
Cash flows	(1,871,619)	111,864	2,592,854	833,099
Foreign exchange adjustments	—	(20,744)	—	(20,744)
Acquisition of subsidiaries (Note 18)	—	(18,984)	—	(18,984)
Disposal of a subsidiary (Note 41)	—	10,393	—	10,393
Interest for lease liabilities (Note 20)	—	(45,497)	—	(45,497)
2020 final dividend and 2021 interim dividend	—	—	(2,592,854)	(2,592,854)
Other non-cash movements	(23,024)	(182,646)	—	(205,670)
As at 31 December 2021	(8,007,895)	(840,591)	(8)	(8,848,494)

34 CASH GENERATED FROM OPERATIONS (Continued)

(c) Analysis of changes in financing activities during the year (Continued)

	Liabilities from financing activities			
	Borrowing HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
As at 1 January 2020	(6,683,145)	(626,495)	(6)	(7,309,646)
Cash flows	588,066	62,908	906,842	1,557,816
Foreign exchange adjustments	—	(44,015)	—	(44,015)
Acquisition of subsidiaries	—	(43,825)	—	(43,825)
Interest for lease liabilities (Note 20)	—	(35,774)	—	(35,774)
2019 final dividend and 2020 interim dividend	—	—	(906,844)	(906,844)
Other non-cash movements	(18,173)	(7,776)	—	(25,949)
As at 31 December 2020	(6,113,252)	(694,977)	(8)	(6,808,237)

35 OPERATING LEASE COMMITMENTS

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings with lease terms as follows:

	2021 HK$'000	2020 HK$'000
Not later than one year	**2,443**	904
Later than 1 year and not later than 5 years	**2,128**	485
	4,571	1,389

Notes to the Consolidated Financial Statements

36 CAPITAL COMMITMENTS

Capital expenditures of HK$3,199,900,000 (2020: HK$1,391,132,000) was contracted for at the end of the year but not yet incurred.

37 BANKING FACILITIES AND GUARANTEES

The banking facilities made available to subsidiaries of the Group are as follows:

	2021		2020	
	Available facilities HK$'000	**Facilities utilised HK$'000**	Available facilities HK$'000	Facilities utilised HK$'000
Banking facilities granted to subsidiaries of the Group without securities	**11,976,830**	**8,819,708**	10,086,805	6,567,398

38 RELATED PARTY TRANSACTIONS

As at 31 December 2021, the Group is controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *J.P.* Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "Controlling Shareholders"), which in aggregate owns 26.05% (2020: 25.97%) of the Company's shares. 23.24% (2020: 22.86%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 50.71% (2020: 51.17%) of the shares are widely held.

38 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the transactions carried out between the Group and its related parties in the ordinary course of business during the year.

	Note	2021 HK$'000	2020 HK$'000
Related party transactions with subsidiaries of Xinyi Glass*			
– Purchases of machineries	i, ii	177,195	83,368
– Purchases of glass products	i, iii	143,297	109,938
– Sales of silica sand	i, iv	65,374	—
– Purchases of packing materials	vi, vii	8,655	—
– Purchases of and processing of raw materials	vi, vii	6,815	1,739
– Purchases of consumable products	vi, vii	6,184	4,576
– Purchases of fixed assets	vi, vii	4,037	2,157
– EPC service income received	vi, ix	3,894	—
– Sales of consumables	vi, vii	2,846	—
– Maintenance and service charges received	vi, vii	2,435	2,563
– Rental income received	vi, viii	1,112	1,032
– Consultancy fee paid	vi, vii	853	872
– Rental expenses paid	vi, viii	723	—
– Sales of glass products	vi, vii	—	3,299
– Acquisition of right-of-use assets	vi, vii	—	1,214
Related party transactions with subsidiaries of Xinyi Electric Storage Holdings Limited#			
– Operation and management service fee paid	vi, vii	2,040	—
– Purchases of and processing of battery pack, chargers and energy storage facilities	i, v	709	1,111
– Sales of electricity	vi, vii	226	1,369
– Rental expenses paid	vi, vii	55	—
– Purchases of consumable products	vi, vii	6	—
Related party transactions with Controlling Shareholders and/or their controlled corporation			
– Purchases of properties	vi, vii	11,709	—

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

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

38 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The purchases of machineries were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021.

(iii) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021.

(iv) The sales of silica sand were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 26 May 2021.

(v) The purchases of and processing of battery pack, chargers and energy storage facilities was charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 8 April 2021.

(vi) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.

(vii) The transactions were conducted at mutually agreed prices and terms.

(viii) The leases of premises were charged at mutually agreed rental.

(ix) The EPC services income received were charged at mutually agreed prices.

38 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	2021 HK$'000	2020 HK$'000
Amount due from a joint venture		
– Xinyi Solar (Lu'an)	—	796
Amounts due from related companies		
– Guangxi Xinyi Supply Chain Management Company Limited*	7,773	—
– Xinyi Power (Suzhou) Company Limited#	2,090	—
– Xinyi Glass (Guangxi) Company Limited*	405	—
– Xinyi Energy Smart (Wuhu) Company Limited*	5	—
	10,273	—
Amounts due to related companies		
– Wuhu Jinsanshi Numerical Control Technology Company Limited*	(10,731)	(91,397)
– Xinyi Energy Smart (Malaysia) Sdn Bhd*	(3,798)	(293)
– Polaron Energy Corp.#	(2,008)	—
– Xinyi Glass Japan Company Limited*	(203)	—
– Xinyi Glass (Guangxi) Company Limited*	—	(73,383)
– Xinyi Ultra-thin Glass (Dongguan) Company Limited*	—	(1,281)
– Anhui Xinyi Power Source Company Limited#	—	(470)
– Xinyi Glass~	—	(294)
	(16,740)	(167,118)

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

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

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

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

38 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Key management includes executive and non-executive directors as well as senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 HK$'000	2020 HK$'000
Basic salaries, bonus, other allowances and benefits	67,355	50,819
Retirement benefits-defined contribution scheme	66	85
Share options granted	1,645	950
	69,066	51,854

Details of directors' and the chief executive's emoluments are disclosed in Note 9(a).

39 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK$'000	2020 HK$'000
Assets - amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	7,502,414	5,516,615
Bills receivables (Note 24)	2,400,292	2,838,874
Finance lease receivables (Note 26)	259,153	219,802
Amounts due from related companies (Note 38(b))	10,273	—
Amount due from a joint venture (Note 16)	—	796
Cash and cash equivalents (Note 27)	7,458,267	9,291,194
	17,630,399	17,867,281
Liabilities - amortised cost		
Trade and other payables excluding accruals of staff cost, other taxes payable and deferred government grants	2,661,118	2,801,298
Bills payables (Note 31)	733,986	381,584
Bank borrowings (Note 32)	8,007,895	6,113,252
Lease liabilities (Note 20)	840,591	694,977
Amounts due to related companies (Note 38(b))	16,740	167,118
	12,260,330	10,158,229

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Interests in subsidiaries		1,648,441	1,634,923
Current assets			
Amounts due from subsidiaries		10,408,356	10,126,846
Prepayments and other receivables		1,892	634
Cash and cash equivalents		2,630	1,275
Total current assets		10,412,878	10,128,755
Total assets		12,061,319	11,763,678
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	889,076	880,925
Share premium	(a)	9,166,467	9,674,180
Share option reserve	(a)	22,312	11,046
Retained earnings	(a)	1,976,959	1,193,449
Total equity		12,054,814	11,759,600
Liabilities			
Current liabilities			
Accruals and other payables		6,505	4,078
Total current liabilities		6,505	4,078
Total equity and liabilities		12,061,319	11,763,678

The balance sheet of the Company was approved by the Board of Directors on 28 February 2022 and was signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman and Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Movement of share premium and retained earnings of the Company

	Share premium HK$'000	Share option reserve HK$'000	Retained earnings HK$'000
At 1 January 2020	2,956,278	8,197	192,641
Profit for the year	—	—	1,694,877
Employees' share option scheme:			
– exercise of employees' share options	18,275	(4,208)	—
– value of employee services	—	7,057	—
Issuance of shares in respect of scrip dividend of 2019 final dividend and 2020 interim dividend	923,421	—	—
Issuance of shares in respect of placing, net of transaction costs	6,463,235	—	—
Dividend:			
– 2019 final dividend	(687,029)	—	—
– 2020 interim dividend	—	—	(694,069)
At 31 December 2020	9,674,180	11,046	1,193,449
At 1 January 2021	**9,674,180**	**11,046**	**1,193,449**
Profit for the year	**—**	**—**	**2,294,744**
Employees' share option scheme:			
– exercise of employees' share options	**16,927**	**(3,174)**	**—**
– value of employee services	**—**	**14,440**	**—**
Issuance of shares in respect of scrip dividend of 2020 final dividend	**973,232**	**—**	**—**
Dividend:			
– 2020 final dividend	**(1,497,872)**	**—**	**—**
– 2021 interim dividend	**—**	**—**	**(1,511,234)**
At 31 December 2021	**9,166,467**	**22,312**	**1,976,959**

The Cayman Islands law permits dividends or other distributions to be paid out of share premium.

41 DISPOSAL OF A SUBSIDIARY

In November 2021, the Group donated 100% equity interest of Wuhu Xinyi Solar Technology Limited, a wholly-owned subsidiary which owns and operates 16MW distributed generation solar farm in the PRC, to the Wuhu Xinyi Charity Foundation for charitable purpose.

Net assets over which control was lost:

	HK$'000
Property, plant and equipment	55,133
Right-of-use assets	9,117
Deferred income tax assets	265
Trade and other receivables	30,852
Cash and cash equivalents	393
Trade payables, accruals and other payables	(18,766)
Lease liabilities	(10,393)
	66,601
Exchange reserve	(1,279)
Loss on disposal of a subsidiary	65,322
Net cash outflow arising from the disposal:	
Cash and cash equivalents disposed	393

Financial Summary

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
	Year ended 31 December				
Result					
Revenue	**16,064,655**	12,315,829	9,096,101	7,671,632	9,527,031
Cost of sales	**(8,516,183)**	(5,732,238)	(5,184,554)	(4,711,194)	(6,122,410)
Gross profit	**7,548,472**	6,583,591	3,911,547	2,960,438	3,404,621
Profit before income tax	**6,568,321**	5,758,394	3,092,654	2,246,340	2,789,435
Income tax expense	**(987,210)**	(735,268)	(294,059)	(204,662)	(265,336)
Profit for the year	**5,581,111**	5,023,126	2,798,595	2,041,678	2,524,099
Profit for the year attributable to:					
– the equity holders of the Company	**4,924,347**	4,560,853	2,416,462	1,863,146	2,332,031
– non-controlling interests	**656,764**	462,273	382,133	178,532	192,068
	5,581,111	5,023,126	2,798,595	2,041,678	2,524,099

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
	As at 31 December				
Assets and Liabilities					
Total assets	**49,070,353**	43,423,389	28,397,020	23,892,500	22,767,259
Total liabilities	**13,172,932**	11,398,871	9,823,891	11,833,582	11,086,903
	35,897,421	32,024,518	18,573,129	12,058,918	11,680,356
Equity					
Equity attributable to equity holders of the Company	**30,312,083**	26,521,806	14,176,846	10,433,809	10,121,127
Non-controlling interests	**5,585,338**	5,502,712	4,396,283	1,625,109	1,559,229
	35,897,421	32,024,518	18,573,129	12,058,918	11,680,356