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 2020

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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Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
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The Landmark
15 Queen's Road Central
Central, Hong Kong

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
Chiyu Banking Corporation Ltd.
Citibank, N.A.
DBS Bank
Hang Seng Bank
HSBC
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
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
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 2020: HK$20.25
Market capitalisation as of 31 December 2020: Approximately HK$178.4 billion

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting:
Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive)

Date of Annual General Meeting:
Friday, 28 May 2021

Closure of register of members for the purpose of entitlements to the final dividend:
Thursday, 3 June 2021 to Monday, 7 June 2021 (both days inclusive)

Proposed final dividend payable date:
On or about Wednesday, 7 July 2021

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 2020.

The year of 2020 was a year of challenges and surprises. The photovoltaic ("**PV**") market witnessed sharp ups and downs due to the epidemic situation. Despite the delay in the construction progress of PV projects because of the novel coronavirus (the "**COVID-19**") pandemic during the first half of 2020, the global PV deployment continued to remain strong and resilient in the whole year of 2020. To cope with the rapidly changing and uncertain market environment, the Group has adopted flexible business strategies, strengthened cost control measures and enriched its product portfolios to sharpen its competitive edge.

With both price and sales volume rising quickly in the second half of 2020, the profit contribution from the Group's solar glass business increased significantly in the year of 2020, driving the Group's profit to record another historic high. During the year, the Group achieved consolidated revenue of HK$12,315.8 million, representing an increase of 35.4% as compared to 2019. Profit attributable to the equity holders of the Company increased by 88.7% to HK$4,560.9 million. Basic earnings per share were 55.40 HK cents for 2020, as compared to 30.28 HK cents for 2019. A final dividend of 17.0 HK cents per share has been proposed, which is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting ("**AGM**").

SOLAR SECTOR REMAINED RESILIENT DURING THE COVID-19 PANDEMIC

In the first half of 2020, the lockdown measures and restrictions implemented by different countries as a result of the COVID-19 pandemic caused supply chain disruptions and construction delays of PV projects. With project developers and manufacturers adjusting their operations to adapt the ongoing social-distancing measures, the equipment supplies and the construction activities have gradually returned to close to normal levels since the middle of the year.

Although the pandemic situation in many countries has yet to be stabilised and new uncertainties are looming, COVID-19 has accelerated the policy support and the investments in solar energy as part of the recovery plan of some countries. This latest development, combined with rising sustainability awareness, has provided strong support for the future development of solar technology and enhanced the importance of solar power in the energy mix of different countries.

Generally speaking, the COVID-19 pandemic had no material impact on the business operations of the Group in 2020. As for the Group's solar glass business, the overall operation remained unaffected during the year. There was no disruption to raw glass production as all furnaces continued to run on a non-stop (24 hours/day) basis. Although certain processing works (like tempering and coating) were delayed in the first quarter of 2020 as some workers could not promptly return to the workplace because of the movement and quarantine restrictions, the impact was short term and minimal. There was no material delay in the supply of raw materials and delivery of finished products because of the epidemic. As for the Group's solar farm business, the development and construction works of some new solar farm projects were halted in the first quarter of 2020, but have gradually resumed since the second quarter of 2020 after the lifting of the movement and quarantine restrictions in certain cities of China. For the Group's solar farms in operation, because of their inherent nature (which would not be suspended even though there is pandemic), their daily operation and electricity generation were unaffected by the epidemic.

GLOBAL PV INSTALLATIONS SUSTAINED GROWTH EVEN AMID COVID-19 PANDEMIC

PV installations outside China were also unaffected in the first quarter of 2020, but largely suspended during the second quarter because of the rampant spread of COVID-19 around the world starting in late March and the full or partial lockdown measures implemented by most major countries. Overseas solar demand thus slumped until the gradual easing of the restrictions in mid-May. The actual impact of the restriction measures varied from country to country.

The United States (the "**U.S.**") recorded year-on-year increase in its new PV capacity installations in 2020 despite the impact of the COVID-19 pandemic. Work stoppages have mostly affected the relatively smaller distributed solar projects, but not the utility scale ground-mounted market. PV installations in the European Union ("**EU**") did not decrease but rather increased notably in 2020. According to SolarPower Europe, EU member states installed 18.2 gigawatts ("**GW**") of solar power capacity in 2020, an 11% improvement over the 16.2GW installed in the previous year. Among the top five PV markets in EU, three countries (Germany, Netherlands and Poland) recorded a year-on-year increase in PV capacity additions and two countries (Spain and France) recorded a year-on-year decrease in 2020. India, a key growth market, has taken the biggest hit from COVID-19. Its solar capacity additions were poised to record a substantial year-on-year drop in 2020 due to compounding issues such as slowing growth in power demand, high counterparty risks, and transmission bottlenecks.

Driven by the demands from the major PV markets including China, the U.S. and the EU, global PV installation has sustained growth in 2020, though dampened by the COVID-19 wave.

CHINA'S PV INSTALLATIONS HAVE EXHIBITED ROBUST RECOVERY

As a manufacturing hub of the global solar industry and with the largest annual PV capacity additions in the world, China continued to play a vital role in global PV development during the year.

In the first few months of 2020, PV installations in China remained very low. Construction activities were affected because of the reduced workforce, supply chain disruptions and quarantine restrictions. New PV capacity additions showed a 24% year-on-year decrease in the first quarter of 2020, amounting to 3.95GW only. However, with the gradual removal of restrictions in late March and the installation rush before the June 30 deadline for incomplete competitive bidding projects brought forward from 2019, the recovery started to emerge in the second quarter of 2020. For the first half of 2020, China added 11.5GW of PV capacity, roughly the same as that in the same period last year.

Since the second quarter of 2020, China has gradually gained control of the COVID-19 virus and PV installations in the country have subsequently exhibited a robust recovery. 48.2GW of PV capacity were installed in 2020, more than three quarters of which were added in the second half of the year.

UPSURGE IN DEMAND LED TO SOLAR GLASS SHORTAGE IN SECOND HALF OF 2020

The decrease in the solar component costs because of weakened demand in the first half of 2020, together with developers rushing to complete installations ahead of the deadline, triggered a strong and quick recovery of PV demand in the second half of 2020. The sharp increase in demand resulted in tremendous pressure on the supply chain of the PV industry, especially for solar glass. Not only did the sudden upsurge in demand largely outpace the solar glass supply capacity, but the changes in the industry standard – switching to bifacial and large format solar modules, also posed additional challenges to the industry.

Chairman's Statement

The excessive demand drove up the price of solar glass by more than 70% in the second half of 2020 and affected the production and delivery capabilities of some solar module manufacturers. There has been, however, no quick fix to the situation as the construction of a new solar glass production line normally takes one to two years.

CONTINUOUS CAPACITY EXPANSION AND PRODUCT DEVELOPMENT

To strengthen its market-leading position, the Group has enhanced its economies of scale through strategic expansion, which has included the establishment of a new production complex in Guangxi Zhuang Autonomous Region during the year. Two new solar glass production lines with a daily melting capacity of 1,000 tonnes each were added in June and August 2020, increasing the Group's aggregate melting capacity to 9,800-tonne/day. The timely expansion of production capacities has helped the Group to capture the business opportunities arising from the market recovery in the second half year. Moreover, the diversification of production base will enhance the Group's flexibility in fulfilling customers' orders from different regions.

As a measure to mitigate the rising raw material costs, the Group has developed its first low-iron silica sand mine, which is located near its production complex in Guangxi. This mine has commenced operation since the third quarter of 2020, which can help the Group to ensure more stable supply of raw materials in future.

As for product development, the Group has successfully developed and launched a wide range of solar glass products (including thin glass and large format glass) during the year for different applications of solar modules. Concurrently, the Group has adopted flexible pricing and proactive marketing strategies.

SOLAR FARM DEVELOPMENT IN THE MIDST OF TRANSITIONING TOWARDS GRID PARITY

For self-developed/constructed ground-mounted PV projects, despite the delay caused by the epidemic in the first quarter of 2020, the Group was able to increase 720 megawatts ("**MW**") of grid-connected capacity in 2020, which exceeded the annual installation target of 600MW it previously set.

Due to the declining proportion of subsidies and the simplified application procedures under the grid parity policy, the Group has commenced the shift of its development focus towards non-subsidised (grid parity) projects. New solar farm projects, with no subsidy and lower feed-in-tariff ("**FiT**"), would reduce the weighted average FiT and provide less revenue contribution per kilowatt-hour ("**kWh**") of electricity generation. However, such reduced reliance on subsidies could enable these projects to provide a more predictable and stable cash flow to the Group. During the year, the Group completed grid connection for 560MW of non-subsidised solar farm projects in different provinces/regions of China, including Guangxi, Guangdong, Anhui and Hebei. Leveraging the experience obtained from its in-house engineering, procurement and construction ("**EPC**") team over the years and continuously declining PV costs, the Group is confident that the development of non-subsidised projects can be quickly extended to more different areas.

In 2020, the Group also participated in subsidised ground-mounted PV projects and completed 160MW of grid connection for this type of project during the year. For the auction of new subsidised PV projects, the bidding mechanism is similar to that of last year. According to the bidding results released by National Energy Administration in June 2020, a total of 434 subsidised PV projects with the total capacity of about 26GW were approved, and among them the Group secured a 60MW project in Guangxi. Qualified projects were required to commence grid connection by the end of 2020. A delay of a quarter in completion would cause a reduction in FiT by RMB0.01 per kWh. Projects that fail to be completed before 30 June 2021 will not be qualified for the subsidies.

STABLE CONTRIBUTIONS FROM SOLAR POWER ELECTRICITY GENERATION

During the year, the Group added nine solar farms with an aggregate grid-connected capacity of 830MW, of which 720MW were developed and constructed by its own EPC team. Solar farm projects with a total capacity of 110MW were acquired by Xinyi Energy Holdings Limited ("**Xinyi Energy**") and its subsidiaries (collectively the "**Xinyi Energy Group**") from independent third parties. Notwithstanding the increase in the total grid-connected capacity, the revenue contribution from the Group's solar farm business showed only marginal growth and even some setbacks in 2020. Revenue from solar power generation increased 0.1% year-on-year during the year. This was mainly due to torrential rain and severe flooding in middle and lower reaches of the Yangtze River which reduced the power output of the Group's solar farms during summer – the usual peak period with highest electricity generation in a year.

As at 31 December 2020, the accumulated approved grid-connected capacity of the Group's solar farm projects was 3,470MW, of which 3,304MW was for utility-scale ground-mounted projects and 166MW was for rooftop distributed generation projects (with electricity generated for self-consumption and for sale to the grid). In terms of the ownership, solar farm projects with a capacity of 1,834MW were held through Xinyi Energy Group (of which 1,734MW were 50.05% owned and 100MW were 47.55% owned by Xinyi Solar); solar farm projects with a capacity of 1,536MW were held through the wholly-owned subsidiaries and a solar farm project with a capacity of 100MW was held by a joint-venture (50% owned by the Group).

As at 31 December 2020, out of the 3,304MW utility-scale ground-mounted solar farm projects owned by the Group, solar farms projects with a capacity of 1,584MW have already been enlisted on the Renewable Energy Power Generation Project List and solar farm projects with a capacity of 1,040MW are grid parity projects.

During the year, the Group has also strived to enhance the operational efficiency of its solar farms by monitoring the operating statistics on a real-time basis, performing regular cleaning, and implementing timely maintenance to minimise the risk of mechanical breakdown.

BUSINESS OUTLOOK

The outbreak of COVID-19 at the beginning of 2020 sent the world into lockdowns. However, its impact on the solar sector has gradually subsided despite certain virus containment measures remaining in place in some countries. Massive cost reductions in recent years have enabled solar power to compete directly with other energy sources. In addition, policy support and sustainability initiatives have provided extra push. All signs suggest that PV installations will continue to achieve robust growth in 2021.

Greater commitment to green and clean energy by different countries will further foster the growth of solar power. Among which China, the U.S. and the EU will lead the growth in the coming years. In the U.S., after rejoining the Paris Agreement to fight against climate change, the new administration is expected to accelerate the introduction of renewables policies and promote more deployment of solar power in the country. In the EU, COVID-19 has accelerated policy support, with 30% of the funding of the recovery package made available for the green transition. And for China, it plans to speed up and push forward green and low-carbon development, aiming to hit peak carbon emissions before 2030 and achieve carbon neutrality by 2060. As such, it has to undertake a nationwide transformation of its energy mix and substantially increase investment in renewable energy.

Chairman's Statement

Rapid growth of PV installations would continue to create additional demand for solar glass. However, as new solar glass capacities generally need about two years to fully come online, the market supply of solar glass is expected to remain tight in the near term. As for the supply in the longer run, industrial policies on capacity expansion will have an important bearing on the future of PV development in China. According to an exposure draft published by the Ministry of Industry and Information Technology in December 2020, the authority is planning to ease restrictions on investments in new solar glass production capacity. Under the proposed new regulations, solar glass manufacturers intending to add new capacity will not have to submit capacity replacement plans, but need to obtain technology, energy consumption and environmental accreditation by qualified industrial and professional agencies beforehand. This arrangement not only helps to remove a potential bottleneck for the future growth of the PV industry, but may also facilitate technological innovation and efficiency improvement in the solar glass industry.

Looking ahead, with PV installations increasing around the globe and the rising demand for thin glass due to the higher penetration of double-glass and bifacial modules, the market demand for solar glass is expected to stay high. In light of this, the Group will expedite construction work on capacity additions in 2021. For the four new solar glass production lines in Anhui with a daily melting capacity of 1,000 tonnes each, the previous timetable was to start a new line per quarter, but now the schedule has been advanced. The first line has already started trial run in late January. The second line and the two remaining lines are expected to commence operation by the end of March and the middle of the year, respectively. As a medium-term plan, the Group has started the planning and construction work for sixteen new solar glass production lines with a daily melting capacity of 1,000 each in Zhangjiagang (Jiangsu province) and Anhui. The construction of the four new production lines in Zhangjiagang is expected to complete in 2022. The Group will continuously review and adjust its expansion plan to adapt to the changing market conditions.

Soaring selling prices and increasing demand have triggered capacity expansion of some solar glass producers. Notwithstanding the increasingly fierce competition brought by the forthcoming rise in industrial supply, the Directors remain optimistic about the future growth of the Group's solar glass business as its scale advantage, product innovation, well-established operation system and continuous efficiency improvements will further enhance the Group's overall competitiveness.

Driven by the growing preference for bifacial solar modules and larger panels, the growth potential for thin glass and large format glass is expected to remain high. The Group will continue to step up efforts in investing in new product development and focusing on the niche areas in which it has a competitive advantage.

As for the solar farm business, the Group will continue to actively explore opportunities in different regions of China so as to boost its project pipeline and establish a more diversified solar farm portfolio. The annual installation target of the Group is set at 600MW for 2021.

The COVID-19 pandemic has brought unprecedented challenges to the global economy and business environment. Its future development and ultimate impact on different industries are not yet clear. However, it is believed that the PV industry would show stronger resilience despite the COVID-19 crisis as ongoing cost reductions and increasing awareness of sustainability will further drive the solar power market growth. The short-term setback has presented a good chance for policy makers to increase their commitments to solar power in their post-crisis economic stimulus packages, and through which to speed up the transition process to clean energy. As a leading company in the solar value chain, the Group will grasp the opportunities to promote the parallel development of the solar glass and solar farm businesses to further its business growth.

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

Hong Kong, 1 March 2021

Management Discussion and Analysis

FINANCIAL REVIEW

In 2020, the COVID-19 pandemic had a widespread negative effect on many industries. The PV industry was also affected to a certain extent, especially in the first half year when solar installations around the world were severely curtailed. Even though the COVID-19 situation continues to unfold, solar installation activities have gradually adapted to the "new normal" and showed robust growth during the second half year. The rapid recovery of downstream demand has driven the substantial growth in revenue and profit contributions of the Group's solar glass segment.

For the year ended 31 December 2020, the Group achieved consolidated revenue of HK$12,315.8 million, representing a 35.4% increase when compared to 2019. Profit attributable to equity holders of the Company increased by 88.7% to HK$4,560.9 million. Basic earnings per share were 55.40 HK cents for 2020, as compared to 30.28 HK cents for 2019.

Revenue

Revenue for the year ended 31 December 2020 was mainly derived from two business segments, namely, (a) sales of solar glass and (b) solar farm business which includes solar farm development, solar power generation and EPC services. The revenue growth for the year was mainly due to the solar glass segment.

Revenue – By Product

	Year Ended 31 December					
	2020		2019		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**9,992.3**	**81.1**	6,767.4	74.4	3,224.9	47.7
Solar farm business	**2,323.5**	**18.9**	2,328.7	25.6	(5.2)	(0.2)
Total external revenue*	**12,315.8**	**100.0**	9,096.1	100.0	3,219.7	35.4

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

Solar Glass Revenue – By Geographical Market

	Year Ended 31 December					
	2020		2019		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
The People's Republic of China ("**PRC**")	**7,646.3**	**76.5**	4,906.5	72.5	2,739.8	55.8
Other countries	**2,345.9**	**23.5**	1,860.9	27.5	485.0	26.1
Total solar glass revenue*	**9,992.3**	**100.0**	6,767.4	100.0	3,224.9	47.7

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

For the year ended 31 December 2020, solar glass sales revenue increased significantly by 47.7% to HK$9,992.3 million. The increase was primarily due to higher sales volume, increased average selling price ("**ASP**") and more thin glass sales.

Solar glass market witnessed a weak first half and a strong second half in 2020. Impacted by reduced demand due to the COVID-19 outbreak, the market price of mainstream solar glass product (3.2mm) declined by about 17% during the second quarter when compared to the beginning of the year. Despite the steady rise in PV installations in China around the middle of May, prices continued to stay at a relatively low level until July as suppliers needed to sell off their inventory backlog brought forward from the first half year. The continuous improvement in both domestic and overseas demand provided strong support for the recovery in the second half, leading to a price rebound from trough to peak of more than 70%. As a whole, the 2020 annual average market price of mainstream solar glass product (3.2mm) was about 12% higher than 2019.

The Group added a total of two new solar glass production lines in June and August 2020. This increased its aggregate daily melting capacity to 9,800 tonnes from 7,800 tonnes in the first half year and enabled it to benefit more from the market rebound in the second half year. In 2020, the Group's total solar glass sales volume (in terms of tonnage) grew by 19.6% year-on-year.

In view of the increasing demand for thin glass (for application in double-glass and bifacial solar modules) and large format glass (for application in 182mm and 210mm solar modules), the Group has adopted flexible production and marketing strategies to increase its market share of these types of products.

For sales of solar glass, the Group recorded year-on-year revenue growth of 55.8% and 26.1% in the PRC domestic market and overseas market, respectively. Overseas sales accounted for 23.5% (2019: 27.5%) of the Group's total solar glass sales in 2020.

Management Discussion and Analysis

Revenue from electricity generation for the year ended 31 December 2020 was derived from the Group's solar farms in the PRC as set forth below:

	Approved grid-connected capacity		
	As at 31 December 2020 *MW*	As at 30 June 2020 *MW*	As at 31 December 2019 *MW*
Utility-scale ground-mounted solar farms			
Anhui	**1,460**	1,460	1,370
Hubei	**450**	360	260
Guangxi	**400**	—	—
Others (Tianjin, Henan, Hebei, etc.)	**894**	844	744
Sub-total	**3,204**	2,664	2,374
Commercial distributed generation projects	**38**	38	38
Total	**3,242**	2,702	2,412
Total number of solar farms	**41**	36	32
Weighted average FiT * (RMB/kWh)	**0.74**	0.83	0.88

* 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 decreased slightly by 0.2% from HK$2,328.7 million in 2019 to HK$2,323.5 million in 2020. Revenue from solar power generation amounted to HK$2,230.9 million, representing 0.1% increase compared to HK$2,227.6 million in 2019 and EPC revenue decreased by 8.3% from HK$101.1 million in 2019 to HK$92.7 million in 2020.

During the year, the rainy season started earlier than normal in the regions along the Yangtze River, including Anhui, Fujian and major parts of Hubei. Moreover, heavy rainfall in June and July substantially reduced the electricity generation of solar farms located in these regions. It is worth noting as well that power generation from solar farms newly added in 2020 was modest as their installations were mostly delayed amid the COVID-19 pandemic.

Similar to other solar farm operators in the PRC, the Group has also experienced delays in subsidy collection in relation to electricity generation of its subsidised solar farm projects. As at 31 December 2020, the outstanding tariff adjustment (subsidy) receivable of the Group amounted to HK$3,885.5 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 2020, the Group received tariff adjustment (subsidy) payments of RMB551.4 million (equivalent to approximately HK$625.2 million).

Because of the one-off and ad-hoc nature of EPC projects, the Group believes that focusing efforts on self-owned solar farm developments can ensure more efficient utilisation of resources. Therefore, the Group's EPC revenue in 2020 was mainly derived from a 60%-owned subsidiary, Polaron Solartech Corp, which specialises in developing residential and commercial distributed generation PV projects in different provinces of Canada. Since EPC business is not a core business, the importance which the Group attaches to it is expected to decrease gradually.

Gross profit

Gross profit increased by HK$2,672.1 million, or 68.3%, from HK$3,911.5 million in 2019 to HK$6,583.6 million in 2020. Overall gross profit margin rose to 53.5% (2019: 43.0%). The enhanced gross profit performance was mainly the result of significant improvements in the solar glass business.

In 2020, gross profit margin of the solar glass business increased by 16.9 percentage points to 49.0% (2019: 32.1%). The remarkable increase in margin was mainly attributable to: (i) a higher ASP compared to last year (despite the declines in the second quarter of 2020, the annual average market price of mainstream solar glass products (3.2mm) still rose by about 12% year-on-year in 2020); (ii) reduction in the purchase costs of certain raw materials and energy (like soda ash and natural gas); (iii) continuous improvements in production efficiency; and (iv) increased revenue and profit contributions derived from thin glass products (2.5/2.0 mm).

Gross profit contribution from the solar farm business decreased by 3.1% in 2020 to HK$1,683.4 million (2019: HK$1,738.0 million) and accounted for 25.6% (2019: 44.4%) of the total gross profit of the Group. The decline in gross profit contribution was mainly due to the drop in electricity generation revenue of certain solar farms and increase in repair and maintenance charges. Gross profit margin of this segment slipped from 74.6% in 2019 to 72.5% in 2020.

Other income

During the year, the Group's other income increased by HK$60.0 million to HK$190.6 million, as compared to HK$130.6 million recorded in 2019. The increase was principally due to the additional government grants received by the Group.

Other losses, net

Other losses, net increased by HK$45.7 million to HK$51.1 million in 2020 from HK$5.4 million in 2019. Other losses, net in 2020 comprised: (i) foreign exchange losses of HK$19.2 million, of which HK$13.7 million was related to the realised losses for converting Hong Kong dollar ("**HKD**") into Renminbi ("**RMB**") to effect fund transfers between different subsidiaries within the Group during the year; and (ii) losses on disposal of property, plant and machinery of HK$32.0 million, which was mainly related to the replacement, upgrade and modification of certain solar glass processing facilities of the Group so as to further enhance overall production efficiency.

Management Discussion and Analysis

Selling and marketing expenses

Selling and marketing expenses increased by 12.5% from HK$281.5 million in 2019 to HK$316.6 million in 2020. The percentage increase in selling and marketing expenses was lower than the percentage increase in solar glass sales volume because higher sales growth was recorded in the PRC domestic market than the overseas market in 2020 and hence lowered the increase in transportation cost during the year. Selling and marketing expenses to revenue ratio dropped from 3.1% in 2019 to 2.6% in 2020, mainly due to the upsurge in the selling prices of solar glass products.

Administrative and other operating expenses

Administrative and other operating expenses increased by HK$121.1 million, or 28.3%, from HK$427.2 million in 2019 to HK$548.2 million in 2020. The increase was mainly attributable to the increase in research and development expenses of HK$66.7 million and employee benefit expenses of HK$48.0 million. Because of the increased revenue and certain expenses being relatively fixed, the ratio of administrative and other operating expenses to revenue decreased from 4.7% in 2019 to 4.5% in 2020.

Finance costs

Finance costs decreased from HK$303.5 million (or HK$341.5 million before capitalisation) in 2019 to HK$191.0 million (or HK$229.0 million before capitalisation) in 2020. The decrease was mainly attributable to declining interest rates and reduction in average bank borrowings of the Group. During the year, interest expense of HK$38.0 million (2019: 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 2020, the Group recorded a share of profit in a joint venture of HK$35.8 million (2019: HK$39.4 million), attributable to contributions from Xinyi Solar (Lu'an) Company Limited, a 50%-owned joint venture that engages in the management and operation of a 100MW solar farm in Lu'an, Anhui Province, the PRC.

Income tax expense

Income tax expense increased from HK$294.1 million in 2019 to HK$735.3 million in 2020. The increase was primarily attributable to the net impact of: (i) increased profit from the solar glass business; (ii) corporate income tax ("**CIT**") exemption/ reduction period of certain solar farms had expired during the year; and (iii) recognition of deferred tax assets in relation to the investment tax allowance on qualifying capital expenditure of a subsidiary of the Group in Malaysia.

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

EBITDA and net profit

In 2020, the Group's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK$6,853.6 million, representing an increase of 62.0% as compared to HK$4,231.6 million in 2019. The EBITDA margin (calculated based on total revenue for the year) was 55.6% in 2020 as compared to 46.5% in 2019.

Net profit attributable to equity holders of the Company in 2020 was HK$4,560.9 million, representing an increase of 88.7%, as compared to HK$2,416.5 million in 2019. Net profit margin attributable to equity holders of the Company increased to 37.0% in 2020 from 26.6% in 2019, mainly due to the net impact of: (i) enhanced profitability of the solar glass business; (ii) lower finance costs; and (iii) reduction in profit sharing from Xinyi Energy Group due to the dilution impact resulting from the spin-off of Xinyi Energy Group in May 2019, the disposals of 540MW and 230MW solar farm projects to Xinyi Energy in June 2019 and September 2020, respectively, and the placing of new shares by Xinyi Energy in September 2020.

Financial resources and liquidity

In 2020, total assets of the Group increased by 52.9% to HK$43,423.4 million and shareholders' equity increased by 87.1% to HK$26,521.8 million. Current ratio as at 31 December 2020 was 2.6, compared to 1.8 as at 31 December 2019. The improvement in current ratio was primarily due to: (i) improved cash flows of the solar glass business; (ii) increase in cash and cash equivalents as a result of the placing of new shares by Xinyi Solar and Xinyi Energy during the year; and (iii) decrease in bank borrowings.

The confluence of the cash flow generated from the Group's business operations and equity fund raising has substantially strengthened the Group's financial position. As at 31 December 2020, total cash and cash equivalents of the Group stood at HK$9,291.2 million, 318.3% higher than the corresponding figure at 31 December 2019. For the year ended 31 December 2020, net cash inflow from operating activities amounted to HK$4,284.5 million (2019: HK$1,582.8 million). The increase was primarily attributable to the strong business and cash flow performance of the solar glass segment. Net cash used for investing activities amounted to HK$3,194.8 million in 2020 (2019: HK$2,262.4 million). The increase was primarily due to capital expenditures in relation to solar glass capacity expansion and investments in new solar farm projects. Net cash generated from financing activities amounted to HK$5,887.0 million in 2020 (2019: HK$2,126.8 million). During the year, the Group secured new bank borrowings of HK$2,508.4 million, and repaid bank borrowings of HK$3,096.5 million. Through the placing of new shares, Xinyi Solar and Xinyi Energy raised net proceeds of HK$6,521.4 million and HK$893.2 million, respectively, in 2020.

The Group was in a net cash position as at 31 December 2020. As at 31 December 2019, the Group's net debt gearing ratio (calculated as bank borrowings less cash and cash equivalents divided by total equity) was 24.0%. The change in the Group's gearing level was primarily due to: (i) increase in cash and cash equivalents; and (ii) decrease in bank borrowings.

Management Discussion and Analysis

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$3,288.0 million for the year ended 31 December 2020 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 2020 amounted to HK$1,391.1 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

No assets of the Group were pledged as security for bank borrowings as of 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in notes 15 and 18 to the consolidated financial statements, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2020.

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.

The table below sets out the proposed application of the net proceeds and actual utilisation up to 31 December 2020.

	Proposed application of the net proceeds *HK$ million*	Amount utilised up to 31 December 2020 *HK$ million*	Unutilised balance up to 31 December 2020 *HK$ million*	Expected timeline for the application of the unutilised net proceeds (Note)
Placing in September 2020				
Solar glass production capacity expansion	2,116.5	868.1	1,248.4	End of 2021
General working capital	529.1	529.1	—	
Total	2,645.6	1,397.2	1,248.4	
Placing in December 2020				
Solar glass production capacity expansion	1,937.9	—	1,937.9	End of 2021
Development and construction of new solar farm projects	1,162.7	6.3	1,156.4	End of 2021
General working capital	775.2	775.2	—	
Total	3,875.8	781.5	3,094.3	

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

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

On 6 January 2021, Xinyi Power (BVI) Limited ("**Xinyi Power (BVI)**"), a wholly-owned subsidiary of the Company, entered into two sale and purchase agreements ("**S&P Agreements**") with Xinyi Energy in respect of the proposed disposals of the entire equity interest in Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited by Xinyi Power (BVI) to Xinyi Energy, respectively for a consideration to be calculated based on the formula respectively set forth in the S&P Agreements. Through their respective subsidiaries, Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited respectively owns and operates solar farms with an aggregated approved capacity of 250MW and 270MW in the PRC. The disposal of the entire equity interest in Xinyi Solar Farm (Group 6) Limited was completed on 11 February 2021 at a cash consideration of HK$530.9 million, and the disposal of the entire equity interest in Xinyi Solar Farm (Group 7) Limited is expected to be completed on or before 31 December 2021.

Save as disclosed above, no significant event has taken place subsequent to 31 December 2020 and up to the date of this report.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollar ("**USD**"). Given the pegged exchange rate between HKD and USD, the Directors do not foresee that the Group is subject to significant foreign exchange risk for transactions conducted in HKD or USD. However, exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group's performance and asset value. The Group also has solar glass production facilities and production activities in Malaysia. Exchange rate fluctuations between Malaysian Ringgit and HKD could also affect the Group's performance and asset value.

Because of the rebound in the exchange rate between RMB and HKD in 2020, the Group reported non-cash translation gains — an increase in the reserve of its consolidated balance sheet — when translating RMB-denominated assets into HKD. For the year ended 31 December 2020, exchanges gains of HK$1,452.7 million were recorded as the exchange reserve movement. As a result, the Group's consolidated exchange reserve account recorded a credit balance of HK$294.4 million as of 31 December 2020 as compared to a debit balance of HK$1,158.3 million as of 31 December 2019.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst its bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance to minimise the risk of currency mismatch between the source of revenue with bank borrowings and the advantage of the lower borrowing rates of HKD as compared to those of the RMB. As at 31 December 2020, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2020, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had about 5,079 full-time employees of whom 4,241 were based in Mainland China and 838 were based in Hong Kong, Malaysia and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK$466.5 million for the year ended 31 December 2020.

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 consistent with the prevailing levels in the market 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 Group's performance and the performance of the individual employee.

Profile of Directors and Senior Management

CHAIRMAN AND EXECUTIVE DIRECTOR

Dr. LEE Yin Yee, B.B.S. (李賢義), aged 68, 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 32 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 45, 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 has also been an executive director of Xinyi Energy, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 03868), since June 2015.

Mr. LI Man Yin (李文演), aged 66, 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 63, 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 business. Mr. CHEN Xi was appointed as an 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.

NON-EXECUTIVE DIRECTOR

Tan Sri Datuk TUNG Ching Sai ***P.S.M, D.M.S.M, J.P.*** **(董清世)**, aged 55, 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 *P.S.M, D.M.S.M, J.P.* joined our Group in July 2006. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* has been working in Xinyi Glass Group for 32 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, 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 *P.S.M, D.M.S.M, 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 *P.S.M, D.M.S.M, 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 *P.S.M, D.M.S.M, J.P.* is the brother-in-law of Dr. LEE Yin Yee, B.B.S., the 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 *P.S.M, D.M.S.M, J.P.* has also been the chairman and non-executive director of Xinyi Electric Storage Holdings Limited (formerly known as Xinyi Automobile Glass Hong Kong Enterprises Limited), a company listed on the GEM of the Hong Kong Stock Exchange (stock code: 08328). Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* has also been an executive director and vice chairman of Xinyi Energy, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 03868), since May 2018.

Profile of Directors and Senior Management

Mr. LEE Shing Put (李聖潑), B.B.S., aged 43, 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) and the 6th Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference (政協深圳市第六屆委員會常委). Mr. LEE Shing Put, B.B.S. is an executive director and chairman of the board, chairman of the nomination committee and a member of the remuneration committee of Xinyi Energy, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 03868), since August 2020. 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 *P.S.M, D.M.S.M, J.P.,* the Vice Chairman and a non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHENG Kwok Kin Paul (鄭國乾), aged 69, 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 38, 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 73, is 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, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 00109), during June 2015 to July 2020.

SENIOR MANAGEMENT

Mr. CHU Charn Fai (朱燦輝), aged 51, 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 (a company listed on the Hong Kong Stock Exchange, now known as MMG Limited) (stock code: 01208) 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 higher diploma in business studies from City Polytechnic of Hong Kong in 1992, a bachelor's degree in applied computing from The Open University of Hong Kong in 2001 and 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 41, 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. WEN Jie (文杰), aged 59, is our General Manager of Sales, responsible for overseeing the sales function of our photovoltaic glass business. Mr. WEN studied chemical technology at Tianjin Chemical Vocational University* (天津市化工職業大學) from 1980 to 1983. From 1997 to 2004, Mr. WEN worked in Tianjin Nippon Sheet Glass Co. Ltd.* (天津日板浮法玻璃有限公司) as a sales manager. From 2004 to 2009, Mr. WEN worked for Tianjin NFG Glass Fibre Co., Ltd. (天津日硝玻璃纖維有限公司). Mr. WEN joined us in May 2009 as the vice general manager of sales.

* *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 2020.

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 2020.

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 *P.S.M, D.M.S.M, J.P.* and Mr. LEE Shing Put, B.B.S. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is the brother-in-law of Dr. LEE Yin Yee, B.B.S and uncle of Mr LEE Shing Put, B.B.S.. Mr. LEE Shing Put, B.B.S. is the son of Dr. LEE Yin Yee, B.B.S., a cousin of Mr. LEE Yau Ching and a nephew of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, 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 meetings in 2020 are as follows:

	Meetings attended/held	
Directors	General meeting	Board meetings
Executive		
LEE Yin Yee	1/1	4/4
LEE Yau Ching	1/1	4/4
LI Man Yin	1/1	4/4
CHEN Xi	0/1	4/4
Non-executive		
TUNG Ching Sai	1/1	4/4
LEE Shing Put	1/1	4/4
Independent non-executive		
CHENG Kwok Kin, Paul	1/1	4/4
LO Wan Sing, Vincent	1/1	4/4
KAN E-ting, Martin	1/1	4/4

At least four Board meetings are scheduled to be held during the year ending 31 December 2021.

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 other 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 2020 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 *P.S.M, D.M.S.M, J.P.*, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin. The chairman of the Remuneration Committee is Mr. LO Wan Sing, Vincent.

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.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2020 is set forth below:

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

Details of the Directors' remuneration is set out in Note 9 to the consolidated financial statements of the Group 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 and 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 *P.S.M, D.M.S.M, J.P.*, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin. 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 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 56 to 60 of this annual report.

AUDITORS' REMUNERATION

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

Auditors' remuneration	HK$'000
– Audit services	3,210
– Non-audit services	—

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 2020.

Corporate Governance Report

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 on a rotational basis 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 2020 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 2020.

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 code provision A.6.5 of 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 2020, 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 AND PUTTING FORWARD PROPOSALS AT 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 Annual General Meeting 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 2020.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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 provision of engineering, procurement and construction ("**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 2020 and the future development are set out in the Chairman's Statement from pages 4 to 9 and Management Discussion and Analysis from pages 10 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 2020 are set out in the consolidated income statement on page 61 in this annual report. During the year, an interim dividend of 8.5 HK cents per share, amounting to a total of approximately HK$694.1 million, was paid to shareholders in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend on 23 September 2020.

The Board proposes the payment of a final dividend of 17.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 7 June 2021. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or about Wednesday, 7 July 2021.

The register of members will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, both days inclusive, during such 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, 2 June 2021.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Tuesday, 25 May 2021 to Friday, 28 May 2021, 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 Annual General Meeting, 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 Monday, 24 May 2021.

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 installed solar power generation system on the rooftop of its new production complex in Guangxi. 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 2019 of the Group was published on 10 July 2020, which is available for download at the websites of the Stock Exchange and the Company. The Group is in the process of preparing the ESG report for the year ended 31 December 2020 and will publish it on the Stock Exchange's website and the Company's website on or before 21 July 2021.

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 2020, 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 and other purposes during the year ended 31 December 2020 amounted to HK$15,713,000 (2019: HK$984,000).

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.

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 outbreak**") 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 9 and Management Discussion and Analysis from pages 10 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 and Exposure to Fluctuation in Foreign Exchange Rates" in the Management Discussion and Analysis on page 18 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 86 to 94 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 2020 and without taking into account the proposed final dividend of 17.0 HK cents per Share for the year then ended, share premium amounting to approximately HK$9,674.2 million (2019: HK$2,956.3 million) and retained earnings of HK$1,193.4 million (2019: HK$192.6 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 2020 and 2019.

Report of the Directors

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 of the Company.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

In accordance with article 84 of the Company's articles of association, Mr. CHEN Xi, Mr. LEE Shing Put, B.B.S. and Mr. CHENG Kwok Kin, Paul will retire 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; and

(iv) annual director's fees are as follows:

Chairman of the Audit Committee	:	HK$300,000 per annum for the year ended 31 December 2020 and HK$300,000 per annum for the year ending 31 December 2021.
All other directors	:	HK$250,000 per annum for the year ended 31 December 2020 and HK$250,000 per annum for the year ending 31 December 2021.

During the year ended 31 December 2020, 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 continuing connected transaction disclosed on pages 52 to 54 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 ended 31 December 2020.

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 2020.

SHARE OPTION SCHEME

(a) Share Option Scheme of the Company

In June 2014, the Company adopted a share options scheme (the "**Share Option Scheme**"). The following table sets forth movements in the share options of the Company for the year ended 31 December 2020:

	Grant date	Exercise price (HK$)	Price of the Company's shares immediately before the grant date (HK$)	Vesting period	Exercisable period	At 1/1/2020	Granted	Number of share options Exercised	Lapsed	Cancelled	At 31/12/2020
Executive director – Mr. CHEN Xi	31/3/2017	2.48[(1)]	2.50	31/3/2017-31/12/2019	1/4/2020-31/3/2021	377,559	—	(377,559)[(2)]	—	—	—
	29/3/2018	3.18	3.17	29/3/2018-31/12/2020	1/4/2021-31/3/2022	375,000	—	—	—	—	375,000
	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
Continuous contract employees	23/3/2016	2.78[(1)]	2.87	23/3/2016-31/12/2018	1/4/2019-31/3/2020	158,955	—	(158,744)[(3)]	(211)	—	—
	31/3/2017	2.48[(1)]	2.50	31/3/2017-31/12/2019	1/4/2020-31/3/2021	5,585,284	—	(5,354,060)[(4)]	(20,149)	—	211,075
	29/3/2018	3.18	3.17	29/3/2018-31/12/2020	1/4/2021-31/3/2022	7,076,000	—	—	(184,000)	—	6,892,000
	28/3/2019	3.76	3.72	28/3/2019-31/12/2021	1/4/2022-31/3/2023	8,225,000	—	—	(195,500)	—	8,029,500
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	—	8,214,000	—	(60,500)	—	8,153,500
Total						22,172,798	8,589,000	(5,890,363)	(460,360)	—	24,411,075

Notes:

(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 weighted average closing price of shares immediately before the dates on which the options were exercised were HK$8.21.

(3) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$5.71.

(4) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$7.11.

For the year ended 31 December 2020, 8,589,000 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 2020 was estimated at HK$8,756,000. The fair value of the share options granted to the Director and eligible employees of the Group were HK$382,000 and HK$8,374,000, respectively. The value of the share options granted during the year ended 31 December 2020 is to be expensed through the Group's income statement over the three-year vesting period of the options.

The fair value of share options granted by the Company during the year ended 31 December 2020 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$)	4.39
Exercise price (HK$)	4.39
Volatility (%)	39.76
Dividend yield (%)	3.19
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.60

During the year ended 31 December 2020, 5,890,363 share options (2019: 9,194,966) were exercised. Taking into account the share options exercised or lapsed subsequent to 31 December 2020, as of 1 March 2021, a total of 24,372,561 share options were still outstanding under the Share Option Scheme which represents approximately 0.28% 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 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 per cent. 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 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 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. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(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 2020:

						Number of XYE Share Options					
	Grant date	Exercise price (HK$)	Price of Xinyi Energy's shares immediately before the grant date (HK$)	Vesting period	Exercisable period	At 1/1/2020	Granted	Exercised	Lapsed	Cancelled	At 31/12/2020
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
Continuous contract employees	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	—	1,452,500	—	(73,000)	—	1,379,500
Total						—	1,902,500	—	(73,000)	—	1,829,500

During the year ended 31 December 2020, 1,902,500 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$741,000. The fair value of the XYE Share Options granted to Director and eligible employees of the Xinyi Energy Group were HK$175,000 and HK$566,000, respectively.

The value of the XYE Share Options granted during the year ended 31 December 2020 is to be expensed through the income statement of Xinyi Energy over the three-year vesting period of share options.

The fair value of XYE Share Options granted during the year ended 31 December 2020 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$)	2.12
Exercise price (HK$)	2.18
Volatility (%)	41.47
Dividend yield (%)	6.37
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.60

Taking the XYE Share Options lapsed subsequent to 31 December 2020, as at 1 March 2021, a total of 1,829,500 XYE Share Options were still outstanding under the XYE Share Option Scheme which represents approximately 0.026% 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 2020, 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:

Report of the Directors

THE COMPANY AND ASSOCIATED CORPORATIONS

(i) Long positions in the Shares of the Company

Name of Director	Capacity	Name of the controlled corporation	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)	850,641,989	9.656%
	Interest in persons acting in concert (2)		1,436,947,402	16.312%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Interest in a controlled corporation(3)	Copark (as defined below)	218,010,049	2.475%
	Family interest(3)		16,279,822	0.185%
	Interest in persons acting in concert (2)		2,053,299,520	23.308%
Mr. LI Man Yin	Interest in a controlled corporation(4)	Perfect All (as defined below)	90,279,566	1.025%
	Personal interest(4)		3,942,784	0.045%
	Family interest(4)		1,623,254	0.018%
	Interest in persons acting in concert (2)		2,191,743,787	24.880%
Mr. LEE Yau Ching	Interest in a controlled corporation(5)	Telerich (as defined below)	298,742,161	3.391%
Mr. CHEN Xi	Personal interest(6)		230,476	0.003%

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 850,641,989 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 *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) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") which is the registered owner of 218,010,049 Shares. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* also has 16,279,822 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 298,742,161 Shares.

(6) Mr. CHEN Xi has 230,476 shares held through his spouse, Madam MAO Ke.

(ii) Share options of the Company

As at 31 December 2020, there were a total of 1,125,000 outstanding share options of the Company granted to an executive director of the Company under the Share Option Scheme of the Company. Details of which are summarised as follows:

Name of Director	:	Mr. CHEN Xi	Mr. CHEN Xi	Mr. CHEN Xi
Date of grant	:	31 March 2020	28 March 2019	29 March 2018
Number of share options granted	:	375,000	375,000	375,000
Number of share options outstanding at 31 December 2020	:	375,000	375,000	375,000
Exercise period	:	1 April 2023 to 31 March 2024	1 April 2022 to 31 March 2023	1 April 2021 to 31 March 2022
Exercise price per Share	:	HK$4.39	HK$3.76	HK$3.18
Capacity in which interest is held	:	Beneficial owner	Beneficial owner	Beneficial owner
Approximate percentage of the Company's issued share capital at 31 December 2020	:	0.004%	0.004%	0.004%

(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 2020:

Name of Director	Capacity	Name of the controlled corporation	Number of shares held in Xinyi Energy	Approximate percentage of Xinyi Energy's issued share capital
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 *P.S.M, D.M.S.M, 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 directly 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 *P.S.M, D.M.S.M, 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 *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 dispose of their XYE Shares received at the time of listing of Xinyi Energy.

(4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, 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 *P.S.M, D.M.S.M, 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 2020, 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 Shares 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 POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2020, 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 Shareholder	Capacity	(L/S)*	Number of Shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	(L)	2,013,600,933	22.858%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	(L)	2,013,600,933	22.858%
Xinyi Glass Holdings Limited	Beneficial owner	(L)	831	0.00001%
	Interest in a controlled corporation	(L)	2,013,600,933	22.858%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	(L)	308,003,771	3.496%
	Family interest(1)	(L)	19,265,333	0.219%
	Interest in persons acting in concert(2)	(L)	1,960,320,287	22.253%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	(L)	298,742,161	3.391%
	Personal interest(3)	(L)	2,374,786	0.027%
	Joint interest(3)	(L)	34,571,729	0.392%
	Interest in persons acting in concert(2)	(L)	1,951,900,715	22.157%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	(L)	130,562,133	1.482%
	Personal interest	(L)	2,000,000	0.023%
	Interest in persons acting in concert(2)	(L)	2,155,027,258	24.463%
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	(L)	121,714,337	1.382%
	Personal interest	(L)	3,690,043	0.042%
	Interest in persons acting in concert(2)	(L)	2,162,185,011	24.545%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	(L)	88,222,041	1.002%
	Personal interest	(L)	2,514,901	0.029%
	Interest in persons acting in concert(2)	(L)	2,196,852,449	24.938%
Mr. LI Ching Leung	Interest in a controlled corporation(7)	(L)	86,858,695	0.986%
	Personal interest(7)	(L)	7,830,166	0.089%
	Family interest(7)	(L)	461,831	0.005%
	Interest in persons acting in concert(2)	(L)	2,192,438,699	24.888%

Name of substantial Shareholder	Capacity	(L/S)*	Number of Shares held	Approximate percentage of the Company's issued share capital
JPMorgan Chase & Co. ("**JPMC**")	Interest in controlled corporations	(L)	82,260,521	
	Investment manager	(L)	208,636,000	
	Person having a security interest in shares	(L)	42,932,000	
	Trustee	(L)	214,300	
	Approved lending agent	(L)	215,995,670	
	Sub-total		550,038,491[(8)]	6.244%
	Interest in controlled corporations	(S)	46,456,646[(9)]	0.527%

* (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 19,265,333 Shares held through 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 2,374,786 Shares held in his own name and 34,571,729 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 18,928,957 underlying Shares through JPMC's holding of certain unlisted derivatives (physically settled: 12,498,246 Shares; cash settled: 6,430,711 Shares).

(9) It included an aggregate interest in 28,846,391 underlying shares through JPMC's holding of certain listed derivatives (cash settled: 853,600 Shares) and certain unlisted derivatives (physically settled: 161,397 Shares; cash settled: 27,831,394 Shares).

PERSONS WHO HAVE AN INTEREST OR SHORT POSITIONS WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2020, the following Directors is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short positions	Position within such company
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Xinyi Group (Glass) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Xinyi Automobile Glass (BVI) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Xinyi Glass Holdings Limited	Director
Dr. LEE Yin Yee, B.B.S.	Realbest Investment Limited	Director
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Copark Investment Limited	Director
Mr. LI Man Yin	Perfect All Investments Limited	Director
Mr. LEE Yau Ching	Telerich Investment Limited	Director

Saved as disclosed above, the Directors are not aware of any person (other than the Directors or the chief executive of the Company the interests of which were disclosed above) who had an interest or short positions in the Shares and underlying Shares that were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2020.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2020, 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 2020, 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	12.0%
– five largest customers in aggregate	51.6%
Purchases	
– the largest supplier	11.0%
– five largest suppliers in aggregate	34.3%

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 2020 amounted to HK$6,113.3 million (2019: HK$6,683.1 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 2020, the Group had about 5,079 full-time employees of whom 4,241 were based in Mainland China and 838 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

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in Note 38 to the consolidated financial statements. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules, as identified below.

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

On 30 September 2020, the Group completed the disposal (the "**Disposal**") of all issued shares of Xinyi Solar Farm (Group 3) Limited ("**Xinyi Solar Farm (3)**") to Xinyi Energy at a cash consideration of HKD82.9 million. Xinyi Solar Farm (3), through its subsidiaries, owns and operates 230MW solar farm projects in the PRC. Upon completion of the Disposal, the Company's indirect interest in Xinyi Solar Farm (3) was reduced from 100% to 50.05%.

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For further details about the Disposal, please refer to the Company's announcement dated 16 March 2020.

Continuing connected transactions

During the year ended 31 December 2020, the Group had the following continuing connected transactions, details of which are set out below:

1) *Purchase of glass products*

   As disclosed in the Company's announcements dated 19 December 2019, the Company entered into glass supply framework agreement ("**Glass Supply Framework Agreement**") with Xinyi Group (Glass) Company Limited ("**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 2020. The purpose of the Glass Supply Framework Agreement was to secure a stable and reliable supply source of float glass and architectural glass products with savings in transportation and handling costs. As the business of the Group continued to grow and the significant increase in the market prices of float glass products, the annual cap amount under the Glass Supply Framework Agreement was revised on 24 December 2020.

   The annual cap and the actual transaction amount of the transactions contemplated under the Glass Supply Framework Agreement for the year ended 31 December 2020 is HK$169,900,000 and HK$109,938,000 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 Supply Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

2) *Purchase of machineries*

As disclosed in the Company's announcement dated 19 December 2019, the Group entered into equipment purchase framework agreement ("**Equipment Purchase Framework Agreement**") with Wuhu Jinsanshi Numerical Control Technology Company Limited ("**Wuhu Jinsanshi**") in relation to the purchase the production equipment and auxiliary facilities from Wuhu Jinsanshi by the Group for the year ended 31 December 2020. The purpose of entering into the Equipment Purchase Framework Agreement 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 Agreement for the year ended 31 December 2020 are HK$152,400,000 and HK$83,368,000 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 Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

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 2020 are approximately RMB12,000,000 and RMB7,807,000 (equivalent to approximately HK$8,712,000), 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 a 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 circulars dated 2 November 2018 and 15 May 2019.

Report of the Directors

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 listed issuer 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 52 to 54 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set out in 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 2020.

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

Particulars of the subsequent events are set out in Note 41 to the consolidated financial statements in 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 Friday, 28 May 2021, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 9:30 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 despatched to the Shareholders in due course.

On Behalf of the Board

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

Hong Kong, 1 March 2021

Independent Auditor's Report

pwc 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") set out on pages 61 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 a summary of significant accounting policies.

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 2020, 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.

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.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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, 2.15, 4(a) and 24 to the consolidated financial statements. Trade receivables amounted to HK$5,316,373,000 as at 31 December 2020. 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.	We understood and evaluated the controls procedures over management's recoverability assessment on the overdue and long-aged trade receivables and assessment on the lifetime expected credit loss allowance. We tested the collectability of the overdue and long-aged trade receivables balance such as subsequent settlement after year end date within ordinary settlement cycle of respective customers, credit history, business performance and financial capability of the customers. We also assessed management's assessment of the lifetime expected credit loss allowance by comparing to supportable evidence about the past settlement profiles of sales and the corresponding historical credit losses. We considered the current and forward-looking information and factors by reference to industry information.

Key Audit Matter	How our audit addressed the Key Audit Matter
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 profiles of sales over a period of 24 months and the corresponding historical credit losses experience within this period adjusted with current and forward-looking information on macroeconomic factors that affects the ability of the customers to settle the receivables. 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 require a high degree of judgment and estimates, including assessments on the default rates of customers and the successfulness of the respective solar farm's registration to the Project List.	In relation to the tariff adjustment receivables, we 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 also tested, on a sample basis, the accuracy of the ageing profile of the trade receivables. Based on the procedures described, we consider management's assessment on recoverability of overdue and long-aged trade receivables is supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Corporate Information, Chairman's Statement, Management Discussion and Analysis, Profile of Directors and Senior Management, Corporate Governance Report, Report of the Directors and Financial Summary (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.

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 judgment 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, 1 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	12,315,829	9,096,101
Cost of sales	7	(5,732,238)	(5,184,554)
Gross profit		6,583,591	3,911,547
Other income	5	190,608	130,593
Other losses, net	6	(51,146)	(5,434)
Selling and marketing expenses	7	(316,610)	(281,533)
Administrative and other operating expenses	7	(548,216)	(427,156)
Impairment losses on trade receivables	7, 24(b)	(5,029)	(14,429)
Operating profit		5,853,198	3,313,588
Finance income	10	60,532	49,088
Finance costs	10	(190,954)	(303,507)
Share of profits of a joint venture	16	35,821	39,371
Share of losses of associates		(203)	(5,886)
Profit before income tax		5,758,394	3,092,654
Income tax expense	11	(735,268)	(294,059)
Profit for the year		5,023,126	2,798,595
Profit for the year attributable to:			
– the equity holders of the Company		4,560,853	2,416,462
– non-controlling interests		462,273	382,133
		5,023,126	2,798,595
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	12(a)	55.40	30.28
– Diluted	12(b)	55.32	30.27

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Profit for the year		**5,023,126**	2,798,595
Other comprehensive income/(loss) for the year, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences		**1,879,552**	(427,391)
Share of other comprehensive income/(loss) of a joint venture accounted for under equity method			
– Share of currency translation differences	16	**25,680**	(9,292)
Total comprehensive income for the year		**6,928,358**	2,361,912
Total comprehensive income for the year attributable to:			
– the equity holders of the Company		**6,013,549**	2,086,000
– non-controlling interests		**914,809**	275,912
		6,928,358	2,361,912

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	19	20,406,175	16,710,968
Right-of-use assets	20	1,407,700	1,249,116
Intangible assets	21	24,777	10,471
Prepayments for land use rights and property, plant and equipment	25	809,271	319,143
Finance lease receivables	26	211,521	189,944
Interests in a joint venture	16	365,751	334,860
Investments in associates	17	69,034	69,237
Deferred income tax assets	33	251,119	46,091
Total non-current assets		23,545,348	18,929,830
Current assets			
Inventories	22	728,277	410,480
Contract assets	23	51,296	39,620
Trade receivables	24	5,297,159	4,242,392
Bills receivables	24	2,838,874	1,194,111
Prepayments, deposits and other receivables	25	1,662,164	1,347,567
Finance lease receivables	26	8,281	6,335
Amount due from a joint venture	16	796	5,630
Cash and cash equivalents	27	9,291,194	2,221,055
Total current assets		19,878,041	9,467,190
Total assets		43,423,389	28,397,020
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	880,925	808,186
Share premium and other reserves	30	13,107,452	4,217,941
Retained earnings		12,533,429	9,150,719
		26,521,806	14,176,846
Non-controlling interests		5,502,712	4,396,283
Total equity		32,024,518	18,573,129

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	33	**11,936**	11,533
Bank borrowings	32	**2,703,109**	3,879,527
Lease liabilities	20	**646,458**	585,442
Other payables	31	**312,123**	57,337
Total non-current liabilities		**3,673,626**	4,533,839
Current liabilities			
Bank borrowings	32	**3,410,143**	2,803,618
Trade and other payables	31	**3,377,600**	2,220,441
Contract liabilities	23	**181,402**	31,889
Lease liabilities	20	**48,519**	41,053
Amounts due to related companies	38	**167,118**	90,732
Current income tax liabilities		**540,463**	102,319
Total current liabilities		**7,725,245**	5,290,052
Total liabilities		**11,398,871**	9,823,891
Total equity and liabilities		**43,423,389**	28,397,020

The consolidated financial statements on page 61 to 163 were approved by the Board of Directors on 1 March 2021 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 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 (Note 15(a))	—	—	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 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	For the year ended 31 December 2019						
	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 2019	765,969	1,856,628	376,098	7,435,114	10,433,809	1,625,109	12,058,918
Comprehensive income							
Profit for the year	—	—	—	2,416,462	2,416,462	382,133	2,798,595
Other comprehensive loss							
Currency translation differences	—	—	(321,170)	—	(321,170)	(106,221)	(427,391)
Share of other comprehensive loss of a joint venture accounted for under equity method	—	—	(9,292)	—	(9,292)	—	(9,292)
Total comprehensive income for the year	—	—	(330,462)	2,416,462	2,086,000	275,912	2,361,912
Transactions with owners							
Acquisition of a subsidiary	—	—	—	—	—	1,439	1,439
Employees' share option scheme:							
– exercise of employees' share options	919	31,760	(6,885)	—	25,794	—	25,794
– value of employee services	—	—	5,057	—	5,057	—	5,057
– release of share option reserve for share options lapsed	—	—	(9)	9	—	—	—
Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend	3,298	138,337	—	—	141,635	—	141,635
Issuance of shares in respect of placing, net of transaction cost (Note 28)	38,000	1,267,542	—	—	1,305,542	—	1,305,542
Dividend:							
– 2018 final dividend	—	(337,989)	—	—	(337,989)	—	(337,989)
– 2019 interim dividend	—	—	—	(443,183)	(443,183)	—	(443,183)
Dividend paid to non-controlling interests (Note 15)	—	—	—	—	—	(238,683)	(238,683)
Appropriation to statutory reserve	—	—	257,683	(257,683)	—	—	—
Changes in ownership interest in subsidiaries without loss of control	—	—	960,181	—	960,181	2,732,506	3,692,687
Balance at 31 December 2019	808,186	2,956,278	1,261,663	9,150,719	14,176,846	4,396,283	18,573,129

The notes on pages 68 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	4,997,436	2,168,512
Interest paid		(196,028)	(309,762)
Income tax paid		(516,910)	(275,916)
Net cash generated from operating activities		4,284,498	1,582,834
Cash flows from investing activities			
Prepayment for acquisition of right-of-use assets		(38,552)	(217,697)
Purchases of and prepayment for purchase of property, plant and equipment		(3,249,449)	(2,133,762)
Acquisition of subsidiaries, net of cash acquired	18	1,102	(17,542)
Repayment from a joint venture	16	30,610	52,872
Proceeds from disposal of property, plant and equipment	34(b)	948	4,618
Interest received		60,532	49,088
Net cash used in investing activities		(3,194,809)	(2,262,423)
Cash flows from financing activities			
Proceeds from changes in ownership interest in subsidiaries without loss of control		893,800	3,895,012
Payment for professional fee in connection with changes in ownership interest in subsidiaries without loss of control		(626)	(86,867)
Proceeds from issuance of shares in respect of placing	28(a), (d), (e)	6,562,080	1,318,600
Payment for professional fee in connection with issuance of shares in respect of placing	28(a), (d), (e)	(40,645)	(13,058)
Proceeds from exercise of employees option		14,656	25,794
Proceeds from bank borrowings		2,508,441	1,708,975
Repayment of bank borrowings		(3,096,507)	(3,818,379)
Principal element of lease payments	20	(47,370)	(25,069)
Dividend paid to Company's shareholders		(443,725)	(639,534)
Dividend paid to non-controlling interests	15	(463,117)	(238,683)
Net cash generated from financing activities		5,886,987	2,126,791
Net increase in cash and cash equivalents		6,976,676	1,447,202
Cash and cash equivalents at beginning of year		2,221,055	783,873
Effect of foreign exchange rate changes		93,463	(10,020)
Cash and cash equivalents at end of year	27	9,291,194	2,221,055

The notes on pages 68 to 163 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, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 1 March 2021.

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 and conceptual framework adopted by the Group

The Group has applied the following amendments to standards and conceptual framework for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to HKAS 1 and HKAS 8, "Definition of Material"
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, "Hedge Accounting"
- Amendments to HKFRS 3, "Definition of a Business"
- Conceptual Framework for Financial Reporting 2018, "Revised Conceptual Framework for Financial Reporting"

The amendments and conceptual framework 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) *New standard and amendments to standards have been issued but are not effective for the accounting period beginning on 1 January 2020 and have not been early adopted:*

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (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 over the entity. Subsidiaries are 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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 equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between the amount of the adjustment to non-controlling interests and any consideration paid or received as a separate reserve within equity attributable to owners of the Company.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture, an associate or financial assets. 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.

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

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. 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 post-acquisition 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

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. 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 and movements in other comprehensive income. 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 venture 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

(c) Group companies

The results and financial position of all the group entities (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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

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 an 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 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 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 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 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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 Cash and cash equivalents

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

2.18 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.

2.19 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.

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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.

2.22 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.

2.23 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Current and deferred income tax

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 recognised, 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. 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(a) Sales of goods (Continued)

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 are recognised as insignificant amount of returns are expected based on previous experience.

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.

(b) Sales of electricity

Revenue arising from the sale 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 subsidy received and receivable from the sale of electricity to the customer pursuant to the government policy on subsidies of solar energy in respect of solar power electricity generation. Tariff adjustment is recognised at a point in time at its fair value where there is a reasonable assurance that additional tariff will be received and the Group will comply with all attached conditions, if any.

The revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government for the provision of subsidy to the solar farm operators in the PRC and the revenue from sales of electricity.

2.25 Revenue recognition (Continued)

(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.

2.26 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).

2.27 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

(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 formulas 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.

2.28 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 marketing performance and service 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Share-based payments (Continued)

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

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 where appropriate.

(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.

2.29 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 reasonably 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)

2.30 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 Canadian 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 2020, if US$ had strengthened/weakened by 5% (2019: 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$3,351,000 (2019: HK$488,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ 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 2020, if US$ had strengthened/weakened by 5% (2019: 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$441,000 (2019: 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 2020, if US$ had strengthened/weakened by 5% (2019: 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$8,577,000 (2019: HK$10,605,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ 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 deposit 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 2020, 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$5,750,000 higher/lower mainly as a result of lower/higher net interest expense being incurred (2019: profit after income tax would have been approximately HK$9,602,000 lower/higher mainly as a result of higher/lower net interest expense being incurred).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 and amount due from a joint venture. The Group 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:

	2020 HK$'000	2019 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	5,516,615	4,381,809
Bills receivables (Note 24)	2,838,874	1,194,111
Contract assets (Note 23)	51,296	39,620
Finance lease receivables (Note 26)	219,802	196,279
Amount due from a joint venture (Note 16)	796	5,630
Cash at bank and short-term deposit (Note 27)	9,291,168	2,220,999
Maximum exposure to credit risk	17,918,551	8,038,448

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

In order to minimise the credit risks, 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.

(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;
- amount due from a joint venture;
- finance lease receivables; and
- cash and cash equivalents at bank.

Bills receivables and cash and cash equivalents at bank

As at 31 December 2020 and 2019, 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 and cash equivalents 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 and cash equivalents at bank and bills receivables are assessed to be close to zero and no provision was made as at 31 December 2020 and 2019.

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 payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect 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 beyond 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)

As at 31 December 2020 and 2019, the loss allowances for trade receivables were HK$19,214,000, and HK$14,657,000, respectively.

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 the Catalogue will be replaced by the Project List. All solar farm projects listed in the Catalogue will be enlisted in the Project List automatically, and all of the eligible solar farm projects which are outside the Catalogue previously will be also enlisted once completed the submission and application in the National Renewable Energy Information Management Platform. During the year, the Group has eight solar farms with aggregate capacity of 510 MW enlisted in the Project List. Subsequently, one solar farm with capacity of 200 MW is additionally enlisted on the Project List. The Group has another eight ground-mounted solar farms with aggregate approved grid connection capacity of 480 MW ready for applying 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 2020 and 2019.

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 52% (2019: 45%) of the Group's total sales. They accounted for approximately 63% (2019: 57%) of the gross trade receivables balances as at 31 December 2020.

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 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 2020 and 2019.

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 2020 and 2019.

Net impairment losses on trade receivables is recognised in profit or loss of the net impairment losses on financial assets recognised in profit or loss, HK$5,029,000 (2019: HK$14,429,000) relate to receivables arising from contracts with customers.

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk (Continued)*

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.

	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 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
Amount due to related companies	167,118	—	—	—	167,118
Total	6,791,653	1,794,444	1,254,177	1,140,819	10,981,093
At 31 December 2019					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	1,960,639	57,337	—	—	2,017,976
Bank borrowings	3,034,643	3,095,293	911,873	—	7,041,809
Lease liabilities	52,994	45,766	141,904	1,045,213	1,285,877
Amount due to related companies	90,732	—	—	—	90,732
Total	5,139,008	3,198,396	1,053,777	1,045,213	10,436,394

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 2020 and 2019 were as follows:

	2020 HK$'000	2019 HK$'000
Total borrowings (Note 32)	6,113,252	6,683,145
Less: Cash and cash equivalents (Note 27)	(9,291,194)	(2,221,055)
Net (cash)/debt	(3,177,942)	4,462,090
Total equity	32,024,518	18,573,129
Gearing ratio	N/A	24.0%

The decrease in the gearing ratio during 2020 resulted primarily from the fund raised in relation to the placing of the Company and Xinyi Energy Holdings Limited ("Xinyi Energy") during the year.

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 2020 and 2019. 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. Investment tax allowance ("ITA") is 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. 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:

	2020 HK$'000	2019 HK$'000
Revenue		
Sales of solar glass	9,992,290	6,767,427
Solar farm business		
– Sales of electricity	977,340	929,726
– Tariff adjustment	1,253,520	1,297,845
– EPC services	92,679	101,103
	2,323,539	2,328,674
Total revenue	12,315,829	9,096,101
Other income		
Government grants (Note (a))	134,100	70,434
Scrap sales	25,385	20,144
Tariff adjustments for electricity generation from self-used solar power system	17,250	26,800
Rental income	2,422	2,970
Others (Note (b))	11,451	10,245
	190,608	130,593

Notes:

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

(b) It mainly represents repairs and maintenance income, compensation of insurance claims 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 that are used to make strategic decisions.

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

For the year ended 31 December 2020, 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 operating segments, solar farm business (which includes solar farm development and solar power generation) and EPC services, were separately disclosed for the year ended 31 December 2019. As the Executive Directors no longer consider the performance of these two business segments separately, they are aggregated as "solar farm business" for the year ended 31 December 2020. 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 2020		
	Sales of solar glass HK$'000	Solar farm business HK$'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 countries	2,345,945	91,476	2,437,421
	9,992,290	2,323,539	12,315,829

	Year ended 31 December 2019		
	Sales of solar glass HK$'000	Solar farm business HK$'000	Total HK$'000
Segment revenue			
Recognised at a point in time	6,767,427	2,227,571	8,994,998
Recognised over time	—	101,103	101,103
Revenue from external customers	6,767,427	2,328,674	9,096,101
Cost of sales	(4,593,921)	(590,633)	(5,184,554)
Gross profit	2,173,506	1,738,041	3,911,547
Segment revenue by geographical area			
The PRC	4,906,517	2,243,769	7,150,286
Other countries	1,860,910	84,905	1,945,815
	6,767,427	2,328,674	9,096,101

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	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 charge of intangible assets	504	—	504
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	2,141,571	1,907,954	4,049,525

	Other segment information		
	Sales of solar glass HK$'000	Solar farm business HK$'000	Total HK$'000
Year ended 31 December 2019			
Depreciation charge of property, plant and equipment	334,606	460,721	795,327
Depreciation charge of right-of-use assets	13,192	26,913	40,105
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	1,147,342	1,774,189	2,921,531

	Assets and liabilities			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
At 31 December 2020				
Total assets	21,567,416	21,409,160	446,813	43,423,389
Total liabilities	2,908,726	4,235,910	4,254,235	11,398,871
At 31 December 2019				
Total assets	9,550,312	18,426,699	420,009	28,397,020
Total liabilities	1,156,483	3,935,313	4,732,095	9,823,891

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Segment assets/(liabilities)	42,976,576	27,977,011	(7,144,636)	(5,091,796)
Unallocated:				
Property, plant and equipment	354	1,333	—	—
Interests in a joint venture	365,751	334,860	—	—
Investments in associates	69,034	69,237	—	—
Prepayments, deposits and other receivables	650	1,000	—	—
Cash and cash equivalents	1,293	3,372	—	—
Deferred income tax assets	9,731	10,207	—	—
Other payables	—	—	(4,084)	(1,918)
Bank borrowings	—	—	(4,250,151)	(4,730,177)
Total assets/(liabilities)	43,423,389	28,397,020	(11,398,871)	(9,823,891)

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

	2020 HK$'000	2019 HK$'000
Segment gross profit	6,583,591	3,911,547
Unallocated:		
Other income	190,608	130,593
Other losses, net	(51,146)	(5,434)
Selling and marketing expenses	(316,610)	(281,533)
Administrative and other operating expenses	(548,216)	(427,156)
Impairment losses on trade receivables	(5,029)	(14,429)
Finance income	60,532	49,088
Finance costs	(190,954)	(303,507)
Share of profits of a joint venture	35,821	39,371
Share of losses of associates	(203)	(5,886)
Profit before income tax	5,758,394	3,092,654

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:

For the year ended 31 December 2020, revenue of approximately HK$1,428,558,000 (2019: HK$1,460,322,000) were derived from customer A from solar farm business, which accounted for more than 10% of the Group's revenue for the year.

Revenue of approximately HK$1,474,873,000 and HK$1,453,163,000 were derived from customer B and customer C from solar glass business, which accounted for more than 10% of the Group's revenue for the year. (2019: Revenue of approximately HK$1,080,258,000 was derived from customer B from solar glass business, which accounted for more than 10% of the Group's revenue).

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:

	2020 HK$'000	2019 HK$'000
The PRC	21,587,384	17,157,609
Other countries	1,495,324	1,536,186
	23,082,708	18,693,795

6 OTHER LOSSES, NET

	2020 HK$'000	2019 HK$'000
Foreign exchange losses, net	(19,176)	(1,329)
Losses on disposal of property, plant and equipment	(31,970)	(4,105)
	(51,146)	(5,434)

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:

	2020 HK$'000	2019 HK$'000
Auditors' remuneration		
– Audit services	**3,210**	3,210
– Non-audit services	**—**	2,011
Amortisation charge of intangible assets (Note 21)	**504**	—
Depreciation charge of property, plant and equipment (Note 19)	**855,370**	795,327
Depreciation charge of right-of-use assets (Note 20)	**48,410**	40,105
Employee benefit expenses (including directors' emoluments) (Note 8)	**466,509**	374,620
Raw material and consumables used	**4,802,443**	4,018,420
Changes in inventories	**(317,797)**	19,096
Cost of inventories sold (Note 22)	**4,484,646**	4,037,516
Construction contracts costs	**59,096**	67,696
Impairment losses on trade receivables (Note 24(b))	**5,029**	14,429
Impairment on inventories (Note 22)	**—**	9,109
Transportation costs	**290,155**	259,356
Research and development expenditures	**261,628**	194,946
Other expenses	**127,536**	109,347
	6,602,093	5,907,672

8 EMPLOYEE BENEFIT EXPENSES

	2020 HK$'000	2019 HK$'000
Wages and salaries	**428,849**	339,843
Retirement benefit - defined contribution plans (Note (i))	**30,603**	29,720
Share options granted to employees (Note 29)	**7,057**	5,057
	466,509	374,620

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 three (2019: three) directors whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining two (2019: two) individuals during the year are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries, bonus, other allowances and benefits	7,527	7,221
Retirement benefits - defined contribution scheme	36	36
Share options granted	184	114
	7,747	7,371

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK$2,500,001 - HK$3,000,000	1	1
HK$4,500,001 - HK$5,000,000	—	1
HK$5,000,001 - HK$5,500,000	1	—
	2	2

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2020:

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

Notes to the Consolidated Financial Statements

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director is set out below: (Continued)

For the year ended 31 December 2019:

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	—	15,200	—	18	4,794	20,262
LI Man Yin	250	—	6,080	—	18	2,050	8,398
CHEN Xi	250	—	1,145	324	—	760	2,479
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	—	22,425	324	36	7,604	32,189

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director is set out below: (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 and/or in their capacity as directors of the companies now comprising 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 (2019: Same).

(v) Dr. LEE Yin Yee, B.B.S. and Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* waived emoluments of HK$250,000 (2019: HK$250,000) and HK$250,000 (2019: HK$250,000) respectively for the year. Except these, no directors waived or agreed to waive any emoluments for the years ended 31 December 2020 and 2019. 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 2020 and 2019.

(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 2020, none of the directors of the Company received any salary (2019: 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 (2019: 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$43,068,000 (2019: HK$30,389,000).

(b) Directors' termination benefits

None of the directors of the Company received termination benefits during the year ended 31 December 2020 (2019: 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 2020 (2019: 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 2020 (2019: 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 (2019: same).

10 FINANCE INCOME AND COSTS

	2020 HK$'000	2019 HK$'000
Finance income		
Interest income from bank deposits	**60,532**	49,088
Finance costs		
Interest for lease liabilities (Note 20)	**35,774**	38,509
Interest on bank borrowings	**193,211**	303,020
Less: Amounts capitalised on qualifying assets (Note 19)	**(38,031)**	(38,022)
	190,954	303,507

11 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current income tax		
– Hong Kong profits tax (Note (ii))	**(72)**	184
– PRC corporate income tax ("CIT") (Note (iii))	**698,778**	334,265
– Overseas income tax (Note (iv))	**239,222**	150
	937,928	334,599
Deferred income tax (Note 33)	**(202,660)**	(40,540)
Income tax expense	**735,268**	294,059

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 (2019: same).

(iii) The Group's operations in the PRC are subject to the corporate income tax of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate is 25% (2019: 25%). The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2019: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. Solar farm companies of the Group in the PRC enjoyed tax holiday and the profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in the CIT in next three years. However, the government grants and insurance claims received during the year are subject to the CIT with the statutory income tax rate of 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 rate of 24% (2019: 24%). 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 ("ITA conditions") by 31 December 2020. During the year, Malaysia Investment Development Authority (MIDA) issued a letter to the subsidiary in Malaysia to approve the extension of fulfilment of the ITA conditions from 31 December 2020 to 31 December 2022 along with the imposition of certain additional conditions ("ITA additional conditions"). Accordingly, the subsidiary could utilise the ITA against its assessable profit only when all ITA conditions and ITA additional conditions are met. ITA allowance previously claimed against taxable income in prior years was reversed during the year, resulting in additional current tax provision. The available ITA allowance is recognised as deferred tax assets as the Group expects all conditions can be met within the required timeframe and it is probable that future taxable profit will be available against the deferred tax assets recognised.

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:

	2020 HK$'000	2019 HK$'000
Profit before income tax	**5,758,394**	3,092,654
Calculated at weighted average tax rate of 19.9% (2019: 22.0%)	**1,143,454**	680,343
Tax impact on share of a joint venture's and associates' profits	**(8,921)**	(8,872)
Preferential tax rates on income of certain PRC subsidiaries	**(297,035)**	(245,613)
Effect of additional tax deduction enacted by tax authorities (Note a)	**(158,912)**	(177,050)
Income not subject to tax	**(8,839)**	(4,290)
Expenses not deductible for tax purposes	**65,521**	49,541
Income tax expense	**735,268**	294,059

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 and considering for scrip dividend issued in June and September 2020.

	2020	2019
Profit attributable to equity holders of the Company (HK$'000)	**4,560,853**	2,416,462
Weighted average number of shares in issue (thousands)	**8,233,323**	7,981,305
Basic earnings per share (HK cents)	**55.40**	30.28

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 has dilutive potential ordinary shares from 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.

	2020	2019
Profit attributable to equity holders of the Company (HK$'000)	4,560,853	2,416,462
Weighted average number of ordinary shares in issue (thousands)	8,233,323	7,981,305
Adjustment for share options (thousands)	11,252	2,750
	8,244,575	7,984,055
Diluted earnings per share (HK cents)	55.32	30.27

13 DIVIDENDS

	2020 HK$'000	2019 HK$'000
Interim dividend of 8.5 HK cents (2019: 5.5 HK cents) per share (Note (a))	**694,069**	443,183
Proposed final dividend of 17.0 HK cents (2019: final dividend of 8.5 HK cents) per share (Note (b))	**1,497,573**	687,029

Notes:

(a) An interim dividend of 8.5 HK cents per share (2019: 5.5 HK cents) was partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend for 2020 interim dividend (2019 interim dividend: same) whose names appeared on the Register of Members of the Company on 24 August 2020 (2019: 26 August 2019). Shares issued during the year on the shareholders' election to receive shares are set out in Note 28.

(b) A final dividend in respect of the year ended 31 December 2020 of 17.0 HK cents per share (2019: 8.5 HK cents), amounting to a total dividend of HK$1,497,573,000 (2019: HK$687,029,000) is to be proposed at the forthcoming annual general meeting. The amount of 2020 proposed final dividend is based on 8,809,253,702 shares in issue as at 31 December 2020. These financial statements do not reflect the proposed final dividend for the year ended 31 December 2020. The amount of 2019 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 8,082,696,476 shares in issue as at the record date for the dividend entitlement.

Shareholder will be given an option to receive the 2020 final dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the shares to be allotted and issued under the Scrip Dividend Scheme (2019: same).

For the purpose of calculating the number of the scrip shares (the "Scrip Shares") under the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at 95% of the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on 1 June 2021 until 7 June 2021 (both days inclusive) rounded down to two decimal places.

14 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2020 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	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%	—
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%
Wuhu 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%
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%

Notes to the Consolidated Financial Statements

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2020 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 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%
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 2020 is HK$5,502,712,000 (2019: HK$4,396,283,000), which is mainly attributable to Xinyi Energy Group of HK$5,482,968,000 (2019: HK$4,377,429,000).

Significant restrictions

Cash and short-term bank deposits of HK$1,039,235,000 (2019: HK$1,134,833,000) 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

	2020 HK$'000	2019 HK$'000
Current		
Assets	**5,224,249**	4,686,548
Liabilities	**(3,780,908)**	(2,889,899)
Total current net assets	**1,443,341**	1,796,649
Non-current		
Assets	**12,036,714**	10,316,524
Liabilities	**(1,433,242)**	(1,882,260)
Total non-current net assets	**10,603,472**	8,434,264
Net assets	**12,046,813**	10,230,913

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised income statement and other comprehensive income

	2020 HK$'000	2019 HK$'000
Revenue	1,722,051	1,593,086
Profit before income tax	1,084,464	1,018,597
Income tax expense	(165,676)	(132,102)
Profit after income tax	918,788	886,495
Other comprehensive income/(loss)	983,048	(265,839)
Total comprehensive income for the year	1,901,836	620,656
Profit allocated to non-controlling interests	457,955	376,176
Dividends paid to non-controlling interests	463,117	238,683

Summarised cash flow statement

	2020 HK$'000	2019 HK$'000
Net cash generated from operating activities	1,052,200	1,117,195
Net cash used in investing activities	(1,253,606)	(2,169,068)
Net cash (used in)/generated from financing activities	(184,057)	2,283,602
Net (decrease)/increase in cash and cash equivalents	(385,463)	1,231,729

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.

	2020 HK$'000	2019 HK$'000
Net assets at 1 January	**10,230,913**	6,455,685
Total comprehensive income for the year	**1,901,836**	620,656
Issuance of shares upon placing	**893,174**	—
Issuance of shares upon Spin-off and over-allotment	—	3,808,145
Dividend		
– 2019 and 2018 final dividend	**(573,961)**	(315,949)
– 2020 and 2019 interim dividend	**(405,149)**	(337,624)
Net assets at 31 December	**12,046,813**	10,230,913
% of ownership interest held by non-controlling interests	**49.95%**	47.3%
Carrying value before elimination of unrealised profit	**6,017,383**	4,839,222
Elimination of the fair value adjustment attributable to non-controlling interests	**(534,415)**	(461,793)
Carrying value	**5,482,968**	4,377,429

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

(a) Transactions with non-controlling interests

On 21 September 2020, Xinyi Energy issued and allotted 357,520,000 new ordinary shares at a placing price of HK$2.50 each pursuant to a placing agreement dated 12 September 2020 (the "XYE Placing"). The gross proceeds and net proceeds were approximately HK$893.8 million and HK$893.2 million respectively. Immediately after completion of the XYE Placing, the Company's indirect interest in Xinyi Energy had been reduced from 52.70% to 50.05%. The Group recognised an increase in equity attributable to owners of the Company of HK$202.4 million and an increase in non-controlling interests of HK$690.8 million.

On 30 September 2020, the Group completed the disposal (the "Disposal") of the entire equity interest in Xinyi Solar Farm (Group 3) Limited ("Xinyi Solar Farm (3)") to Xinyi Energy at a cash consideration of HK$82.9 million pursuant to a sale and purchase agreement dated 16 March 2020 entered into with Xinyi Energy. Xinyi Solar Farm (3), through its subsidiaries, owns and operates four solar farm projects with an aggregated approved capacity of 230MW in the PRC. Immediately after completion of the Disposal, the Company's indirect equity interest in Xinyi Solar Farm (3) had been reduced from 100% to 50.05% without a loss of control. Hence, the Group recognised a transaction with non-controlling interests of HK$36.1 million in relation to the fair value adjustment of the Disposal attributable to the non-controlling interests.

The effect of XYE Placing and the Disposal on the equity attributable to equity holders of the Company during the year ended 31 December 2020 is summarised as follows:

	XYE Placing HK$'000	Disposal HK$'000	Total HK$'000
Increase in equity attributable to equity holders of the Company	202,350	29,640	231,990
Increase/(decrease) in non-controlling interests	690,824	(36,087)	654,737
Increase/(decrease) in total equity	893,174	(6,447)	886,727

The Group had certain transactions with non-controlling interests during the year ended 31 December 2019, further information on which is set forth in the annual report of the Company dated 16 March 2020.

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

	2020 HK$'000	2019 HK$'000
Interests in a joint venture		
At 1 January	**334,860**	358,296
Repayment from a joint venture	**(30,610)**	(52,872)
Share of profits of a joint venture	**35,821**	39,371
Currency translation differences	**25,680**	(9,292)
Elimination of unrealised profit	**—**	(643)
At 31 December	**365,751**	334,860
Balance with a joint venture		
Amount due from a joint venture (Note (ii))	**796**	5,630

Notes:

(i) Interests in a joint venture

The equity interest in the joint venture listed below is held directly by the Group.

The following is the joint venture at 31 December 2020 and 2019:

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	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 2020, the Group received cash of RMB27,500,000 (equivalent to HK$30,610,000) (2019: RMB47,500,000 (equivalent to HK$52,872,000)) 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 balance approximates its fair value and is denominated in RMB.

Notes to the Consolidated Financial Statements

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

	2020 HK$'000	2019 HK$'000
Current		
Cash and cash equivalents	20,084	12,835
Other current assets (excluding cash and cash equivalents)	209,935	172,384
Total current assets	230,019	185,219
Financial liabilities	(11,540)	(10,288)
Non-current		
Assets	657,108	643,318
Financial liabilities	(46,780)	(46,466)
Net assets	828,807	771,783

Summarised statement of comprehensive income

	2020 HK$'000	2019 HK$'000
Revenue	109,765	115,978
Depreciation	(28,413)	(35,599)
Interest income	29	68
Interest expense	(2,873)	(3,007)
Profit before income tax	75,135	72,673
Income tax expense	(8,250)	(10,726)
Profit after income tax	66,885	61,947
Currency translation differences	51,359	(18,581)
Total comprehensive income for the year	118,244	43,366
Dividends received from the joint venture	—	—

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 (Continued)

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.

	2020 HK$'000	2019 HK$'000
Net assets at 1 January	**771,783**	834,161
Repayment to shareholders	**(61,220)**	(105,744)
Total comprehensive income for the year	**118,244**	43,366
Net assets at 31 December	**828,807**	771,783
The Group's ownership interest	**50%**	50%
Carrying value before elimination of unrealised profit	**414,404**	385,892
Elimination of unrealised profit	**(48,653)**	(51,032)
Carrying value	**365,751**	334,860

17 INVESTMENTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
At 31 December	**69,034**	69,237

Notes:

The equity interests in associates listed below is held indirectly by the Group.

The following are the associates as at 31 December 2020 and 2019:

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 2020 and 2019, there are no contingent liabilities relating to the Group's interest in the associates.

17 INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information for the associates (Continued)

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

Summarised balance sheet

	2020 HK$'000	2019 HK$'000
Current		
Cash and cash equivalents	880	580
Other current assets (excluding cash and cash equivalents)	150	150
Total current assets	1,030	730
Financial liabilities	(4,420)	(4,392)
Total current liabilities	(4,420)	(4,392)
Non-current		
Assets	175,975	176,754
Net assets	172,585	173,092

Summarised statement of comprehensive income

	2020 HK$'000	2019 HK$'000
Gross rental income from an investment property	300	360
Fair value loss on an investment property	—	(14,300)
Depreciation	(780)	(776)
Loss before income tax	(507)	(14,716)
Income tax expense	—	—
Loss after income tax	(507)	(14,716)
Other comprehensive income	—	—
Total comprehensive loss for the year	(507)	(14,716)
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.

	2020 HK$'000	2019 HK$'000
Net assets at 1 January	**173,092**	187,808
Total comprehensive loss for the year	**(507)**	(14,716)
Net assets at 31 December	**172,585**	173,092
The Group's ownership interest	**40%**	40%
Carrying value	**69,034**	69,237

18 BUSINESS COMBINATION

To speed up its development pace and build up a more diversified solar farm investment portfolio, the Group acquired 100% equity interest of five project companies which own solar farms with aggregate approved grid-connected capacity of approximately 330MW in the PRC at a cash consideration of RMB2,460,000 (equivalent to approximately HK$2,790,000) from independent third parties. In relation to the projects with aggregate capacity of 220MW, the Group has provided financial support and involved in the overall planning and coordination of the construction work. Details of the business combination are as follows:

Name of the project company	Month of acquisition in 2020	Equity interest acquired (%)	Location	Approved grid-connection capacity of the solar farm (MW)
Wuwei Rihao Renewable Energy Limited	April	100%*	Anhui, the PRC	20
Qingyang County Hewu New Energy Technology Company Limited	June	100%	Anhui, the PRC	70
Zaoqiang County Fraser New Energy Company Limited	June	100%	Hebei, the PRC	100
Heshan County Hongde New Energy Company Limited	December	100%	Guangdong, the PRC	50
Anlu Jingshun Renewable Energy Limited	December	100%*	Hubei, the PRC	90

* Acquired by Xinyi Energy, a non-wholly owned subsidiary of the Company.

18 BUSINESS COMBINATION (Continued)

Details of the financial information as at acquisition date is presented as follows:

	HK$'000
Purchases consideration	
Cash consideration	2,790
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	538,389
Right-of-use assets	47,305
Deferred income tax assets	74
Trade and other receivables and prepayments (Note (ii))	75,231
Cash and cash equivalents	1,320
Deferred income tax liabilities	(182)
Lease liabilities	(43,825)
Other payables and accruals	(617,606)
Total identifiable net assets	706
Goodwill (Note (iii))	2,084
	2,790
Net cash inflow arising from the acquisitions	
Cash and cash equivalents acquired	1,320
Less: Cash consideration paid	(218)
	1,102

18 BUSINESS COMBINATION (Continued)

Notes:

(i) Revenue and profits contribution

The revenue and the profits included in the consolidated income statement since acquisition date contributed by the acquired businesses during the year are approximately HK$19,703,000 and HK$10,848,000 respectively.

If the acquisition had occurred on 1 January 2020, the consolidated income statement would show pro-forma revenue of approximately HK$12,317,933,000 and profit of HK$5,024,963,000.

(ii) Acquired receivables

The fair values of trade receivables acquired were HK$555,000.

The gross contractual amount of these trade receivables due in aggregate was HK$555,000, of which no balance was expected to be uncollectible.

(iii) Goodwill

The Group recognised goodwill of approximately HK$2,084,000 in the consolidated balance sheet in connection with the acquisition of these five companies. 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 potential of repowering to increase the electricity generation efficiency in future.

(iv) Acquisition-related costs

No acquisition-related costs were incurred.

The Group also acquired solar farm projects from an independent third party during the year ended 31 December 2019, further information on which is set forth in the annual report of the Company dated 16 March 2020.

Notes to the Consolidated Financial Statements

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 2019							
Cost	200,902	1,033,763	3,912,550	11,721,605	11,297	1,025,770	17,905,887
Accumulated depreciation	—	(97,653)	(986,622)	(1,011,858)	(5,372)	—	(2,101,505)
Net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382
Year ended 31 December 2019							
Opening net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382
Additions	—	895	94,406	42,026	2,722	1,591,720	1,731,769
Transfers	—	263,462	936,593	895,225	—	(2,095,280)	—
Acquisition of subsidiaries	—	—	—	260,853	—	9,765	270,618
Disposals	—	—	(8,624)	—	(99)	—	(8,723)
Depreciation charge	—	(39,090)	(299,115)	(455,263)	(2,010)	—	(795,478)
Currency translation differences	1,385	(12,217)	(51,158)	(225,413)	(48)	(4,149)	(291,600)
Closing net book amount	202,287	1,149,160	3,598,030	11,227,175	6,490	527,826	16,710,968
At 31 December 2019							
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 (Note 18)	—	—	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

19 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2020 HK$'000	2019 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	836,012	778,933
– Administrative and other operating expenses	19,358	16,394
	855,370	795,327
Depreciation charges capitalised in inventories	26,292	10,144

During the year, the Group capitalised borrowing costs amounted to HK$38,031,000 (2019: HK$38,022,000) on qualifying assets (Note 10). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.55% (2019: 3.71%).

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:

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Leasehold land and land use rights	1,373,447	1,217,300
Factory, office premises and warehouses	6,230	4,032
Lease for rooftops	28,023	27,784
	1,407,700	1,249,116
Lease liabilities		
Current	48,519	41,053
Non-current	646,458	585,442
	694,977	626,495

20 LEASES (Continued)

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

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Right-of-use assets as at 1 January	1,249,116	929,868
Additions	94,368	347,721
Depreciation charge (Note 7)	(48,410)	(40,105)
Acquisition of subsidiaries (Note 18)	47,305	38,653
Modification of leases	(23,469)	—
Currency translation difference	88,790	(27,021)
Right-of-use assets as at 31 December	1,407,700	1,249,116

	2020 HK$'000	2019 HK$'000
Lease liabilities		
Lease liabilities as at 1 January	626,495	548,906
Principal element of lease payments	(47,370)	(25,069)
Interest paid	(15,538)	(26,907)
Additions	31,245	71,170
Interest for lease liabilities (Note 10)	35,774	38,509
Acquisition of subsidiaries (Note 18)	43,825	33,573
Modification of leases	(23,469)	—
Currency translation difference	44,015	(13,687)
Lease liabilities as at 31 December	694,977	626,495

21 INTANGIBLE ASSETS

	Goodwill HK$'000	Mining rights HK$'000	Total HK$'000
At 1 January 2019			
Cost	4,485	—	4,485
Accumulated amortisation	—	—	—
Net book amount	4,485	—	4,485
Year ended 31 December 2019			
Opening net book amount	4,485	—	4,485
Acquisition of subsidiaries	5,986	—	5,986
Closing net book amount	10,471	—	10,471
At 31 December 2019			
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 (Note 18)	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 depreciation	—	(2,283)	(2,283)
Net book amount	12,555	12,222	24,777

	2020 HK$'000	2019 HK$'000
Amortisation charged in consolidated income statement:		
– Cost of sales (Note 7)	504	—
Amortisation capitalised in construction in progress	1,637	—
	2,141	—

Notes to the Consolidated Financial Statements

22 INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	430,259	260,920
Work in progress	66,944	52,905
Finished goods	231,074	96,655
	728,277	410,480

The cost of inventories included in cost of sales amounted to approximately HK$4,484,646,000 (2019: HK$4,037,516,000). Write-downs of inventories to net realisable value amounted to Nil (2019: HK$9,109,000) were recognised as cost of sales in the consolidated income statement.

23 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	Note	2020 HK$'000	2019 HK$'000
Current contract assets relating to EPC services	(a)	51,296	39,620
Contract liabilities relating to sales of solar glass	(b)	181,402	31,889

(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.

23 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(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 a prior year.

	2020 HK$'000	2019 HK$'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	31,889	33,978
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 2019 and 2018	—	1,115

24 TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables (Note (a))	5,316,373	4,257,049
Less: Loss allowance of trade receivables (Note (b))	(19,214)	(14,657)
Trade receivables, net	5,297,159	4,242,392
Bills receivables	2,838,874	1,194,111
Trade and bills receivables, net	8,136,033	5,436,503

24 TRADE AND BILLS RECEIVABLES (Continued)

(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 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
At 31 December 2019			
Sales of solar glass	1,156,796	—	1,156,796
Sales of electricity	—	94,677	94,677
Tariff adjustment	—	2,862,525	2,862,525
EPC service revenue	—	143,051	143,051
Total	1,156,796	3,100,253	4,257,049

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.

24 TRADE AND BILLS RECEIVABLES (Continued)

(a) Trade and bills receivables (Continued)

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

	2020 HK$'000	2019 HK$'000
0 to 90 days	5,204,358	4,124,075
91 days to 180 days	14,849	49,027
181 days to 365 days	16,539	52,631
1 to 2 years	72,697	13,727
Over 2 years	7,930	17,589
	5,316,373	4,257,049

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

	2020 HK$'000	2019 HK$'000
0 to 90 days	428,398	383,191
91 days to 180 days	415,786	483,518
181 days to 365 days	737,492	674,521
1 to 2 years	1,599,708	1,152,600
Over 2 years	816,344	263,372
	3,997,728	2,957,202

The maturity of the bills receivables is within 1 year.

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

	2020 HK$'000	2019 HK$'000
RMB	7,875,573	5,126,171
US$	167,386	236,984
Other currencies	112,288	88,005
	8,155,247	5,451,160

24 TRADE AND BILLS RECEIVABLES (Continued)

(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 loss allowances for trade receivables from sales of solar glass as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020 HK$'000	2019 HK$'000
Opening loss allowance	**14,657**	355
Increase in loss allowance recognised in consolidated income statement during the year	**5,029**	14,429
Receivables written off during the year as uncollectible	**(472)**	(127)
Closing loss allowance	**19,214**	14,657

Sales of electricity

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. As at 31 December 2020, the Group has 18 ground-mounted solar farms with aggregate capacity of 1,484MW successfully enlisted on the Renewable Energy Power Generation Project List ("Project List").

During the year ended 31 December 2020, the Group received aggregate payment of 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. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2020 (2019: Nil).

As of 31 December 2020, except a loss allowance of trade receivables of HK$19,214,000 (2019: HK$14,657,000), all other trade receivables were expected to be recoverable.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	**1,468,661**	715,231
Deposits and other receivables (Note (a))	**219,456**	139,417
Other tax receivables (Note (b))	**783,318**	812,062
	2,471,435	1,666,710
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	**(809,271)**	(319,143)
Current portion	**1,662,164**	1,347,567

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:

	2020 HK$'000	2019 HK$'000
RMB	**214,482**	135,206
MYR	**2,239**	116
HK$	**—**	2,178
Other currencies	**2,735**	1,917
	219,456	139,417

(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.

Notes to the Consolidated Financial Statements

26 FINANCE LEASE RECEIVABLES

Future receivables under finance leases as lessor are as follows:

	2020 HK$'000	2019 HK$'000
Non-current receivables		
Finance leases - gross receivables	376,882	382,096
Unearned finance income	(165,361)	(192,152)
	211,521	189,944
Current receivables		
Finance leases - gross receivables	27,969	25,841
Unearned finance income	(19,688)	(19,506)
	8,281	6,335
Gross receivables from finance leases:		
– No later than 1 year	27,969	25,841
– Later than 1 year and no later than 5 years	85,875	92,544
– Later than 5 years	291,007	289,552
	404,851	407,937
Unearned future finance income on finance leases	(185,049)	(211,658)
Net investment in finance leases	219,802	196,279
The net investment in finance leases may be analysed as follows:		
– No later than 1 year	8,281	6,334
– Later than 1 year and no later than 5 years	30,643	21,491
– Later than 5 years	180,878	168,454
	219,802	196,279

27 CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash at bank	8,091,168	1,820,999
Bank deposits with original maturity less than three months (Note)	1,200,000	400,000
Cash on hand	26	56
	9,291,194	2,221,055

Note:

The effective interest rate on short-term bank deposits was 0.39% (2019: 3.05%) per annum; these deposits have a maturity ranging from 15 days to 32 days (2019: 15 days to 34 days).

As at 31 December 2020, funds of the Group amounting to HK$4,090,247,000 and HK$235,832,000 (2019: HK$1,344,517,000 and HK$86,871,000) 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:

	2020 HK$'000	2019 HK$'000
HK$	4,389,153	624,564
RMB	4,066,305	1,369,576
US$	728,308	195,019
Other currencies	107,428	31,896
	9,291,194	2,221,055

28 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2019, 31 December 2019 and 2020	80,000,000	8,000,000
Issued:		
At 1 January 2019	7,659,689	765,969
Issuance of shares by the way of placing (Note (a))	380,000	38,000
Issuance of shares under employee's share option scheme	9,195	919
Issuance of shares in respect of scrip dividend of:		
– 2018 final dividend (Note (b))	10,148	1,015
– 2019 interim dividend (Note (c))	22,831	2,283
At 31 December 2019 and 1 January 2020	8,081,863	808,186
Issuance of shares by the way of placing (Note (d), (e))	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 (f))	78,408	7,841
– 2020 interim dividend (Note (g))	61,092	6,109
At 31 December 2020	8,809,254	880,925

Note:

(a) In March 2019, the Company allotted and issued 380,000,000 shares by way of placing at HKS3.47 each. Proceeds of approximately HK$1,318,600,000 were received and the related transaction costs of approximately HK$13,058,000 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) On 15 May 2019, the shareholders approved in annual general meeting a final dividend of 4.2 HK cents per share for the year ended 31 December 2018. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. On 3 July 2019, 10,148,596 shares were issued at an issue price of HK$3.90 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

(c) On 7 August 2019, the board of directors declared an interim dividend of 5.5 HK cents per share for the six months ended 30 June 2019. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 15 October 2019, 22,831,275 shares were issued at an issue price of HK$4.47 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

28 SHARE CAPITAL (Continued)

Note: (Continued)

(d) 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.

(e) 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.

(f) 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.

(g) 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.

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)

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:

	2020		2019	
	Average exercise price in HK$ per share	Options ('000)	Average exercise price in HK$ per share	Options ('000)
At 1 January	3.21	22,173	2.84	23,650
Granted	4.39	8,589	3.76	8,865
Forfeited	3.55	(461)	3.02	(1,138)
Exercised	2.49	(5,890)	2.81	(9,195)
Expired	2.78	—	2.84	(9)
At 31 December	3.80	24,411	3.21	22,173

In March 2016, 6,070,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.80 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 23 March 2016 to 31 March 2020. One third of the options will vest on each of the year-end date of 2016, 2017 and 2018 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2020.

In March 2017, 7,381,500 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.50 per share, which is equal to the average closing price of the Company's share for the five trading days immediately preceding the date of grant. The validity period of the options is from 31 March 2017 to 31 March 2021. One third of the options will vest on each of the year-end date of 2017, 2018 and 2019 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2021.

In March 2018, 7,805,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$3.18 per share, which is equal to the average closing price of the Company's share for the five trading days immediately preceding the date of grant. The validity period of the options is from 29 March 2018 to 31 March 2022. One third of the options will vest on each of the year-end date of 2018, 2019 and 2020 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2022.

In March 2019, 8,865,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$3.76 per share, which is equal to the average closing price of the Company's share for the five trading days immediately preceding the date of grant. The validity period of the options is from 28 March 2019 to 31 March 2023. One third of the options will vest on each of the year-end date of 2019, 2020 and 2021 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2023.

29 SHARE-BASED PAYMENTS (Continued)

In March 2020, 8,589,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$4.39 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 31 March 2020 to 31 March 2024. One third of the options will vest on each of the year-end date of 2020, 2021 and 2022 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2024.

During the year ended 31 December 2020, a total of 5,890,363 options (2019: 9,194,966 options) were exercised and a total of 460,149 options (2019: 1,137,844 options) were forfeited.

Out of the above outstanding share options, 211,075 options were exercisable at 31 December 2020 (2019: 158,955 options).

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:

Expiry date	Adjusted exercise price in HK$ per share	Options ('000) 2020	Options ('000) 2019
31 March 2020	2.78	—	159
31 March 2021	2.48	**211**	5,963
31 March 2022	3.18	**7,267**	7,451
31 March 2023	3.76	**8,404**	8,600
31 March 2024	4.39	**8,529**	—
		24,411	22,173

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$1.02 (2019: HK$0.81) per option. The significant inputs into the model are as follows:

	2020	2019
Share price at the grant date (HK$)	**4.39**	3.72
Exercise price (HK$)	**4.39**	3.76
Volatility (%)	**39.76**	40.19
Dividend yield (%)	**3.19**	4.40
Expected share option life (years)	**3.50**	3.5
Annual risk-free interest rate (%)	**0.60**	1.33

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.

Notes to the Consolidated Financial Statements

30 SHARE PREMIUM AND OTHER RESERVES

		Other reserves						
	Share Premium (Note (a)) HK$'000	Merger Reserve (Note (b)) HK$'000	Capital Reserve (Note (c)) HK$'000	Statutory Reserves (Note (d)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2019	1,856,628	(209,495)	438,111	965,247	10,034	(827,799)	376,098	2,232,726
Currency translation differences	—	—	—	—	—	(321,170)	(321,170)	(321,170)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	(9,292)	(9,292)	(9,292)
Employees' share option scheme:								
– exercise of employees' share options	31,760	—	—	—	(6,885)	—	(6,885)	24,875
– value of employee services	—	—	—	—	5,057	—	5,057	5,057
– release of share option reserve for share options lapsed	—	—	—	—	(9)	—	(9)	(9)
Appropriation to statutory reserve	—	—	—	257,683	—	—	257,683	257,683
Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend	138,337	—	—	—	—	—	—	138,337
Issuance of shares in respect of placing, net of transaction cost	1,267,542	—	—	—	—	—	—	1,267,542
Dividends:								
– 2018 final dividend	(337,989)	—	—	—	—	—	—	(337,989)
Changes in ownership interest in subsidiaries without loss of control	—	—	960,181	—	—	—	960,181	960,181
At 31 December 2019	2,956,278	(209,495)	1,398,292	1,222,930	8,197	(1,158,261)	1,261,663	4,217,941

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	Sub-total HK$'000	Total HK$'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 (Note 15 (a))	—	—	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

(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 2020, the 2019 final dividend of HK$687,029,000 (2019: 2018 final dividend of HK$337,989,000) was paid out from share premium. Issuance of shares in respect of scrip dividend of 2019 final dividend and 2020 interim dividend and net proceeds received from exercise of share options exceeded the par value of the issued shares by approximately HK$923,421,000 (2019: HK$138,337,000) and HK$18,275,000 (2019: HK$31,760,000), respectively, which were credited to the share premium.

30 SHARE PREMIUM AND OTHER RESERVES (Continued)

(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 June 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 disposal of Xinyi Solar Farm (3) to Xinyi Energy on 30 September 2020. For further details, please refer to note 15 (a).

(d) Statutory reserves

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 2020, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$484,074,000 (2019: HK$257,683,000) from retained earnings to statutory reserves.

31 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	667,734	533,472
Retention payables for EPC services	352	2,629
Trade payables and retention payable for EPC service (Note (a))	668,086	536,101
Bills payables (Note (b))	381,584	140,435
Trade, retention and bills payables (Note (c))	1,049,670	676,536
Accruals and other payables (Note (d))	2,327,930	1,543,905
Current portion	3,377,600	2,220,441

	2020 HK$'000	2019 HK$'000
Deferred government grants (Note (e))	209,699	—
Retention payables for construction of solar farms	102,424	57,337
Non-current portion	312,123	57,337

Notes:

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

	2020 HK$'000	2019 HK$'000
0 to 90 days	609,737	413,328
91 days to 180 days	26,199	15,117
181 days to 365 days	5,538	87,892
Over 1 year	26,612	19,764
	668,086	536,101

(b) The maturity of the bills payables is within 6 months.

31 TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(c) The carrying amounts of the Group's trade, retention and bills payables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
RMB	1,003,025	631,707
Other currencies	46,645	44,829
	1,049,670	676,536

(d) Details of accruals and other payables are as follows:

	2020 HK$'000	2019 HK$'000
Payables for property, plant and equipment	1,766,901	1,091,748
Accruals for employee benefits and welfare	144,375	86,749
Payables for transportation costs and other operating expenses	105,927	73,583
Provision for value added tax and other taxes in the PRC	152,767	173,053
Payables for utilities	74,652	44,706
Others	83,308	74,066
	2,327,930	1,543,905

(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:

	2020 HK$'000	2019 HK$'000
Repayable on demand and within 1 year	**3,410,143**	2,803,618
Between 1 and 2 years	**1,615,136**	2,985,701
Between 2 and 5 years	**1,087,973**	893,826
	6,113,252	6,683,145
Less: Non-current portion	**(2,703,109)**	(3,879,527)
Current portion	**3,410,143**	2,803,618

As at 31 December 2020, bank borrowings of HK$615,000,000 (2019: HK$350,000,000) contain repayment on demand clause and were classified as current liabilities.

As at 31 December 2020, all bank loans bore floating interest rates. All bank borrowings are repayable by instalments up to year 2023 (2019: year 2022). The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2020, as the impact of discounting is not significant.

The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting period.

The effective interest rate per annum at reporting date were as follows:

	2020	2019
Bank borrowings	**1.48%**	4.15%

All bank borrowings were exposed to interest rate changes.

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

33 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2020 HK$'000	2019 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	251,119	46,091
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(11,936)	(11,533)
Deferred income tax assets, net	239,183	34,558

The gross movement on the deferred income tax account is as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	34,558	(6,501)
Acquisition of subsidiaries (Note 18)	(108)	—
Credited to the consolidated income statement (Note 11)	202,660	40,540
Currency translation difference	2,073	519
At 31 December	239,183	34,558

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$274,329,000 (2019: HK$244,924,000) within the same tax jurisdiction are as follows:

Deferred income tax assets	Provisions HK$'000	Capital allowance HK$'000	Leases liabilities HK$'000	Unrealised profit HK$'000	Total HK$'000
At 1 January 2019	4,107	—	137,227	—	141,334
Credited to the consolidated income statement	1,375	128,184	8,030	10,207	147,796
Currency translation difference	163	1,860	(138)	—	1,885
At 31 December 2019	5,645	130,044	145,119	10,207	291,015
At 1 January 2020	5,645	130,044	145,119	10,207	291,015
Acquisition of subsidiaries (Note 18)	—	—	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

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 2019	—	—	137,227	10,608	147,835
Charged to the consolidated income statement	—	102,910	3,377	969	107,256
Currency translation difference	—	1,466	(56)	(44)	1,366
At 31 December 2019	—	104,376	140,548	11,533	256,457
At 1 January 2020	—	104,376	140,548	11,533	256,457
Acquisition of subsidiaries (Note 18)	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

33 DEFERRED INCOME TAX (Continued)

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 (see Note 11).

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 2020, deferred income tax liabilities of approximately HK$618,074,000 (2019: HK$512,830,000) 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$12,361,485,000 (2019: HK$10,256,594,000).

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 2020, there was no significant unrecognised tax losses (2019: Nil).

34 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2020 HK$'000	2019 HK$'000
Profit before income tax	5,758,394	3,092,654
Adjustments for:		
Share options granted to employees (Note 8)	7,057	5,057
Interest income (Note 10)	(60,532)	(49,088)
Interest expense (Note 10)	190,954	303,507
Impairment losses on trade receivables (Note 7)	5,029	14,429
Amortisation of intangible assets (Note 7)	504	—
Depreciation of property, plant and equipment (Note 7)	855,370	795,327
Depreciation of right-of-use assets (Note 7)	48,410	40,105
Losses on disposal of property, plant and equipment (Note 6)	31,970	4,105
Share of profits of a joint venture	(35,821)	(39,371)
Share of losses of associates	203	5,886
	6,801,538	4,172,611
Changes in working capital:		
Inventories	(301,649)	19,247
Trade and other receivables	(2,685,387)	(1,233,980)
Finance lease receivables	(23,523)	(3,118)
Trade and other payables	987,400	(788,850)
Contract liabilities	149,513	(2,089)
Amount due from a joint venture	4,834	(1,499)
Amounts due to related companies	76,386	(10,955)
Contract assets	(11,676)	17,145
Cash generated from operations	4,997,436	2,168,512

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2020 HK$'000	2019 HK$'000
Net book amount (Note 19)	32,918	8,723
Losses on disposal of property, plant and equipment (Note 6)	(31,970)	(4,105)
Proceeds from disposal of property, plant and equipment	948	4,618

34 CASH GENERATED FROM OPERATIONS (Continued)

(c) Analysis of changes in financing activities during the year

	Liabilities from financing activities			
	Borrowing	Lease liabilities	Dividend payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000
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 (Note 18)	—	(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)
At 31 December 2020	(6,113,252)	(694,977)	(8)	(6,808,237)

	Liabilities from financing activities			
	Borrowing	Lease liabilities	Dividend payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018	(8,769,509)	—	(3)	(8,769,512)
Initial application of HKFRS16	—	(548,906)	—	(548,906)
At 1 January 2019	(8,769,509)	(548,906)	(3)	(9,318,418)
Cash flows	2,109,404	51,976	878,217	3,039,597
Foreign exchange adjustments	—	13,687	—	13,687
Acquisition of subsidiaries	—	(33,573)	—	(33,573)
Interest for lease liabilities (Note 20)	—	(38,509)	—	(38,509)
2018 final dividend and 2019 interim dividend	—	—	(878,220)	(878,220)
Other non-cash movements	(23,040)	(71,170)	—	(94,210)
At 31 December 2019	(6,683,145)	(626,495)	(6)	(7,309,646)

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:

	2020 HK$'000	2019 HK$'000
Not later than one year	**904**	2,634
Later than 1 year and not later than 5 years	**485**	2,451
	1,389	5,085

36 CAPITAL COMMITMENTS

Capital expenditures of HK$1,391,132,000 (2019: HK$1,292,089,000) 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:

	2020		2019	
	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	**10,086,805**	**6,567,398**	10,854,566	6,892,077

Notes to the Consolidated Financial Statements

38 RELATED PARTY TRANSACTIONS

As at 31 December 2020, the Group is controlled 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 (together, the "Controlling Shareholders"), which in aggregate owns 25.97% (2019: 32.06%) of the Company's shares. 22.86% (2019: 24.30%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 51.17% (2019: 43.64%) of the shares are widely held.

(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	2020 HK$'000	2019 HK$'000
Purchases of glass products from:			
– Subsidiaries of Xinyi Glass*	i, ii	109,938	62,283
Purchases of machineries from:			
– A subsidiary of Xinyi Glass*	i, iii	83,368	75,415
Purchases of consumable products from:			
– Subsidiaries of Xinyi Glass*	iv, v	4,576	—
Sales of glass products to:			
– Subsidiaries of Xinyi Glass*	iv, v	3,299	1,813
Maintenance and service charges received from:			
– A subsidiary of Xinyi Glass*	iv, v	2,563	2,412
Purchases of fixed assets from:			
– A subsidiary of Xinyi Glass*	iv, v	2,157	—

38 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	Note	2020 HK$'000	2019 HK$'000
Processing fees of raw materials paid to:			
– A subsidiary of Xinyi Glass*	iv, v	1,739	—
Sales of electricity to:			
– An entity controlled by a controlling party#	iv, vii	1,369	1,676
Rental income received from:			
– A subsidiary of Xinyi Glass*	iv, vi	1,032	1,049
Consultancy fee paid to:			
– A subsidiary of Xinyi Glass*	iv, v	872	861
Purchases of and processing of battery pack, chargers and lithium battery energy storage facilities:			
– An entity controlled by a controlling party#	iv, vii	1,111	2,958
Acquisition of right-of-use assets from:			
– Subsidiaries of Xinyi Glass*	iv, v	1,214	13,988
– An associate	iv, v	—	223
Sales of consumables to:			
– A Subsidiary of Xinyi Glass*	iv, v	—	776
Sales of fixed assets to:			
– Subsidiaries of Xinyi Glass*	iv, v	—	762
EPC services income received from:			
– Subsidiaries of Xinyi Glass*	iv, viii	—	633

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

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

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 glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcements dated 19 December 2019, 7 January 2020 and 24 December 2020.

(iii) The purchases of machineries were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 19 December 2019 and 7 January 2020.

(iv) 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.

(v) The transactions were conducted at mutually agreed prices and terms.

(vi) The leases of premises were charged at mutually agreed rental.

(vii) The purchases of and processing of battery pack, chargers and lithium battery energy storage facilities and the sales of electricity were transacted at mutually agreed prices and terms.

(viii) The EPC services income received were charged at mutually agreed prices.

(b) Balances with related parties

	2020 HK$'000	2019 HK$'000
Amounts due from a joint venture		
– Xinyi Solar (Lu'an)	796	5,630
Amounts due to related companies		
– Wuhu Jinsanshi Numerical Control Technology Company Limited*	(91,397)	(80,604)
– Xinyi Glass (Guangxi) Company Limited*	(73,383)	—
– Xinyi Ultra-thin Glass (Dongguan) Company Limited*	(1,281)	—
– Anhui Xinyi Power Source Company Limited#	(470)	(413)
– Xinyi Glass~	(294)	—
– Xinyi Energy Smart (Malaysia) Sdn Bhd*	(293)	(9,313)
– Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited*	—	(330)
– Xinyi Glass Japan Company Limited*	—	(72)
	(167,118)	(90,732)

38 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

~ 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.

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

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

(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:

	2020 HK$'000	2019 HK$'000
Basic salaries, bonus, other allowances and benefits	50,819	37,918
Retirement benefits-defined contribution scheme	85	69
Share options granted	950	778
	51,854	38,765

Details of directors' and the chief executive's emoluments are disclosed in Note 9(a).

39 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Assets - amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	5,516,615	4,381,809
Bills receivables (Note 24)	2,838,874	1,194,111
Finance lease receivables (Note 26)	219,802	196,279
Amount due from a joint venture (Note 16)	796	5,630
Cash and cash equivalents (Note 27)	9,291,194	2,221,055
	17,867,281	7,998,884
Liabilities - amortised cost		
Trade and other payables excluding accruals of staff cost, other taxes payable and deferred government grants	2,801,298	1,877,541
Bills payables (Note 31)	381,584	140,435
Bank borrowings (Note 32)	6,113,252	6,683,145
Lease liabilities (Note 20)	694,977	626,495
Amounts due to related companies (Note 38)	167,118	90,732
	10,158,229	9,418,348

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Interests in subsidiaries		1,634,923	1,628,367
Current assets			
Amounts due from subsidiaries		10,126,846	2,336,785
Prepayments and other receivables		634	848
Cash and cash equivalents		1,275	481
Total current assets		10,128,755	2,338,114
Total assets		11,763,678	3,966,481
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	880,925	808,186
Share premium	40(a)	9,674,180	2,956,278
Share option reserve	40(a)	11,046	8,197
Retained earnings	40(a)	1,193,449	192,641
Total equity		11,759,600	3,965,302
Liabilities			
Current liabilities			
Accruals and other payables		4,078	1,179
Total current liabilities		4,078	1,179
Total equity and liabilities		11,763,678	3,966,481

The balance sheet of the Company was approved by the Board of Directors on 1 March 2021 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, share option reserve and retained earnings of the Company

	Share premium HK$'000	Share option reserve HK$'000	Retained earnings HK$'000
At 1 January 2019	1,856,628	10,034	641,916
Loss for the year	—	—	(6,101)
Employees' share option scheme:			
– exercise of employees' share options	31,760	(6,885)	—
– value of employee services	—	5,057	—
– release of share option reserve for share options lapsed	—	(9)	9
Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend	138,337	—	—
Issuance of shares in respect of placing, net of transaction costs	1,267,542	—	—
Dividend:			
– 2018 final dividend	(337,989)	—	—
– 2019 interim dividend	—	—	(443,183)
At 31 December 2019	2,956,278	8,197	192,641
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

The Cayman Islands law permits dividends or other distributions to be paid out of share premium.

41 SUBSEQUENT EVENT

On 6 January 2021, Xinyi Power (BVI) Limited ("Xinyi Power (BVI)"), a wholly owned subsidiary of the Company, entered into two sale and purchase agreements ("S&P Agreements") with Xinyi Energy in respect of the proposed disposals of the entire equity interest in Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited, respectively by Xinyi Power (BVI) to Xinyi Energy for a consideration to be calculated based on the formula respectively set forth in the S&P Agreements. Through their respective subsidiaries, Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited respectively owns and operates solar farms with an aggregated approved capacity of 250MW and 270MW in the PRC. The disposal of the entire equity interest in Xinyi Solar Farm (Group 6) Limited was completed on 11 February 2021 for a cash consideration of HK$530.9 million, and the disposal of the entire equity interest in Xinyi Solar Farm (Group 7) Limited is expected to be completed on or before 31 December 2021.

Financial Summary

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Result					
Revenue	**12,315,829**	9,096,101	7,671,632	9,527,031	6,007,081
Cost of sales	**(5,732,238)**	(5,184,554)	(4,711,194)	(6,122,410)	(3,257,198)
Gross profit	**6,583,591**	3,911,547	2,960,438	3,404,621	2,749,883
Profit before income tax	**5,758,394**	3,092,654	2,246,340	2,789,435	2,390,464
Income tax expense	**(735,268)**	(294,059)	(204,662)	(265,336)	(240,777)
Profit for the year	**5,023,126**	2,798,595	2,041,678	2,524,099	2,149,687
Profit for the year attributable to:					
– the equity holders of the Company	**4,560,853**	2,416,462	1,863,146	2,332,031	1,985,630
– non-controlling interests	**462,273**	382,133	178,532	192,068	164,057
	5,023,126	2,798,595	2,041,678	2,524,099	2,149,687

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	**43,423,389**	28,397,020	23,892,500	22,767,259	16,786,383
Total liabilities	**11,398,871**	9,823,891	11,833,582	11,086,903	9,358,595
	32,024,518	18,573,129	12,058,918	11,680,356	7,427,788
Equity attributable to equity holders of the Company	**26,521,806**	14,176,846	10,433,809	10,121,127	6,215,625
Non-controlling interests	**5,502,712**	4,396,283	1,625,109	1,559,229	1,212,163
	32,024,518	18,573,129	12,058,918	11,680,356	7,427,788