XINYI ENERGY HOLDINGS LIMITED
信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 03868

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. LEE Shing Put, B.B.S. *(Chairman)* ø~
Tan Sri Datuk TUNG Ching Sai
P.S.M, D.M.S.M, J.P. *(Vice Chairman)* ø<
Mr. TUNG Fong Ngai *(Chief Executive Officer)* ^
Mr. LEE Yau Ching
Ms. CHENG Shu E =

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk * ø<=
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. #+ <=
Ms. LYU Fang #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
^ Chairman of acquisition committee
= Members of acquisition committee

COMPANY SECRETARY

Mr. TUEN Ling, CPA

REGISTERED OFFICE

Jayla Place
Wickhams Cay I
Road Town
Tortola, VG1110
British Virgin Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 102, Meidiya Road
E Qiao Town
Sanshan District
Wuhu Country
Auhui Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2118-2120, 21/F
Rykadan Capital Tower
No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road 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) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Bank Corporation Limited
DBS Bank (Hong Kong) Limited
China Citic Bank
Huishang Bank Corporation Limited

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BRITISH VIRGIN ISLANDS

Ocorian Corporate Services (BVI) Limited
Jayla Place, Wickhams Cay I
PO Box 3190
Road Town, Tortola, VG1110
British Virgin 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.xinyienergy.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 03868
Listing date: 28 May 2019
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$4.00
Market capitalisation as of the date of this annual report: Approximately HK$28.44 billion

KEY DATES

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

CHAIRMAN'S STATEMENT

Dear Shareholders

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

BUSINESS REVIEW

Revenue contribution increased from solar farm portfolio

The increase in revenue was mainly attributable to the full operation of the five solar farm projects (in the total of 340 megawatts ("**MW**")) acquired in 2020 (the "**2020 Portfolio**") and the completion of the acquisition of the eight new solar farm projects (in the total of 660 MW) acquired in 2021 (the "**2021 Portfolio**"). In total, as of 31 December 2021, the aggregated approved capacity of the solar farms projects of the Group amounted to 2,494 MW, as compared to 1,834 MW as of 31 December 2020. As a result, in conjunction with the increase in sunshine hours throughout the year, the Group achieved a significant increase in electricity generation.

The amount of revenue in 2021 contributed by the 2020 Portfolio increased from HK$35.3 million in 2020 to HK$206.2 million, representing 9.0% of the Group's total revenue from the solar power electricity generation business. Furthermore, the amount of revenue in 2021 contributed by the 2021 Portfolio amounted to HK$230.3 million, representing 10.1% of the Group's total revenue from the solar power electricity generation business. This amount was mainly contributed by four out of eight solar farm projects under the 2021 Portfolio acquired in February 2021, as the remaining were not acquired until December 2021. The Directors expect that full performance of the 2021 Portfolio will be reflected in the performance of the Group from 2022 onwards.

As strict control measures on COVID-19 were in place in the People's Republic of China (the "**PRC**") and have effectively led to increases in the overall electricity consumption, the Group has not experienced any major curtailment of electricity.

Continuous capacity expansion – Acquisition of the solar farm projects

Since 2019, the photovoltaic (the "**PV**") industry of the PRC has transformed from the feed-in-tariff (the "**FiT**") regime to either the grid-parity regime or the grid-bidding regime. According to the "Notice on Matters Related to the New Energy Grid-Parity Policy 2021" (《關於2021年新能源上網電價政策有關事項的通知》) announced by Energy Research Institute of the National Development and Reform Commission (the "**NDRC**") in June 2021, the grid-bidding regime has ceased since 2021. Hence, all newly completed solar farm projects in the PRC, including the utility-scale and the commercial distributed PV generation projects, would be operated under the grid-parity regime without any subsidies from the PRC government. The price of electricity generated from newly completed solar farm projects shall be implemented according to the local benchmark price of coal-fired power generation. New projects may also voluntarily participate in market transactions and form open market electricity prices.

The grid-parity regime will benefit the Group, as a solar farm operator, by eliminating delays in receiving the subsidy payments and uncertainties in distribution. Such regime also allows the Group to generate stable cash flows from solar farm projects in operation. Also, for future investments, the visibility of cash flows would facilitate a more transparent insight on the likely return on future investments in solar farm projects.

Among the 2020 Portfolio and the 2021 Portfolio, only three out of thirteen solar farm projects adopted the FiT regime and the remaining are all subject to the grid-parity regime. As a result of the acquisitions, during the year ended 31 December 2021, the revenue generated from solar power electricity generation business has increased by 33.5%, among such, the sales of electricity and tariff adjustment has increased by 55.8% and 18.6%, respectively, as compared to the year ended 31 December 2020. In the meantime, the cash flows of the Group have gradually improved in the year.

CHAIRMAN'S STATEMENT

Latest developments regarding the "Renewable Energy Power Generation Project List" (《可再生能源發電項目清單》)

In accordance with the grid-parity regime initiated in 2019, The Ministry of Finance announced the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) in March 2020 and the "Notice on Accelerating Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies" (《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) in November 2020. These two notices clearly stated the conditions and pre-requisites for solar farm projects entering the approved list (the "**List**").

The approval process of enrolment in the List has been accelerated as a result of clear guidelines set forth in the two announcements. During the year ended 31 December 2021, a total of twenty-four Lists were published by The State Grid Corporation and four Lists published by China Southern Power Grid. Three of the Group's solar farm projects, with accumulated approved capacity of 390 MW, have been enlisted on the List in 2021.

As of 31 December 2021, the Group owned and operated solar farm projects with accumulated approved capacity of 2,494 MW, among which, 1,724 MW was under the FiT regime and 770 MW was under the grid-parity regime. All of the Group's solar farm projects under the FiT regime have been enlisted on the List before the end of 2021. As a result, all of them are eligible to receive subsidies from the PRC government until the end of the subsidy period given under the terms of enlistment, which is within 20 years.

BUSINESS OUTLOOK

Recovery on energy demands and promotion of renewable energy consumption

The Asia Pacific region still enjoyed positive yearly growth in the energy demand during 2019 and 2020, even with the economic slowdown brought by the COVID-19 pandemic. As estimated by the International Energy Agency (the "**IEA**"), the Asia-Pacific's energy demand will grow by 8% in 2021, from 2% in 2020, mainly driven by the PRC and India. Also, the IEA predicts that such energy demand will continue to grow until 2024, with the annual growth rate at around 4%, driven mainly by the industrial development and the increased electrification and utilisation.

Compared to the year of 2020, the year of 2021 showed a strong recovery in the industrial and commercial demand for power in the PRC. Based on estimates from the National Energy Administration (the "**NEA**"), the growth across all industry sectors is expected to resume to the pre-pandemic levels during the period from 2022 to 2024, which is generally consistent with the IEA's forecast.

Despite the development of different power generation sources, the electricity system in the PRC remains largely dominated by coal-fired power plants. The sources will, however, be gradually shifted to renewables under a number of national policies implemented in the PRC. It is announced in the "Action Plan for Carbon Dioxide Peaking before 2030" (《2030年前碳達峰行動方案》) in October 2021 that by 2025, the proportion of non-fossil energy consumption will reach about 20% and the carbon dioxide emission per unit of GDP will decrease by 18% as compared with 2020. By 2030, the proportion of non-fossil energy consumption will reach about 25%, and the carbon dioxide emission per unit of GDP will be reduced by more than 65% as compared with 2005, for the purpose of achieving the carbon peaking by 2030.

CHAIRMAN'S STATEMENT

In 2021, based on the data published by the NEA, the total renewable power generation for the year reached 2,450.0 billion Kilowatt-hour ("**kWh**"), representing an increase of 11.9%, as compared to 2020. Solar power electricity generation reached 325.9 billion kWh, representing an increase of 25.1% from 2020. Furthermore, the total renewable power generation accounted for 29.8% of the total electricity consumption of the year. These suggested that de-carbonisation is an established policy in the PRC and it has significant room for development of renewable energy, such as solar and wind energy sectors, in the PRC.

Despite the general trend of increasing use of the solar power, the new installed capacity of the PV power generation showed merely a steady trend in 2021 as compared to 2020. This was primarily due to the fact that the prices of polysilicon, one of the principal materials of solar module, have increased significantly during 2021 and as a result, bringing low incentives on the construction of solar farm projects and the PV power installations. As compared to the same period in 2020, the total new installed capacity increased by only 12.8% to 13.0 gigawatt ("**GW**") in the first half of 2021 and 14.2% to 41.9 GW in the second half of 2021, respectively. If the system prices remain at high level, it is expected that the new installations in 2022 would continue to be affected and delayed.

In December 2021, the IEA published a forecast report, namely "Renewables 2021 – Analysis and forecast to 2026" (《可再生能源2021 – 至2026年的分析和預測》) . According to the report, in 2021, almost 290 GW of renewable power was commissioned during the year, which was 3% higher than that in 2020. Among all renewable energy sources, the solar power generation accounted for more than 50%, followed by the wind power and the hydropower. To achieve the target of global de-carbonisation, it is expected that the growth of renewable capacity will be accelerated in the forthcoming years, reaching at least 95% of the total increase by 2026. The PRC will continue to lead in overall renewable capacity expansion globally, accounting for 43%. This growth rate will further enhance the industry development and open up opportunities for the Group's future acquisitions.

Acquisition of new solar farm and renewable energy projects

The national policy for the "dual carbon" targets was announced in October 2021, which calls for carbon peak emissions by 2030 and carbon neutrality by 2060. With the introduction of these targets, the Directors believe the development of low-carbon and zero-carbon energy industry will be promoted, and new opportunities will emerge. As part of its existing solar power business, the Group will continue to operate the solar farm portfolios and look for acquisitions opportunities of utility-scaled solar farm projects from Xinyi Solar Holdings Limited ("**Xinyi Solar**") and independent third parties. The Group will also continue to source solar farm projects within the country and overseas which are of high quality and can generate favourable expected investment return.

In light of the Group's accomplishments and extensive experience in the solar power industry, the Group will also explore other renewable energy fields in order to support the "dual carbon" targets and accelerate the Group's market position. The Group will consistently push forward investments and collaborations in renewable energy sectors that are in the interest of the Group.

Carbon trading market

After publishing the administrative measure on carbon trading in December 2020, during 2021, The Ministry of Ecology and Environment further published three regulations, namely the "Rules for Management of Carbon Emissions Registration (for Trial Implementation)"(《碳排放權登記管理規則(試行)》), "Rules for Management of Carbon Emission Trading (for Trial Implementation)" (《碳排放權交易管理規則(試行)》) and the "Rules for Management of Carbon Emission Settlement (for Trial Implementation)" (《碳排放權結算管理規則(試行)》), on the establishment of carbon trading market in the PRC. As a result of the implementation, carbon trading has commenced in July 2021 through the trading platform operated by the Shanghai Environment and Energy Exchange Corporation. Since its commencement and up to 31 December 2021, the aggregated trading amount was around 179 million tonnes.

Since the Group's generated power are all from renewable sources, the Group has yet to participate in any carbon trading activities. When such are launched for renewable energy companies, the Group will actively explore and consider to participate in such activities.

LEE Shing Put, B.B.S.
Chairman

Hong Kong, 28 February 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2021, the consolidated revenue of the Group recorded a notable increase of 33.4% to HK$2,296.6 million, as compared to HK$1,722.1 million for 2020. Profit for the year attributable to the equity holders of the Company surged by 33.7% to HK$1,232.3 million. Basic earnings per share amounted to 17.33 HK cents, a significant growth of 28.9% over the corresponding period last year. The Board proposes to declare a final dividend of 10.0 HK cents per share, representing 99.5% of the distributable income (the "**Distributable Income**"), subject to the approval by the shareholders (the "**Shareholders**") of the Company at the forthcoming annual general meeting (the "**Annual General Meeting** ").

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue was mainly derived from two core businesses, namely, (i) solar power electricity generation and (ii) service fee income from the provision of the solar farm operation and management services. Revenues from solar power electricity generation significantly increased, as compared to the corresponding period in 2020, due to contribution from the 2020 Portfolio and the 2021 Portfolio.

The table below sets forth an analysis of the Group's revenue for the year ended 31 December 2021, as compared to the year ended 31 December 2020.

	2021		2020		Increase	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of electricity	**1,068.4**	**46.5**	685.9	39.8	382.5	55.8
Tariff adjustment	**1,218.2**	**53.1**	1,027.4	59.7	190.8	18.6
	2,286.6	**99.6**	1,713.3	99.5	573.3	33.5
Operation and management services	**10.0**	**0.4**	8.8	0.5	1.2	13.6
Total	**2,296.6**	**100.0**	1,722.1	100.0	574.5	33.4

The Group's revenue contributed by the sales of electricity and the tariff adjustment significantly increased by 55.8% to HK$1,068.4 million and 18.6% to HK$1,218.2 million, respectively, as compared with the year ended 31 December 2020. This increase was primarily due to the full performance and contribution of the 2020 Portfolio, the completion of the acquisition of the 2021 Portfolio and slight appreciation of Renminbi ("**RMB**") against Hong Kong Dollar ("**HK$**").

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2021, the Group's revenue from solar power electricity generation was contributed by the following solar farm projects:

Name of the solar farm projects	**Locations in the PRC**	**Approved capacity** *(MW)*
Initial solar farm projects owned and operated by the Group	Nine solar farm projects located in Anhui Province, Fujian Province, Hubei Province and Tianjin Municipality	954
Solar farm projects acquired by the Group in 2019 ("**2019 Portfolio**")	Six solar farm projects located in Anhui Province, Hubei Province and Henan Province	540
Solar farm projects acquired by the Group in 2020 ("**2020 Portfolio**")	Five solar farm projects located in Anhui Province, Hubei Province and Guangdong Province	340
Solar farm projects acquired by the Group in 2021 ("**2021 Portfolio**")		
Hubei Jingping Solar Farm	Hubei Province	80
Huainan Solar Farm Two	Anhui Province	50
Huaibei Solar Farm	Anhui Province	100
Hebei Zaoqiang Solar Farm	Hebei Province	100
Qingyang Solar Farm	Anhui Province	70
Jiangmen Solar Farm One and Two	Guangdong Province	100
Laohekou Solar Farm Two	Hubei Province	100
Wuhu Xiangtai Solar Farm	Anhui Province	60
		660
Total		**2,494**

The Group recorded HK$10.0 million from the solar farm operation and management services rendered for the year ended 31 December 2021, which represented for 0.4% of the total revenue in 2021. Pursuant to the Solar Farm Operation and Management Agreement, Xinyi Solar has agreed to engage the Group to operate and manage its connection-ready solar farm projects. All of the revenue in 2021 generated by the services was provided to Xinyi Solar, which is on commercial terms, taking into consideration factors such as service quality, work efficiency and price, as compared with the services provided to independent third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

For the year ended 31 December 2021, the Group has continuously achieved an effective and efficient operation with lower costs through enhancement on implementing the sophisticated management for individual solar farms and nationwide centralised surveillance system.

In 2021, the Group's cost of sales increased by 29.9% to HK$617.3 million from HK$475.3 million in 2020. The increase was mainly due to the increase in (i) staff cost and (ii) depreciation charge of property, plant and equipment and right-of-use assets following the completion of acquisitions of the 2020 Portfolio and the 2021 Portfolio.

Gross profit

The Group's gross profit increased by 34.7% to HK$1,679.4 million for the year ended 31 December 2021 from HK$1,246.7 million for the year ended 31 December 2020, which is in line with the increase in revenue. The increase was mainly due to the greater contributions from both the solar power electricity generation and service fee income from the provision of the solar farm operation and management services businesses.

Overall gross profit margin of the Group slightly increased by 0.7 percentage point to 73.1% in 2021 from 72.4% in 2020. The increase was primarily due to increase in revenue outweighed the increase in cost of sales.

Other income

For the year ended 31 December 2021, other income significantly increased by 165.6% to HK$23.2 million from HK$8.8 million for the year ended 31 December 2020. The increase was primarily due to the increase in (i) insurance compensation; (ii) the receipt of government grants; and (iii) number of discounts received from suppliers.

Other (losses)/gains, net

The Group recorded other losses, net of HK$22.4 million during the year ended 31 December 2021, as compared with other gains, net of HK$2.5 million during the year ended 31 December 2020, mainly due to (i) foreign exchange losses during the year and (ii) impairment loss of goodwill.

Administrative expenses

For the year ended 31 December 2021, the Group's administrative expenses increased by HK$9.8 million from HK$44.7 million for the year ended 31 December 2020 to HK$54.5 million for the year ended 31 December 2021. The increase was mainly due to the increase in (i) insurance expenses; (ii) employee benefit expenses; and (iii) miscellaneous expenses.

Finance income and finance costs

The finance income decreased by 54.1% to HK$18.9 million for the year ended 31 December 2021 due to (i) decrease in bank interest income on the net proceeds of the global offering in 2019 as such net proceeds has been fully utilised during the first half year of 2021 and (ii) the decrease in receipt of aggregate subsidy payment in 2021.

For the year ended 31 December 2021, the total finance costs of the Group amounted to HK$188.2 million, as compared to HK$165.6 million during the year ended 31 December 2020. The interest expense on bank borrowings decreased from HK$54.5 million for the year ended 31 December 2020 to HK$47.8 million for the year ended 31 December 2021. The decrease was primarily due to the continuous decrease in bank borrowing's effective interest rate partially offset by the addition in the balance of interest-bearing bank borrowings. The interest component on lease liabilities increased by 41.0% to HK$40.6 million during the year ended 31 December 2021 from HK$28.8 million during the year ended 31 December 2020, due to the completion of acquisitions of 2020 Portfolio and 2021 Portfolio. Meanwhile, the imputed interest expense on the deferred payment of the consideration of 2019 Portfolio was HK$99.7 million during the year ended 31 December 2021.

Income tax expense

The Group incurred income tax expense of HK$221.6 million during the year ended 31 December 2021 as compared with HK$166.2 million during the year ended 31 December 2020. The increase was mainly due attributable to (i) the acquisitions of the 2020 Portfolio and the 2021 Portfolio; (ii) four solar farm projects commencing the full payment of the PRC corporate income tax at the statutory rate of 25% (2020: one solar farm project); and (iii) the increase in the solar power electricity generated as well as the revenue during the corresponding period.

Adjusted EBITDA, Distributable Income and net profit

For the year ended 31 December 2021, the adjusted EBITDA was HK$2,170.9 million, representing an increase of 34.3%, as compared to HK$1,616.4 million for the same period in 2020. The adjusted EBITDA margin increased by 0.6 percentage point from 93.9% during the year ended 31 December 2020 to 94.5% during the year ended 31 December 2021.

Pursuant to the distribution policy of the Group, the Distributable Income was HK$1,242.7 million, which represents an increase of 23.3%, as compared to HK$1,008.0 million during the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The reconciliation between from the profit for the year to adjusted EBITDA and Distributable Income during the years ended 31 December 2021 and 2020 are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Profit for the year	**1,234,806**	922,427
Corporate income tax and dividend withholding tax expenses	**235,825**	172,600
Finance costs	**188,171**	165,642
Finance income	**(18,875)**	(41,086)
Depreciation charge of property, plant and equipment	**531,858**	408,051
Adjustments:		
Other income	**(23,243)**	(8,750)
Other losses/(gains), net	**22,405**	(2,511)
Adjusted EBITDA for the year	**2,170,947**	1,616,373
Less:		
Corporate income tax at notional rate	**(364,098)**	(272,161)
Dividend withholding tax at notional rate	**(63,455)**	(52,487)
Notional long-term debt repayment principal amount	**(309,951)**	(117,662)
Total finance costs	**(188,171)**	(165,642)
Total profit attributable to non-controlling interests	**(2,531)**	(420)
Distributable Income for the year	**1,242,741**	1,008,001

Net profit attributable to equity holders of the Group during the year ended 31 December 2021 was HK$1,232.3 million, representing an increase of 33.7%, as compared to HK$922.0 million during the year ended 31 December 2020. The slight increase in the net profit margin from 53.5% during the year ended 31 December 2020 to 53.7% during the year ended 31 December 2021 was primarily due to (i) increased depreciation charge to property, plant and equipment and right-of-use assets; (ii) increased employee benefit expenses; and (iii) increased income tax expense offset by (i) increased in revenue and (ii) increased in other income.

Final dividend

The Group is dedicated to enhancing value for its shareholders and has adopted a well-defined policy on distribution based on cash inflow generated by solar power electricity generation (the "**Distributions**"). It is the Board's intention to declare and distribute interim and final Distributions each year of not less than 90% of the Distributable Income, and with an intention to distribute 100% of the Distributable Income in each year. Details of the proposed final dividend for the year ended 31 December 2021 are set forth under the paragraph of "Final Dividend" in the section headed "Report of the Directors" in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial resources and liquidity

As at 31 December 2021, the Group's total assets increased by 23.0% to HK$21,202.0 million and net assets increased by 4.6% to HK$12,560.5 million. Current ratio of the Group as at 31 December 2021 was 1.3, as compared with 1.4 as at 31 December 2020, as the significant increases in trade and other receivables was offset by (i) the decrease in cash and cash equivalents and (ii) the increase in bank borrowings.

The Group's net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2021 was 30.1% (31 December 2020: 4.6%). The increase was mainly due to (i) the significant increase in bank borrowings and (ii) the decrease in cash and cash equivalents.

As at 31 December 2021, the Group's financial position remained healthy, with the cash and cash equivalents balance at HK$1,104.9 million. During the year ended 31 December 2021, net cash generated from operating activities was HK$1,225.1 million (2020: HK$1,070.9 million), which was primarily attributable to the profit before income tax of HK$1,456.4 million (2020: HK$1,088.6 million), though partially offset by an increase in trade and other receivables. Net cash used in investing activities amounted to HK$3,108.9 million (2020: HK$1,253.6 million), which was primarily attributable to payment for acquisition of the 2021 Portfolio and the settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the year. Net cash generated from financing activities amounted to HK$1,649.0 million (2020: net cash used in financing activities, HK$202.7 million) which was primarily attributable to the new bank borrowings at HK$4,220.8 million, partially offset by (i) repayments of the bank borrowings and (ii) dividends paid to the Company's shareholders during the year.

CAPITAL EXPENDITURES AND COMMITMENTS

In 2021, the Group incurred capital expenditures of HK$825.9 million which were mainly (i) used in further refinement of the existing and new acquired solar farm projects and (ii) settlement of outstanding capital expenditures of the existing solar farm projects. As at 31 December 2021, the Group did not have other capital commitments (2020: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged asset as security for bank borrowings as of 31 December 2021.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2021, the Group acquired the 2021 Portfolio with an aggregate capacity of 660 MW. Please refer to Note 15 to the consolidated financial statements in this annual report for further details.

Save as disclosed above, there was no further material acquisition and disposal of subsidiaries for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's solar farm projects are in the PRC with most of the transactions denominated and settled in RMB. The financial performance and assets value could be affected by the exchange rate fluctuation between RMB and HK$. The Group may use financial instruments for hedging purposes when faced material difficulties and liquidity problems resulting from currency exchange fluctuation.

All of the revenue generated from the solar farm projects are denominated in RMB and the bank borrowings are denominated in HK$. There is a currency mismatch between bank borrowings with the source of revenue. The Directors believe that the risk of currency mismatch may be minimised by the lower bank borrowing rates of HK$, as compared to the RMB. As at 31 December 2021, all bank borrowings were denominated in HK$.

During the year ended 31 December 2021, the Group has not experienced any material difficulties and liquidity problems resulting from the fluctuations of currency exchange. However, the Group may use financial instruments for hedging purposes as and when required. For the year ended 31 December 2021, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

The Group highly values its employees, sharing mutual benefits and growth with them. The Group constantly explores each employee's potential and ability. Likewise, the Group will continue to hire new employees when appropriate to support business development.

As at 31 December 2021, the Group had 281 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK$48.7 million for the year ended 31 December 2021. Its employees are remunerated based on their qualifications, job nature, performance and working experiences plus reference to the prevailing market rate. Apart from the basic remuneration and discretionary bonus, the Group also provides mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in PRC, respectively, under the laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING IN MAY 2019 (THE "GLOBAL OFFERING")

In May 2019, the Company completed the Global Offering by offering 2,007,738,471 new shares, representing 29.7% of the number of shares in issue immediately following completion of the Global Offering. The amount of gross proceeds raised from the Global Offering was HK$3,895.0 million. The expenses incurred by the Group for the Global Offering amounted to HK$132.7 million, of which HK$45.9 million was charged to profit or loss and HK$86.8 million was debited to the equity of the Group.

As disclosed in the Company's announcement on the change in the use of the net proceeds from the Global Offering dated 20 August 2020, the actual amount of the net proceeds received by the Company from the Global Offering was HK$3,762.3 million, and the Group has used HK$2,041.6 million for the payment of 50% of the acquisition of solar farm projects in 2019 and HK$386.0 million for the general working capital and loan refinancing of the Group. The balance of the unutilised net proceeds from the Global Offering was HK$1,039.7 million as at 31 December 2020. The Board has been looking for various investment options including money-market instruments and investment-grade bond products that could provide reasonable investment returns with acceptable risk levels. Due to the spread of COVID-19, the global financial markets have experienced significant fluctuations. The global lockdown has led to economic recession in a number of leading economies worldwide. Interest rates have also remained at low levels primarily due to the economic stimulus policies implemented by numerous governments. As the overall macroeconomic and investment environments are not currently favorable, the Directors believe that investing in the money-market instruments and investment-grade bond products may not generate a reasonable amount of investment returns for the Group.

In light of the foregoing, the Company stated in the announcement dated 20 August 2020 that it may deploy up to the full amount of the unutilised net proceeds from the Global Offering for acquisitions of solar farm projects in the PRC. The balance of the unutilised net proceeds from the Global Offering as at 31 December 2020 has been fully utilised by 31 December 2021.

The table below sets forth the use of the net proceeds from the Global Offering up to 31 December 2021:

Capital expenditure	**Proposed allocation of the net proceeds** *HK$ million*	**Remaining balance up to 31 December 2020** *HK$ million*	**Amount utilised up to 31 December 2021** *HK$ million*	**Remaining balance up to 31 December 2021** *HK$ million*
Acquisition of solar farm projects in 2019	3,376.3	–	–	–
General working capital	386.0	–	–	–
Acquisition of solar farm projects	–	1,039.7	1,039.7	–
Total	3,762.3	1,039.7	1,039.7	–

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. LEE Shing Put, B.B.S. (李聖潑), aged 44, is an executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. LEE Shing Put, B.B.S. has around 20 years of experience in information technology and investments in Hong Kong and China. Mr. LEE Shing Put, B.B.S. graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor's degree in business administration majoring in finance and economics. Mr. LEE Shing Put, B.B.S. also completed the Executive MBA programme held by Peking University in 2016. Mr. LEE Shing Put, B.B.S. is a non-executive Director of Xinyi Solar (stock code: 00968), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. LEE Shing Put, B.B.S. is currently a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (政協廣東省第十二屆委員會常委). Mr. LEE Shing Put, B.B.S. is a cousin of Mr. LEE Yau Ching, the executive Director, and Mr. TUNG Fong Ngai, the executive Director and the Chief Executive Officer of the Company, and a nephew of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, the executive Director, an executive Director and the Vice Chairman of the Board.

EXECUTIVE DIRECTORS

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* (董清世), aged 56, is an executive Director and the Vice Chairman of the Board. Tan Sri Datuk TUNG Ching Sai, *J.P.* has been responsible for the formulation and implementation of the business strategies of our Group since the commencement of construction of the first utility-scale ground-mounted solar farm project at the beginning of 2014. Tan Sri Datuk TUNG Ching Sai, *J.P.* joined the Group in December 2013. Tan Sri Datuk TUNG Ching Sai, *J.P.* has over 11 years of experience in the power industry and more than 33 years of experience in glass manufacturing industry. Tan Sri Datuk TUNG Ching Sai, *J.P.* is currently an executive director and chief executive officer of Xinyi Glass Holdings Limited ("**Xinyi Glass**') (stock code: 00868) and a non-executive director and vice chairman of the board of Xinyi Solar (stock code: 00968), both of which are listed on the main board of the Stock Exchange. Tan Sri Datuk TUNG Ching Sai, *J.P.* also is a non-executive director and chairman of the board of Xinyi Electric Storage Holdings Limited (stock code: 08328), a company listed on the GEM of the Stock Exchange.

Tan Sri Datuk TUNG Ching Sai, *J.P.* is a standing committee member of the 12th Session of The Chinese People's Political Consultative Conference of Guangxi Zhuang Autonomous Region (中國人民政治協商會議廣西壯族自治區委員會常委), the 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 12th Session of the All-China Federation of Industry and Commerce (第十二屆全國工商聯執行委員會委員), chairman of the Happy Hong Kong foundation, and the president of Hong Kong Industrial & Commercial Association. Tan Sri Datuk TUNG Ching Sai, *J.P.* obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in 2001 and was awarded the Young Industrialist Awards of Hong Kong in 2006. Tan Sri Datuk TUNG Ching Sai, *J.P.* obtained from the Sun Yat-Sen University a Senior Executive Master's Degree in Business Administration in 2007.

Tan Sri Datuk TUNG Ching Sai, *J.P.* is an uncle of Mr. LEE Shing Put, B.B.S, an executive Director and the Chairman of the Board and Mr. TUNG Fong Ngai, an executive Director and the Chief Executive Officer of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TUNG Fong Ngai (董貺漄), aged 34, is an executive Director, the Chief Executive Officer and the chairman of the Acquisition Committee. Mr. TUNG Fong Ngai is principally responsible for overseeing the daily business operations of our Group and evaluating potential solar farm acquisition and investment opportunities. Mr. TUNG Fong Ngai joined our Group in March 2016. Since then, Mr. TUNG Fong Ngai has been overseeing the Solar Farm Operation Business. Mr. TUNG Fong Ngai joined Xinyi Glass in September 2012 as an executive assistant and was mainly responsible for project-related supervision and coordination. During the period between November 2012 and March 2016, Mr. TUNG Fong Ngai was the chief operating officer of Xinyi Electronic Glass (Wuhu) Company Limited, a subsidiary of Xinyi Glass.

Mr. TUNG Fong Ngai graduated from the University of Melbourne with a bachelor's degree in Commerce in 2010 and obtained a master's degree in business administration from Tsinghua University in 2012. Mr. TUNG Fong Ngai is currently a committee member of Shenzhen Bao'an District of the Chinese People's Political Consultative Conference.

Mr. TUNG Fong Ngai is a nephew of Tan Sri Datuk TUNG Ching Sai, *J.P.*, an executive Director and the Vice Chairman of the Board and a cousin of Mr. LEE Shing Put, B.B.S., an executive Director and the Chairman of the Board.

Mr. LEE Yau Ching (李友情), aged 46, is an executive Director. Mr. LEE Yau Ching is mainly responsible for formulating the overall business strategies of the Group and planning and identifying suitable acquisition opportunities of solar farm projects. Mr. LEE Yau Ching joined the Group in December 2013 and has over 7 years of experience in the power industry. Mr. LEE Yau Ching is currently an executive director and the chief executive officer of Xinyi Solar (stock code: 00968).

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 Xinyi Glass in June 1999. From June 1999 to February 2004, Mr. LEE Yau Ching worked in various departments of Xinyi Glass, including overseas sales, finance, production and sales of construction glass and production and sales of automobile glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass and was 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 operation officer of Xinyi Glass. Mr. LEE Yau Ching has started the management of the Solar Glass Business from the middle of 2006 and since November 2010, he has been the chief executive officer of Xinyi Solar and is mainly responsible for overseeing the business and daily operation of the Xinyi Solar and its subsidiaries ("**Xinyi Solar Group**"). Mr. LEE Yau Ching was awarded the "Young Industrialist Awards of Hong Kong 2014".

Mr. LEE Yau Ching is a cousin of Mr. LEE Shing Put, B.B.S., an executive Director and the Chairman of the Board.

Ms. CHENG Shu E (程樹娥), aged 63, is an executive Director and a member of the Acquisition Committee. She joined our Group in January 2016 as a general manager and re-designated as a management consultant of the Group since March 2021 and is responsible for the operation and maintenance of solar farm projects of the Group.

Ms. CHENG Shu E has over 10 years of experience in managing various operational aspects of different types of solar farm projects. Ms. CHENG Shu E joined Xinyi Glass and its subsidiaries in May 1999 and has been working in various departments of Xinyi Glass and its subsidiaries, including technology development, quality control, and administration. In August 2010, Ms. CHENG Shu E joined Xinyi Solar Group as a vice general manager and was responsible for the sourcing of the required materials and components (including solar power panels and the protective glass) and the installation of distributed solar power generation systems for its own electricity consumption. Ms. CHENG Shu E joined our Group in January 2016. Ms. CHENG Shu E graduated from South China University Technology in 1982 with a bachelor's degree in inorganic non-metallic materials engineering.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk (梁廷育), aged 47, was appointed as an independent non-executive Director since November 2018. Mr. LEUNG is also the chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Acquisition Committee. Mr. LEUNG obtained a bachelor's degree of Commerce with major in accounting from University of Wollongong, Australia. Mr. LEUNG is a member of the Certified Practicing Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. Mr. LEUNG has over 18 years of experience in financial management, accounting and auditing.

Mr. LEUNG has been appointed as an independent non-executive director of Yanchang Petroleum International Limited (stock code: 00346) since December 2009 and Most Kwai Chung Limited (stock Code: 01716) since March 2018, both of them are listed on the main board of the Stock Exchange. Mr. LEUNG was an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 08081) from May 2016 to January 2019, a company listed on the GEM of the Stock Exchange.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. (葉國謙), aged 70, is an independent non-executive Director since 2018. He is also the chairman of the Remuneration Committee, member of the Audit Committee, the Nomination Committee and the Acquisition Committee. The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. is currently a Hong Kong SAR Deputy to the 13th National People's Congress of People's Republic of China, a Non-official member of the Executive Council of Hong Kong, the Chairman of Hon Wah Educational Organization, the Deputy Chairman of The Private Columbaria Licensing Board, the Advisor of Tung Wah Group of Hospital Advisory Board and the Party Affairs Advisor to the Democratic Alliance for Betterment and Progress of Hong Kong. The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. was awarded the Grand Bauhinia Medal in 2017 and the Gold Bauhinia Star in 2004.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. was a member of the Legislative Council representing the District Council (First) functional constituency between 2008 and 2016, during which he was the chairman of the Committee on Members' Interests and the Panel on Security.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. has been appointed as an independent non-executive director of ICO Group Limited (stock code: 01460) since 17 August 2021 and was an independent non-executive director of Vantage International (Holdings) Limited (stock code: 00015) from July 2000 to October 2020, both of which are listed on the main board of the Stock Exchange.

Ms. LYU Fang (呂芳), aged 43, is an independent non-executive Director since 2018. She is also the member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Acquisition Committee. Ms. LYU Fang has been the head of the Strategy Development Department of Renewal Energy Generation Research and Development Center at the Institute of Electrical Engineering, Chinese Academy of Sciences, mainly responsible for advising national solar power rules and policies, and carrying out technical training in solar industry. Ms. LYU Fang has 23 years of experience in strategy and policy study on large-scale use of photovoltaic power. Over the years, Ms. LYU Fang has been responsible for numerous solar energy-related researches and projects conducted by the Ministry of Science and Technology of the People's Republic of China and the National Energy Administration of China. Ms. LYU Fang was the Secretary General of Solar Photovoltaic Committee of China Renewable Energy Society. Ms. LYU Fang is the Secretary General of China Green Supply Chain Alliance (中國綠色供應鏈聯盟) Photovoltaic Commission (光伏專案會) of the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部). Ms. LYU Fang is also acting as the Chinese Representative of a photovoltaic power research project, Task 1, at the International Energy Agency Photovoltaic Power Systems Program and the representative of the Chinese Secretariat of Paris Agreement-based "Mission Innovation" League of Nations. Ms. LYU Fang obtained a bachelor's degree in economics from Beijing Wuzi University in 1999.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. XIA Xin (夏鑫), aged 38, is the operation controller of the Group. Mr. XIA Xin joined the Group as an operation controller in January 2017 and has been responsible for the overall operation and maintenance management of the solar farm projects of the Group. From March 2015 to December 2016, Mr. XIA Xin worked in Xinyi Solar Group and was mainly responsible for construction quality control as well as managing the operation and maintenance of solar farm projects. Mr. XIA Xin has over 10 years of experience in the photovoltaic industry, and has engaged in the design and development of photovoltaic products and credential management, technical support, testing of photovoltaic system parts and systems, design of photovoltaic systems and standard formulations in Jiangxi LDK Solar High-Tech Company Limited., CQC-Trusted Testing Technology Company Limited and Energy Trend New Energy System Research Institute (中盛新能源系統研究院). Mr. XIA Xin graduated from Nanjing University with a master's degree in electrical engineering.

Mr. LI Jiang Yong (李江勇), aged 42, is the acquisitions controller of the Group. Mr. LI Jiang Yong joined the Group as an acquisitions controller in January 2017 and has been responsible for the overall acquisitions of solar plants from third parties. From April 2016 to December 2016, Mr. LI Jiang Yong worked in Xinyi Solar Group and was mainly responsible for the construction quality control of solar plants. Mr. LI Jiang Yong has over 10 years of experience in the photovoltaic industry, and has engaged in the research and development of photovoltaic products, testing of photovoltaic system parts and systems, design of photovoltaic systems and standard formulations in China Sunergy (Nanjing) Company Limited. and CQC-Trusted (Jiangsu) Testing Technology Company Limited. Mr. LI Jiang Yong graduated from Tianjin University of Technology with a master's degree in condensed matter physics in 2008.

Mr. TUEN Ling (段寧), aged 41, joined the Group as financial controller in January 2017 and has been mainly responsible for monitoring the financial operation of our Group since January 2017. Mr. TUEN Ling is the Company Secretary of the Company. Mr. TUEN Ling worked for the Xinyi Solar Group from September 2016 to December 2016 and was responsible for monitoring its financial operation. Mr. TUEN Ling has over 16 years of experience in management accounting and financial management. Upon graduating from Macquarie University in 2005 with a bachelor's degree in business administration majoring in accounting, Mr. TUEN Ling worked as an auditor at two multinational accounting firms in Hong Kong, respectively, from July 2006 to September 2008 and September 2008 to April 2010. From January 2011 to January 2015 and July 2015 to June 2016, Mr. TUEN Ling worked at the financial department of two companies that are listed on the Stock Exchange, respectively. Mr. TUEN Ling is a member of the Hong Kong Institute of Certified Public Accountants.

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 forth in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year of 2021.

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

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises five executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 16 to 18 in this annual report.

The five executive Directors are Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, Mr. TUNG Fong Ngai, Mr. LEE Yau Ching and Ms. CHENG Shu E. Mr. LEE Shing Put, B.B.S. and Mr. TUNG Fong Ngai are nephew of Tan Sri Datuk TUNG Ching Sai, *J.P.*. Mr. LEE Shing Put, B.B.S. is a cousin of Mr. LEE Yau Ching and Mr. TUNG Fong Ngai.

The three independent non-executive Directors are Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

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.

The Company adopted the board diversity policy (the "**Diversity Policy**") as required by the CG Code in November 2018. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

Mr. LEE Shing Put, B.B.S. is the Chairman of the Group and Mr. TUNG Fong Ngai is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Mr. LEE Shing Put, 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. TUNG Fong Ngai closely monitors the operating and financial results of the Group, identifies any weakness in the Group's operation and takes all necessary and appropriate steps to remedy such weakness. Mr. TUNG Fong Ngai is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

CORPORATE GOVERNANCE REPORT

Three independent non-executive Directors were appointed for a term of three years, commencing from 22 November 2018 and such teams of appointment have been renewed. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations of 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.

The table below sets forth the number of meetings of the Board in 2021 and individual attendance of each Director at these meetings:

	Meetings attended/held	
	General meeting	**Board meeting**
Executive Directors		
LEE Shing Put	2/2	4/4
TUNG Ching Sai	2/2	4/4
TUNG Fong Ngai	2/2	4/4
LEE Yau Ching	2/2	4/4
CHENG Shu E	2/2	4/4
Independent non-executive Directors		
LEUNG Ting Yuk	2/2	4/4
IP Kwok Him	2/2	4/4
LYU Fang	2/2	4/4

At least four Board meetings are scheduled to be held during the year ending 31 December 2022.

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

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 forth 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 Company, all Directors have confirmed that they have complied with the required standard set forth in the Model Code throughout the year of 2021.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Remuneration Committee is The Hon. IP Kwok Him, G.B.M., G.B.S., J.P..

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and making recommendations to the Board on the remuneration of Directors and senior management. The Remuneration Committee was established on 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2021, one meeting of the Remuneration Committee was held which was held on 1 March 2021 for reviewing the directors' fee and remuneration of directors for the following year and all the committee members attended this meeting.

Pursuant to code provision E.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 2021 is set forth below:

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

Details of the Directors' remuneration is set out in Note 10 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. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Audit Committee is Mr. LEUNG Ting Yuk.

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 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2021 which was held on 1 March 2021, 2 August 2021 and 26 November 2021, respectively, for reviewing the annual and interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors. All the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board comprises five members, namely Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Nomination Committee is Mr. LEE Shing Put, 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 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2021, one meeting of the Nomination Committee was held on 1 March 2021 for annual review of board structure, independence of independent non-executive Directors and policy of board diversity and all the committee members attended this meeting.

NOMINATION 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" which disclosed in the Company's website.

CORPORATE GOVERNANCE REPORT

ACQUISITION COMMITTEE

The Acquisition Committee of the Board comprises five members, namely Mr. TUNG Fong Ngai, Ms. CHENG Shu E, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Acquisition Committee is Mr. TUNG Fong Ngai.

The primary duties of the Acquisition Committee are to consider and approve acquisitions of the utility-scale ground-mounted solar farm projects and review, evaluate investment projects and issue opinion for long-term development plan of the Company and make recommendations to the Board. The Acquisition Committee was established on 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2021, no meeting of the Acquisition Committee was held. The Acquisition Committee shall hold meeting as and when required.

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 forth in the Independent Auditor's Report on pages 45 to 51 in this annual report.

AUDITOR'S REMUNERATION

For the year under review, the professional fee charged by the external auditor of the Company, PricewaterhouseCoopers, in respect of the audit services disclosed in the notes to the consolidated financial statements of the Group during the year, which is as follows and no non-audit services fee incurred during the year:

Auditor remuneration	**HK$'000**
– Audit services	1,290

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

A risk-based approach is adopted to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. The internal audit team takes the lead to evaluate the risk management and internal control systems of the Group by reviewing the major operations of the Group 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 2021 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2021.

INSIDE INFORMATION POLICY

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the code provision C.1.4 of the CG Code, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. 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, all 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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 66 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 to raise comments and exchange views with the Board. The Directors are available at the Annual General Meetings of the Company to address Shareholders' queries;

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

(iii) 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 in Hong Kong for the attention of the Company Secretary or via e-mail to "ir.xye@xinyienergy.com.hk";

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

(v) Investor, analyst and media briefing are held as practicable after the publication of the interim and annual results.

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2021.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The activities of the subsidiaries are principally engaged in the management and operations of solar farms in the People's Republic of China (the "**PRC**"). Particulars of the subsidiaries are set forth in Note 14 to the consolidated financial statements in this annual report.

A business review of the Group and further discussion and analysis of these activities of the Group for the year ended 31 December 2021 and the future development are set forth in the Chairman's Statement from pages 4 to 7 and Management Discussion and Analysis from pages 8 to 15 in this annual report. These discussions form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set forth in the consolidated income statement on page 52 in this annual report. During the year, an interim dividend of 7.4 HK cents per share (the "**Share**") of the Company, amounting to a total of approximately HK$526.1 million, was paid to Shareholders in cash on 8 September 2021.

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

The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), during which period no transfer of the Shares will be effected. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfer documents 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022.

The register of members of the Company will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for the final dividend, all share transfer documents 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Wednesday, 8 June 2022.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a pure solar farm owner and operator, the Group's business model is to acquire, own, and manage a portfolio of utility scale ground-mounted solar farm projects and sell the electricity to local subsidiaries of two state-owned grid companies in the PRC. Without involvement of solar farm development and construction, as well as 100% electricity generation from solar power, negative effects of the Group's daily operation on the environmental are relatively low compared to that of traditional fuel-based power companies. Furthermore, the Group has and will endeavor to minimise negative effects by adopting various methods, like using rainwater and applying other technologies for cleaning solar panels to reduce water consumption, implementing nationwide centralised surveillance system for remote monitoring to lower energy and electricity consumption.

In contrast to the negative impacts, electricity generated from solar farms is a clean and renewable energy, which can replace a portion of fuel-based power, and as a result, will mitigate greenhouse-gas emissions. Therefore, to increase the usage of renewable energy is highly important for the world to achieve the UN Sustainable Development Goals. The volume of electricity sold by the Group's solar farms in 2021 was approximately 2.58 billion kWh, up 43.3% from 1.80 billion kWh in 2020, offsetting around 2.15 million tons of CO_2 emission.

The Group's operations strictly comply with all applicable environmental laws and regulations in all material aspects, including the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, etc. During the year ended 31 December 2021, the Group was not aware of any non-compliance with any applicable laws and regulations that have a material impact on the Group relating to environmental protection as well as energy and resources consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is in the process of preparing its environmental, social and governance report for the year ended 31 December 2021 and will publish it on the Stock Exchange's website and the Company's website on or before 31 May 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review and to the best knowledge of the 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, equipment suppliers and the employees of the Group. During the year ended 31 December 2021, there were no material dispute between the Group and its customers, suppliers and employees.

DONATION

Donations by the Group for charitable and other purposes during the year ended 31 December 2021 amounted to HK$34,000 (2020: HK$1.1 million).

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises, The State Grid Corporation and the China Southern Power Grid. The delay in receiving the tariff adjustment receivables may affect the business and financial condition, cash flow and liquidity of the Group.
- Climate change and extreme weather patterns can cause output of power generation shortfalls and fluctuate significantly.

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

Details of the Group's exposure to foreign exchange risk and other financial risks are set forth under the paragraph of "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the section headed "Management Discussion and Analysis" on page 14 and paragraph of "Financial Risk Management" in Note 3 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set forth 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 forth in Note 21 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2021 are set forth in Note 16 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company does not have reserves available for cash distribution and/or distribution, as computed in accordance with the BVI Business Companies Act 2004 (and any amendments thereto).

DISTRIBUTION POLICY

The Company adopt a well-defined distribution policy. It is the intention of the Board of Directors to declare and distribute interim and final distributions in each year in an aggregate amount of not less than 90% of Distributable Income of the Company, with an intent to distribute 100% of Distributable Income of the Company in each year. The respective percentages of the interim and final Distributions will be determined by Board of Directors at its discretion, and the amount of the interim distribution need not be in proportion to Distributable Income of the Company in respect of the first six months of the relevant year (or other period in respect of the distribution is made) or in proportion to Distributable Income of the Company for the relevant year.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Articles of the Company or the BVI Business Companies Act 2004 under which the Company is incorporated.

DIRECTORS

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

Executive Directors

Mr. LEE Shing Put, B.B.S. *(Chairman)*
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* *(Vice Chairman)*
Mr. TUNG Fong Ngai *(Chief Executive Officer)*
Mr. LEE Yau Ching
Ms. CHENG Shu E

Independent non-executive Directors

Mr. LEUNG Ting Yuk
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.
Ms. LYU Fang

In accordance with article 102 of the Articles, Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Yau Ching and The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

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 Annual General Meeting 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, options pursuant to the share option of the Company, as part of their remuneration package; and

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

Chairman of the Audit Committee: HK$230,000 per annum for the year ended 31 December 2021 and HK$260,000 per annum for the year ending 31 December 2022.

All other Directors: HK$200,000 per annum for the year ended 31 December 2021 and HK$230,000 per annum for the year ending 31 December 2022.

During the year ended 31 December 2021, three Directors waived the Director's fees of aggregate amount of HK$600,000 to be received by them from the Company. Details of the remuneration of the Directors are set out in Note 10 to the consolidated financial statements in this annual report.

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

Except for the connected transaction and continuing connected transaction disclosed on pages 41 to 42 in this Report of the Directors, 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 or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") in November 2018. The following table sets forth movements in the share options of the Company for the year ended 31 December 2021:

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

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

The value of the share options granted during the year ended 31 December 2021 is to be expensed through the consolidated income statement of the Group over the three-year vesting period of share options.

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

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

Taking into account the share options lapsed subsequent to 31 December 2021, as at 28 February 2022, a total of 4,155,500 share options were still outstanding under the Share Option Scheme which represents approximately 0.058% 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 purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants ("**Participants**") as incentives or rewards for their contribution or potential contribution to the Group and to provide the Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the Participants to optimize their performance efficiency for the benefit of the Group; (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; and (iii) for such purposes as the Board may approve from time to time.

(ii) Participants

The Participants includes: (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the "**Executive**"), any full-time or part time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "**Employee**"); (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a direct or indirect shareholder of any member of the Group; (iv) a supplier of goods or services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (vii) an associate of any of the persons referred to in paragraphs (i) to (iii) above.

REPORT OF THE DIRECTORS

(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 schemes of the Group shall not in aggregate exceed 10% of the Shares of the Company in issue as of the date of listing, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

(iv) Maximum number of Option to 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 Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 28 May 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set forth in pages 16 to 19 in this annual report.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register 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, were as follows:

(i) Long positions in the Shares of the Company

Name of Director	Capacity	Name of the controlled corporations	Number of shares held	Approximate percentage of the Company's issued share capital
Tan Sri Datuk TUNG Ching Sai, *J.P.*	Interest in a controlled corporation(1)	Copark (as defined below)	29,803,255	0.419%
	Interest in a controlled corporation(1)	Sharp Elite (as defined below)	187,687,500	2.639%
	Family interest(1)		14,544,041	0.204%
	Interest in persons acting in concert(2)		1,234,126,933	17.357%

Notes:

(1) Tan Sri Datuk TUNG Ching Sai, *J.P.* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") and Sharp Elite Holdings Limited ("**Sharp Elite**") which in turn are the registered owner of 29,803,255 and 187,687,500 Shares respectively. Tan Sri Datuk TUNG Ching Sai, *J.P.* is also deemed to be interested in 14,544,041 Shares directly held by his spouse, Puan Sri Datin SZE Tan Hung.

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

REPORT OF THE DIRECTORS

(ii) Share options of the Company

Name of Director	Capacity	Number of share options outstanding	Approximate percentage of the Company's issued share capital
Ms. CHENG Shu E	Personal interest	797,000	0.011%

(iii) Long positions in the shares of the associated corporation

Name of Director	Capacity	Name of the associated corporation	Number of shares held	Approximate percentage in the total issued share capital of the associated corporation
Tan Sri Datuk TUNG Ching Sai, *J.P.*	Interest in a controlled corporation[1]	Xinyi Solar	220,919,131	2.484%
	Family interest[1]		16,497,057	0.185%
	Interest in persons acting in concert[2]		2,078,841,241	23.382%

Notes:

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

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their XYS Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of shares to them representing approximately 67.6% of the XYS Shares as of that date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

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

Name of substantial shareholders	Nature of interest and capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	393,074,211	5.528%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	393,074,211	5.528%
Xinyi Glass	Beneficial owner	37,674,000	0.530%
	Interest in a controlled corporation	393,074,211	5.528%
Xinyi Power (BVI) Limited	Beneficial owner	3,558,555,000	50.050%
Xinyi Solar	Interest in a controlled corporation	3,558,555,000	50.050%
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation(1)	540,858,905	7.607%
	Interest in a controlled corporation(2)	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%
Mr. TUNG Ching Bor	Interest in a controlled corporation(4)	218,182,567	3.068%
	Joint interest(4)	10,188,000	0.143%
	Family interest(4)	5,657,906	0.079%
	Interest in persons acting in concert(3)	1,232,133,256	17.329%
Mr. LEE Sing Din	Interest in a controlled corporation(5)	141,373,271	1.988%
	Personal interest(5)	375,000	0.005%
	Joint interest(5)	6,919,618	0.097%
	Interest in persons acting in concert(3)	1,317,493,840	18.530%
Mr. LI Man Yin	Interest in a controlled corporation(6)	54,184,496	0.762%
	Personal interest(6)	394,278	0.005%
	Family interest(6)	162,325	0.002%
	Interest in persons acting in concert(3)	1,411,420,630	19.851%

REPORT OF THE DIRECTORS

Name of substantial shareholders	Nature of interest and capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. LI Ching Wai	Interest in a controlled corporation(7)	58,371,793	0.821%
	Personal interest(7)	200,000	0.002%
	Interest in persons acting in concert(3)	1,407,589,936	19.797%
Mr. SZE Nang Sze	Interest in a controlled corporation(8)	72,716,178	1.022%
	Interest in persons acting in concert(3)	1,393,445,551	19.598%
Mr. NG Ngan Ho	Interest in a controlled corporation(9)	53,980,103	0.759%
	Personal interest(9)	276,425	0.003%
	Interest in persons acting in concert(3)	1,411,905,201	19.858%
Mr. LI Ching Leung	Interest in a controlled corporation(10)	53,944,770	0.758%
	Personal interest(10)	776,322	0.010%
	Family interest(10)	45,870	0.0006%
	Interest in persons acting in concert(3)	1,411,394,767	19.850%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited and Charm Dazzle Limited both are incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly-owned by Dr. LEE Yin Yee, B.B.S. Dr. LEE Yin Yee, B.B.S. also has 3,575,733 Shares jointly held with and 4,337,354 Shares directly held by his spouse, Madam TUNG Hai Chi.

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

(3) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their shares allotted to them under a conditional distribution in specie.

(4) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited and Xu Feng Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor also has 10,188,000 Shares jointly held with and 5,657,906 Shares directly held by his spouse, Madam KUNG Sau Wai.

(5) Mr. LEE Sing Din's interests in the Shares are held through Telerich Investment Limited and Precious Smart Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 375,000 Shares held in his own name and 6,919,618 Shares through a joint account with his spouse, Madam LI Kam Ha.

(6) Mr. LI Man Yin's interests in the Shares are held through Perfect All Investments Limited and Will Sail Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin also has 394,278 Shares held in his own name and 162,325 Shares through his spouse, Madam LI Sau Suet.

(7) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited and Yuanyi Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai. Mr. LI Ching Wai also has 200,000 Shares held in his own name.

(8) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited and Day Dimension Investments Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(9) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited and Far High Investments Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho. Mr. NG Ngan Ho also has 276,425 Shares held in his own name.

(10) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited and Heng Zhuo Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 776,322 Shares held in his own name and 45,870 Shares through his spouse, Madam DY Maria Lumin.

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISIONS

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

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition dated 5 December 2018 entered into 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.

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 are as follows:

Sales	
– the largest customer	18.4%
– five largest customers in aggregate	61.9%

None of the Directors, their close 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 beneficial interest in any of the Group's five largest customers.

The percentage of the aggregate purchases attributable to the Group's five largest suppliers was less than 30% of the Group's total value of purchases.

BANK BORROWINGS

The total bank borrowings of the Group as of 31 December 2021 amounted to HK$4,880.2 million (2020: HK$1,863.1 million). Particulars of the bank borrowings are set out in Note 25 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As of 31 December 2021, the Group had about 281 full-time employees, amongst which, 278 full-time employees were based in the PRC and 3 full-time employees were based in Hong Kong. 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.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set forth in Note 29 to the consolidated financial statements. Some of these transactions also constitute "Connected Transactions" and "Continuing Connected Transactions" under the Listing Rules, as identified below.

During the year ended 31 December 2021, the Group had the following connected transactions and continuing connected transactions, details of which are set forth below:

Connected Transactions – Acquisition of 2021 Portfolio A and 2021 Portfolio B

The Company was entered a solar fam agreement with a subsidiary of Xinyi Solar on 6 January 2021. Pursuant to the agreement, the Company will acquisition of all issued shares of the Hong Kong companies of East Shine Investments Limited and Great Power Investments Limited (or their holding company for tax efficiency purpose) ("**2021 Portfolio A**") and Wealthy Treasure Investment Limited (or its holding company for tax efficiency purpose) ("**2021 Portfolio B**") which hold the equity interest of the companies in the PRC operating the utility-scale ground-mounted solar fame projects under 2021 Portfolio A ("**2021 Acquisition A**")^ and 2021 Portfolio B ("**2021 Acquisition B**")*. The 2021 Acquisition A was completed on 11 February 2021 and the 2021 Acquisition B was completed on 15 December 2021.

^ *2021 Portfolio A means solar farm projects owned by East Shine Investments Limited and Great Power Investments Limited comprising three utility-scale ground-mounted solar farm projects, namely Huainan Solar Farm Two, Huaibei Solar Farm and Hebei Zaoqiang Solar Farm with an aggregate approved capacity of 250 MW for electricity generation.*

* *2021 Portfolio B means solar farm projects owned by Wealthy Treasure Investment Limited comprising three utility-scale ground-mounted solar farm projects, namely Laohekou Solar Farm Two, Qingyang Solar Farm and Jiangmen Solar Farm One and Two with an aggregate approved capacity of 270 MW for electricity generation.*

REPORT OF THE DIRECTORS

Continuing connected transaction – Solar Farm O&M Agreement

As disclosed in the Company global offering documents dated 15 May 2019, the Company has entered into the solar farm operation and management agreement ("**Solar Farm O&M Agreement**") dated 5 December 2018 with Xinyi Solar. Xinyi Solar has agreed to engage the Company to operate and manage all connection-ready utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar for period of from 28 May 2019 to 31 December 2021.

The annual cap and the actual transaction amount of the transaction contemplated under the Solar Farm O&M Agreement for the year ended 31 December 2021 are HK$18,045,000 and HK$10,046,000, respectively.

Xinyi Solar is the substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Solar Farm O&M Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

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

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

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

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

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the 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 "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 41 to 42 in 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.

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

Continuing connected transaction – Solar Farm O&M Agreement

As disclosed in the Company's announcement dated 31 December 2021, the Company entered into a memorandum ("**Renewal Memorandum**") dated 31 December 2021 with Xinyi Solar to confirm the renewal of the Solar Farm O&M Agreement for the three years ending on 31 December 2024. Xinyi Solar has agreed to engage the Company to operate and manage all connection-ready utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar. The annual cap of the transactions contemplated under the Renewal Memorandum for the year ending 31 December 2022 is RMB15,000,000.

Xinyi Solar is the substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Solar Farm O&M Agreement, as renewed by the Renewal Memorandum, constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set forth in this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 22 November 2018 with written terms of reference in compliance with the CG Code, comprising of three independent non-executive Directors namely, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P., and Ms. LYU Fang. Mr. LEUNG Ting Yuk is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group and discuss the internal control procedures and financial reporting matters.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, the Company has maintained sufficient public float between 15% and 25% as the market capitalisation of the Company at the time of listing exceeds HK$10 billion of the Shares held by the public as required under the Listing Rules.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2021 interim report of the Company is as follows:

The Hon. IP Kwok Him, G.B.M., G.B.S., JP. has been appointed as an independent non-executive director and a member of each of the remuneration committee and the nomination committee of ICO Group Limited (stock code: 01460) with effect from 17 August 2021.

AUDITOR

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

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the board of Directors held on 28 February 2022, the Directors have recommended the payment of a final dividend (the "**Final Dividend**") of 10.0 HK cents per Share for the year ended 31 December 2021. The recommendation of payment of the Final Dividend are subject to the approval of the Shareholders at the forthcoming Annual General Meeting which would be held on or before Thursday, 2 June 2022. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 6 July 2022 to the Shareholders whose names appear on the register of members of the Company on Monday, 13 June 2022.

REPORT OF THE DIRECTORS

The Company's register of members will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the Final Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Wednesday, 8 June 2022.

The Final Dividend is made out of the Distributable Income. The Final Dividend will be paid from the Group's internal financial resources as well as the available banking facilities in Hong Kong.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 2 June 2022. The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfer documents 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022.

On Behalf of the Board

LEE Shing Put, B.B.S.
Chairman

Hong Kong, 28 February 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Xinyi Energy Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinyi Energy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 52 to 131, comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

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.

INDEPENDENT AUDITOR'S REPORT

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 are related to recoverability of long-aged trade receivables and impairment assessment of solar farm projects acquired by the Group.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of long-aged trade receivables	
Refer to Notes 2.10, 2.12, 2.13, 3.1(b) and 19 to the consolidated financial statements. Trade receivables amounted to approximately HK$4,628,982,000 as at 31 December 2021. The Group had certain amounts of 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 prevailing government policies on settlement of tariff adjustment. The Group grouped trade receivables based on shared credit risk characteristics and ageing profiles and made provisions for loss allowance on trade receivables based on an assessment of the recoverability of long-aged trade receivables on individual customer basis and the lifetime expected credit loss allowance on each group of trade receivables.	We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process. We assessed management's assessment of the recoverability of long-aged trade receivables and lifetime expected credit loss allowance by comparing to supportable evidence such as past settlement history, business performance and financial capability of customers, and historical default rates.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of long-aged trade receivables (Continued)	
The lifetime expected credit loss allowance is measured based on the historical default rates over the expected life of the trade receivables with similar credit risk characteristics adjusted with current and forward-looking information on macroeconomic factors that affecting the ability of the customers to settle the receivables. We focus on this area because the carrying values of long-aged trade receivables are significant to the consolidated financial statement, and the identification of doubtful debts and the measurement of lifetime expected credit loss allowance is subject to a high degree of judgement and estimation uncertainty, including assessments on the default rates of customers.	We challenged management for the use of forward-looking information and factors in adjusting the rates of credit loss by reference to external market data or industry information. We tested, on a sample basis, the accuracy of the ageing profile of the trade receivables in the calculation of expected credit losses. In relation to the tariff adjustment receivables, we also checked the status of the registration process of individual solar farms by making enquiries with the management, inspecting all the registration documents, checking the government publications and industry news and performing research on the settlement pattern of tariff adjustment receivables for other market participants. We assessed the adequacy of the disclosures related to expected credit losses of trade receivables in the context of HKFRS 9. Based on the above, we considered that management's judgements and assumptions in the assessment of expected credit losses of trade receivables were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of solar farm projects acquired by the Group	
Refer to Notes 2.7, 2.8, 2.9, 16 and 18 to the consolidated financial statements. As at 31 December 2021, the net carrying value of the solar farm projects acquired by the Group mainly comprised goodwill and property, plant and equipment of approximately HK$445,192,000 and HK$8,044,111,000 respectively. Goodwill is subject to impairment assessment at least annually or when there is an indication of impairment. Management has engaged independent external valuer to perform impairment assessment for certain solar farms. For the purpose of impairment assessments, management determined the recoverable amount of solar farm projects acquired by the Group using fair value less cost of disposal ("**FVLCOD**") calculation. The key assumptions used in the FVLCOD calculation include among others, annual utilisation hours, degradation factor, feed-in-tariff and discount rate. We focus on this area because changing the key assumptions would have a direct impact on the impairment, and the key assumptions require a high degree of judgment and estimates.	We obtained an understanding of the management's assessment process of impairment assessment of solar farm projects acquired by the Group and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the outcome of prior period assessment of the impairment of solar farm projects acquired by the Group to assess the effectiveness of the management's estimation process. We evaluated the competence, capabilities and objectivity of the independent external valuer. We engaged our internal valuation experts to evaluate the reasonableness of the methodology and discount rate as adopted by management. We assessed the reasonableness of the key assumptions, including annual utilisation hours, degradation factor, feed-in-tariff and discount rate based on inspecting the sales agreements, our knowledge of the business and the observable market data of the industry. We checked the mathematical accuracy of the discounted cash flow projections. We assessed the adequacy of the disclosures related to impairment assessment of solar farm projects acquired by the Group. Based on the procedures performed, we considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias. Based on the above, we considered that management's impairment assessment of solar farm projects acquired by the Group were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

INDEPENDENT AUDITOR'S REPORT

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 Ho Kwok Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	5	**2,296,648**	1,722,051
Cost of sales	7	**(617,267)**	(475,343)
Gross profit		**1,679,381**	1,246,708
Other income	5	**23,243**	8,750
Other (losses)/gains, net	6	**(22,405)**	2,459
Administrative expenses	7	**(54,532)**	(44,716)
Operating profit		**1,625,687**	1,213,201
Finance income	8	**18,875**	41,086
Finance costs	8	**(188,171)**	(165,642)
Profit before income tax		**1,456,391**	1,088,645
Income tax expense	11	**(221,585)**	(166,218)
Profit for the year		**1,234,806**	922,427
Profit for the year attributable to:			
– Equity holders of the Company		**1,232,275**	922,007
– Non-controlling interests		**2,531**	420
		1,234,806	922,427
Basic and diluted earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)	12	**17.33**	13.44

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 **HK$'000**	2020 HK$'000
Profit for the year	**1,234,806**	922,427
Other comprehensive income for the year, net of tax:		
Item that may be reclassified to profit or loss		
– Currency translation differences	**444,995**	975,680
Total comprehensive income for the year	**1,679,801**	1,898,107
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**1,676,954**	1,897,291
– Non-controlling interests	**2,847**	816
	1,679,801	1,898,107

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	13,838,059	10,998,038
Right-of-use assets	17	698,594	507,588
Prepayments for property, plant and equipment	19	61,239	126,649
Deferred income tax assets	26	20,192	10,557
Goodwill	18	445,192	362,058
Total non-current assets		15,063,276	12,004,890
Current assets			
Trade and other receivables and prepayments	19	5,030,652	3,916,334
Amounts due from fellow subsidiaries	29	3,164	199
Cash and cash equivalents	20	1,104,858	1,312,419
Total current assets		6,138,674	5,228,952
Total assets		21,201,950	17,233,842
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	71,100	71,100
Other reserves	23	7,703,506	8,232,630
Retained earnings		4,777,994	3,701,550
		12,552,600	12,005,280
Non-controlling interests		7,852	5,005
Total equity		12,560,452	12,010,285
LIABILITIES			
Non-current liabilities			
Bank borrowings	25	2,843,918	653,293
Lease liabilities	17	692,013	500,921
Other payables	24	65,743	60,957
Deferred income tax liabilities	26	335,437	233,282
Total non-current liabilities		3,937,111	1,448,453

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Current liabilities			
Bank borrowings	25	**2,036,302**	1,209,809
Lease liabilities	17	**31,680**	18,803
Accruals and other payables	24	**831,410**	719,659
Amount due to immediate holding company	29	**1,753,764**	1,766,328
Amounts due to fellow subsidiaries	29	**–**	625
Current income tax liabilities		**51,231**	59,880
Total current liabilities		**4,704,387**	3,775,104
Total liabilities		**8,641,498**	5,223,557
Total equity and liabilities		**21,201,950**	17,233,842

The consolidated financial statements on pages 52 to 131 were approved by the Board of Directors on 28 February 2022 and were signed on its behalf

LEE Shing Put, B.B.S.
Executive Director

TUNG Fong Ngai
Executive Director and Chief Executive Officer

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company					
	Share capital *(Note 21)* HK$'000	Other reserves *(Note 23)* HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	71,100	8,232,630	3,701,550	12,005,280	5,005	12,010,285
Comprehensive income						
Profit for the year	–	–	1,232,275	1,232,275	2,531	1,234,806
Other comprehensive income						
Currency translation differences	–	444,679	–	444,679	316	444,995
Total comprehensive income for the year	–	444,679	1,232,275	1,676,954	2,847	1,679,801
Transactions with the owner of the Company						
Employees' share option scheme:						
– value of employee services *(Note 9)*	–	856	–	856	–	856
Dividend:						
– 2020 final dividend *(Note 13)*	–	(604,350)	–	(604,350)	–	(604,350)
– 2021 interim dividend *(Note 13)*	–	(526,140)	–	(526,140)	–	(526,140)
Appropriation to statutory reserve	–	155,831	(155,831)	–	–	–
Balance at 31 December 2021	71,100	7,703,506	4,777,994	12,552,600	7,852	12,560,452

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company					
	Share capital *(Note 21)* *HK$'000*	Other reserves *(Note 23)* *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2020	67,525	7,224,779	2,901,435	10,193,739	–	10,193,739
Comprehensive income						
Profit for the year	–	–	922,007	922,007	420	922,427
Other comprehensive income						
Currency translation differences	–	975,284	–	975,284	396	975,680
Total comprehensive income for the year	–	975,284	922,007	1,897,291	816	1,898,107
Transactions with the owner of the Company						
Acquisition of subsidiaries	–	–	–	–	4,189	4,189
Employees' share option scheme:						
– value of employee services *(Note 9)*	–	187	–	187	–	187
Issuance of shares in respect of placing, net of transaction cost *(Note 21)*	3,575	889,598	–	893,173	–	893,173
Dividend:						
– 2019 final dividend	–	(573,961)	–	(573,961)	–	(573,961)
– 2020 interim dividend *(Note 13)*	–	(405,149)	–	(405,149)	–	(405,149)
Appropriation to statutory reserve	–	121,892	(121,892)	–	–	–
Balance at 31 December 2020	71,100	8,232,630	3,701,550	12,005,280	5,005	12,010,285

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	27(a)	**1,505,467**	1,271,999
Interest paid		**(34,831)**	(56,167)
Income tax paid		**(245,581)**	(144,952)
Net cash generated from operating activities		**1,225,055**	1,070,880
Cash flows from investing activities			
Purchases of and prepayments for property, plant and equipment		**(825,890)**	(467,483)
Proceeds from disposal of property, plant and equipment		**47**	36
Purchase of right-of-use assets		**–**	(1,925)
Payment for acquisition of subsidiaries, net of cash acquired	15	**(2,301,976)**	(783,172)
Interest received		**18,875**	41,086
Settlement of consideration payable for acquisition		**–**	(42,148)
Net cash used in investing activities		**(3,108,944)**	(1,253,606)
Cash flows from financing activities			
Proceeds from issuance of shares in respect of placing		**–**	893,800
Payments for professional fees in connection with issuance of shares in respect of placing		**–**	(627)
Settlement of deferred consideration payable for acquisition		**(183,610)**	–
Proceeds from bank borrowings		**4,220,840**	545,000
Repayments of bank borrowings		**(1,215,840)**	(634,866)
Principal elements of lease payments		**(41,888)**	(26,934)
Dividends paid to the Company's shareholders		**(1,130,490)**	(979,110)
Net cash generated from/(used in) financing activities		**1,649,012**	(202,737)
Net decrease in cash and cash equivalents		**(234,877)**	(385,463)
Cash and cash equivalents at beginning of the year		**1,312,419**	1,631,244
Effect of foreign exchange rate changes		**27,316**	66,638
Cash and cash equivalents at end of the year	20	**1,104,858**	1,312,419

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Xinyi Energy Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the management and operations of solar farms in the People's Republic of China (the "**PRC**") (the "**Solar Farm Business**").

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 British Virgin Islands (the "**BVI**"). The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The ultimate holding company of the Company is Xinyi Solar Holdings Limited ("**Xinyi Solar**"), a company whose shares are listed on the Main Board of the Stock Exchange.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) Amendments to standards adopted by the Group

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

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform Phase 2

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the accounting period beginning on 1 January 2021 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principal of Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.2 Changes in ownership interests

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 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 interest 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, the amount of any non-controlling interest 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 the consolidated income statement 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 the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(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 statements.

Foreign exchange gains and losses are presented in the consolidated income statements within "other (losses)/gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and balance sheets 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.

2.7 Property, plant and equipment

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 amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Construction in progress represents solar power electricity generating equipment and plants ("**Solar Farms**") and buildings on which construction work has not been completed and which, upon completion, management intends to hold for generation of electricity income 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

– Solar Farms	25 years
– Buildings	30 years
– Motor vehicles, furniture and fixtures, equipment and others	5-15 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 2.9).

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

2.8 Goodwill

Goodwill is measured as described in Note 2.3. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.9 Impairment of non-financial assets

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal ("**FVLCOD**") and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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.

(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 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.

Financial assets at amortised cost are assets 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)/gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, 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 deposits and other receivables (excluding prepayments) and amount due from fellow subsidiaries are 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.

2.13 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.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 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.

2.16 Accruals and other payables

Accruals 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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 statements 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 drawdown 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 prepayment 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.

2.18 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 consolidated income statements in the year in which they are incurred.

2.19 Government grant

Grants from the government are recognised at their fair value 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 statements over the period necessary to match them with the costs that they are intended to compensate.

2.20 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)

2.21 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates 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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax is recognised in profit or loss, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for electricity generated and supplied, stated net of 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.

Revenue is recognised as follows:

(a) Sales of electricity

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

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

(b) Tariff adjustment

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

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

(c) Solar farm operation and management services

Solar farm operation and management services include operation and management of solar farm projects, training, technical and expert support services to the connection-ready solar farm projects held by other parties.

Solar farm operation and management services are recognised over time when the services are provided over time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) 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.

(c) 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 end of the reporting period.

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

(d) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payments

(a) Equity-based share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration of 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, the 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 specific 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 recognised the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

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

(b) Share-based payment transactions among group entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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.

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 asset 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 the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a financial asset at amortised cost is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the financial asset, and continues unwinding the discount as interest income. Interest income on impaired financial assets at amortised cost are recognised using the original effective interest rate.

2.28 Financial guarantee contracts

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.

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 program 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 in the PRC with most of the transactions denominated and settled in RMB. 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.

The Group had certain investments in foreign operations, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As at 31 December 2021, if RMB had strengthened/weakened by 5% against HK$, which is the functional currency of the Hong Kong subsidiaries, with all other variables held constant, profit after income tax for the year of the Hong Kong subsidiaries would have been approximately HK$76,000 (2020: HK$74,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 20 and Note 25 to the consolidated financial statements.

As at 31 December 2021, if interest rates on cash and cash equivalents 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$9,771,000 (2020: HK$1,659,000) lower/higher, mainly as a result of higher/lower net interest expense/income being incurred/earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group's credit risk arises from trade and bill receivables, deposits and other receivables, amounts due from fellow subsidiaries and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis. The carrying amounts of these balances represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	Note	**2021** *HK$'000*	2020 *HK$'000*
Trade and bill receivables	19	**4,629,594**	3,504,880
Deposits and other receivables excluding prepayments and other tax receivables	19	**49,023**	14,379
Amounts due from fellow subsidiaries	29	**3,164**	199
Cash at bank	20	**1,104,858**	1,312,419
Maximum exposure to credit risk		**5,786,639**	4,831,877

(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 ongoing 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 at 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 behavior 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 policies and incentives of the PRC Government for solar power industry.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

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

- trade and bill receivables;
- deposits and other receivables excluding prepayments and other tax receivables;
- amount due from fellow subsidiaries; and
- cash at bank.

Bill receivables and cash at bank

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

Trade receivables

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.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

Trade and tariff adjustment receivables arising from sales of electricity were all due from customers which are 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 250 MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "**Catalogue**"). In June 2018, the remaining seven ground-mounted solar farms, located in Nanping in Fujian Province, Bozhou, Wuhu, Fanchang and Shouxian in Anhui Province, Hong'an in Hubei Province, and Binhai in Tianjin Municipality, with an aggregate capacity of 704 MW, were also successfully enlisted on the seventh batch of the Catalogue. Out of the five solar farms acquired in 2019, a ground-mounted solar farm, located in Anhui Province, with aggregate capacity of 20 MW, was already successfully enlisted on the seventh batch of the Catalogue in June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

On 20 January 2020, the PRC Government announced the Catalogue will be replaced by the Renewable Energy Power Generation Project List (the "**List**"). All solar farm projects listed in the Catalogue will be enlisted in the 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 ended 31 December 2020, the Group had four ground mounted solar farms, located in Henan and Anhui Province with aggregate capacity of 210 MW, successfully enlisted on the List. During the year ended 31 December 2021, the Group had three ground-mounted solar farms, located in Anhui, Guangdong and Hubei Province with aggregate capacity of 390 MW, successfully enlisted on the List. Two ground-mounted solar farms acquired during the year ended 31 December 2021, located in Anhui Province, with aggregate capacity of 150 MW, were already been successfully enlisted before acquisition. As at 31 December 2021, there is no outstanding solar farms which require to enlist.

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 is assessed to be close to zero and no provision was made as at 31 December 2021 (2020: Nil).

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 62% of the Group's total revenue of the year ended 31 December 2021 (2020: 65%). They accounted for approximately 62% of the gross trade receivable balances as at 31 December 2021 (2020: 64%).

Other financial assets at amortised costs

Other financial assets at amortised costs include the amount due from fellow subsidiaries and other receivables excluding prepayments and other tax receivables.

The credit quality of other financial assets at amortised costs 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 amounts due from fellow subsidiaries and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as at 31 December 2021 (2020: Nil).

The Group believes that no provision for doubtful debts is necessary for the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

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

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2021					
Bank borrowings and interest	2,057,698	1,623,493	1,271,305	–	4,952,496
Accruals and other payables excluding accruals of staff costs and other taxes payable	814,482	65,743	–	–	880,225
Lease liabilities	35,629	41,476	145,172	1,074,356	1,296,633
Amount due to immediate holding company	1,830,006	–	–	–	1,830,006
Total	4,737,815	1,730,712	1,416,477	1,074,356	8,959,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 December 2020					
Bank borrowings and interest	1,234,653	352,463	310,596	–	1,897,712
Accruals and other payables excluding accruals of staff costs and other taxes payable	709,458	60,957	–	–	770,415
Lease liabilities	42,215	31,499	107,011	889,646	1,070,371
Amount due to immediate holding company	1,992,974	–	–	–	1,992,974
Amount due to fellow subsidiaries	625	–	–	–	625
Total	3,979,925	444,919	417,607	889,646	5,732,097

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 the 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 and may raise funding through capital market or bank borrowings whenever 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

As at 31 December 2021 and 2020, the gearing ratio was as follows:

	Note	**2021** **HK$'000**	2020 HK$'000
Bank borrowings	25	**4,880,220**	1,863,102
Less: cash and cash equivalents	20	**(1,104,858)**	(1,312,419)
Net debt		**3,775,362**	550,683
Total equity		**12,560,452**	12,010,285
Gearing ratio		**30.1%**	4.6%

The increase in gearing ratio as at 31 December 2021 compared to 31 December 2020 was resulted primarily from new borrowings drawn down 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 at 31 December 2021 (2020: Nil). The carrying value of receivables and payables are a reasonable approximation of their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and other receivables

The Group makes provision for impairment of trade and other receivables based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment 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) Business combinations

Accounting for acquisitions require the Group to allocate the purchase price to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, bargain purchase and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated balance sheet of the Group.

(c) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) 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 FVLCOD and its value in use. The calculation of the FVLCOD 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.

(e) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the 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 consolidated financial statements.

Deferred income tax assets relating to certain temporary differences and tax losses 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. 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.

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 will not reverse in the foreseeable future (Note 26).

(f) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2021 HK$'000	2020 HK$'000
Revenue		
Recognised at a point in time:		
– Sales of electricity	1,068,415	685,925
– Tariff adjustment	1,218,187	1,027,414
Recognised over time:		
– Solar farm operation and management services	10,046	8,712
	2,296,648	1,722,051

	2021 HK$'000	2020 HK$'000
Other income		
Government grants *(Note)*	12,265	5,843
Compensation of insurance claims	7,674	19
Others	3,304	2,888
	23,243	8,750

Note:

Government grants mainly represent grants received from the PRC Government in subsidising the Group's general operations.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information

The Group is mainly engaged in the management and operation of solar farms in the PRC. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

No segment of assets and liabilities are presented as no discrete financial information is available.

All of the non-current assets of the Group are located in the PRC and with country of domicile being the PRC.

Revenue from major customers which are state grid companies for the year is set out below:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**420,865**	277,806
Customer B	**304,889**	218,692
Customer C	**280,348**	231,583
Customer D *(Note)*	**224,075**	226,481

Note:

The revenue from Customer D for the year ended 31 December 2021 did not exceed 10% of total revenue for the year ended 31 December 2021. The amounts shown above are for the comparative purpose only.

6 OTHER (LOSSES)/GAINS, NET

	2021	2020
	HK$'000	*HK$'000*
Foreign exchange (losses)/gains, net	**(68)**	2,511
Loss on disposal of property, plant and equipment	**(98)**	(52)
Impairment loss of goodwill *(Note 18)*	**(22,239)**	–
	(22,405)	2,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2021 **HK$'000**	2020 HK$'000
Depreciation charge of property, plant and equipment *(Note 16)*	**531,858**	408,051
Depreciation charge of right-of-use assets *(Note 17)*	**26,977**	18,465
Employee benefit expenses (including directors' emoluments) *(Note 9)*	**48,652**	37,657
Electricity	**12,447**	11,501
Auditor's remuneration – statutory audits	**1,479**	1,364
Legal and professional fees	**2,788**	3,443
Insurance expenses	**6,683**	5,040
Repair and maintenance	**16,947**	16,891
Other expenses	**23,968**	17,647
	671,799	520,059

8 FINANCE INCOME AND COSTS

	2021 **HK$'000**	2020 HK$'000
Finance income		
Interest income from bank deposits	**18,875**	41,086
Finance costs		
Interest on lease liabilities	**40,642**	28,826
Interest expense on bank borrowings	**47,823**	54,505
Interest expense on deferred payment of business combination purchases consideration	**99,706**	82,311
	188,171	165,642

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 *HK$'000*	2020 *HK$'000*
Wages and salaries	**47,194**	37,018
Retirement benefits scheme contribution *(Note)*	**602**	452
Share options granted to employees	**856**	187
	48,652	37,657

Note:

The Group participates in a Mandatory Provident Fund scheme (the "**MPF scheme**") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the gross earnings of the employees up to a ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the MPF scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2021:

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$'000***	**Total** ***HK$'000***
Mr. LEE Shing Put, B.B.S. *(Note (iv))*	–	–	3,704	–	–	3,704
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.,*	–	–	–	–	–	–
Mr. LEE Yau Ching	–	–	–	–	–	–
Mr. TUNG Fong Ngai	200	1,717	3,704	–	18	5,639
Ms. CHENG Shu E	200	606	554	149	–	1,509
Mr. LEUNG Ting Yuk	230	–	–	–	–	230
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.	200	–	–	–	–	200
Ms. LYU Fang	200	–	–	–	–	200
	1,030	2,323	7,962	149	18	11,482

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

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$'000*	Total *HK$'000*
Dr. LEE Yin Yee, B.B.S. *(Note (iv))*	–	–	–	–	–	–
Mr. LEE Shing Put, B.B.S. *(Note (iv))*	–	–	–	–	–	–
Tan Sri Datuk TUNG Ching Sai, *J.P.,*	–	–	–	–	–	–
Mr. LEE Yau Ching	–	–	–	–	–	–
Mr. TUNG Fong Ngai	200	1,832	2,767	–	18	4,817
Ms. CHENG Shu E	200	423	490	54	–	1,167
Mr. LEUNG Ting Yuk	230	–	–	–	–	230
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.	200	–	–	–	–	200
Ms. LYU Fang	200	–	–	–	–	200
	1,030	2,255	3,257	54	18	6,614

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 bonuses are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Notes: (Continued)

(iv) On 4 August 2020, Dr. LEE Yin Yee, B.B.S. was resigned and Mr. LEE Shing Put, B.B.S was appointed as a director. Except for these, no director of the Company was appointed/resigned during the years ended 31 December 2021 and 2020.

(v) Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Yau Ching waived emoluments of HK$200,000 (2020: HK$83,000), HK$200,000 (2020: HK$200,000) and HK$200,000 (2020: HK$200,000) respectively for the year. Dr. LEE Yin Yee, B.B.S. who is a former director of the Group waived emoluments of HK$117,000 during the year ended 31 December 2020.

Except for these, no directors waived or agreed to waive any emoluments for the years ended 31 December 2021 and 2020.

(vi) For the year ended 31 December 2021, no incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors (2020: Nil).

(vii) Mr. TUNG Fong Ngai 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.

(viii) Aggregate emoluments paid to or receivable by the directors in respect of their services as directors, whether of the Company or its subsidiary undertaking is HK$1,030,000 (2020: HK$1,030,000).

(ix) Aggregate emoluments paid to or receivable by the directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking is HK$10,452,000 (2020: HK$5,584,000).

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefits and interests of directors (Continued)

(b) Directors' termination benefits

For the year ended 31 December 2021, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the director; nor are any payable (2020: Nil).

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

There was no consideration provided to or receivable by third parties for making available directors' services of a person as a director of the Company for the year ended 31 December 2021 (2020: Nil).

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

For the year ended 31 December 2021, there were no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which the directors of the Company had material interest, whether directly or indirectly, other than those disclosed in Note 29 (2020: Nil).

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

For the year ended 31 December 2021, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors, other than those disclosed in Note 29(b) (2020: Nil).

(b) Five highest paid individuals

Three (2020: two) of the five highest paid individuals were a director of the Company for the year ended 31 December 2021.

Details of the remuneration of the remaining two (2020: three) non-director highest paid individuals for the year ended 31 December 2021 are analysed as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Salaries, allowances and benefits in kind	**1,775**	2,332
Retirement benefit scheme contributions	**35**	46
Share options granted	**197**	50
	2,007	2,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the remaining two (2020: three) non-director highest paid individuals for the year ended 31 December 2021 fell within the following bands:

	2021 ***HK$'000***	2020 *HK$'000*
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	2	3

11 INCOME TAX EXPENSE

	2021 ***HK$'000***	2020 *HK$'000*
Current income tax	**235,825**	172,600
Deferred income tax *(Note 26)*	**(14,240)**	(6,382)
	221,585	166,218

Notes:

(a) The Company was incorporated in the British Virgin Islands and is exempted from payment of the British Virgin Islands income tax.

(b) No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year.

(c) The applicable corporate income tax ("**CIT**") rate for the Group's subsidiaries in the PRC is 25% except that:

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

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 tax rate of PRC as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before income tax	**1,456,391**	1,088,645
Calculated at tax rate of 25%	**364,098**	272,161
Preferential tax rates on income of certain PRC subsidiaries	**(193,406)**	(145,684)
Effect of different tax rates in other country	**9,786**	8,449
Expenses not deductible for tax purposes	**41,107**	31,292
	221,585	166,218

12 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (HK$'000)	**1,232,275**	922,007
Weighted average number of ordinary shares in issue (thousands)	**7,109,998**	6,860,224
Basic earnings per share (HK cents)	**17.33**	13.44

(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.

For the years ended 31 December 2021 and 2020, the Company has one category of potentially dilutive shares, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	2021	2020
Profit attributable to equity holders of the Company (HK$'000)	**1,232,275**	922,007
Weighted average number of ordinary shares in issue (thousands)	**7,109,998**	6,860,224
Adjustment for share options (thousands)	**760**	287
	7,110,758	6,860,511
Diluted earnings per share (HK cents)	**17.33**	13.44

13 DIVIDENDS

	2021 *HK$'000*	2020 *HK$'000*
Interim dividend of 7.4 HK cents (2020: 6.0 HK cents) per share *(Note (a))*	**526,140**	405,149
Proposed final dividend of 10.0 HK cents (2020: 8.5 HK cents) per share *(Note (b))*	**711,000**	604,350

Notes:

(a) An interim dividend of 7.4 HK cents per share (2020: 6.0 HK cents per share) was paid in cash to shareholders for whose names appeared on the register of members of the Company on 19 August 2021 (2020: 20 August 2020).

(b) A final dividend in respect of the financial year ended 31 December 2021 of 10.0 HK cents per share (2020: 8.5 HK cents per share), amounting to a total dividend of HK$711,000,000 (2020: HK$604,350,000), is to be proposed at the forthcoming annual general meeting. The amount of 2021 proposed final dividend is based on 7,109,998,471 shares in issue as at 31 December 2021 (2020: 7,109,998,471 shares in issue as at 31 December 2020). These consolidated financial statements do not reflect this proposed dividend payable for the year ended 31 December 2021.

14 SUBSIDIARIES

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Directly held by the Company					
Xinyi Energy (BVI) Limited ("**Xinyi Energy (BVI)**")	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Xinyi Solar Farm (Group 1) Limited	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Xinyi Solar Farm (Group 3) Limited	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Xinyi Solar Farm (Group 6) Limited	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Xinyi Solar Farm (Group 7) Limited	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Indirectly held by the Company					
Wise Regal Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
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 USD35,000,000	100%	–
Xinyi Solar (Wuhu) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	–
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 USD35,000,000	100%	–
Xinyi Solar (Tianjin) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD48,000,000	100%	–
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	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Indirectly held by the Company (Continued)					
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	100%	–
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	100%	–
Xinyi Solar (Xiaochang) Limited ("**Xiaochang**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD32,700,000	100%	–
Xinyi Solar (Suiping) Limited ("**Suiping**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB210,000,000	100%	–
Xinyi Renewable Energy (Shouxian) Limited ("**Shouxian**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	–
Xinyi Solar (Huainan) Limited ("**Huainan**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD12,000,000	100%	–
Xinyi Solar (Wuwei) Limited ("**Wuwei**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD9,000,000	100%	–
Wuwei Rihao Renewable Energy Limited ("**Wuwei Rihao**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB10,000,000	100%	–
Guangdong Shenke New Energy Co., Ltd. ("**Guangdong Shenke**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB30,000,000	95%	5%
Xinyi Renewable Energy (Xiangyang) Co., Ltd ("**Xiangyang**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB12,000,000	100%	–

14 SUBSIDIARIES (Continued)

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Indirectly held by the Company (Continued)					
Wuwei Xinchuang Renewable Energy Limited ("**Wuwei Xinchuang**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of RMB8,000,000 and nil paid up	100%	–
Anlu Jingshun Renewable Energy Limited ("**Anlu Jingshun**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD16,000,000	100%	–
Hubei Jingping Renewable Energy Limited ("**Hubei Jingping**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of USD16,000,000 and nil paid up	100%	–
Huainan Xinyi Renewable Energy Limited ("**Huainan Xinyi**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB13,000,000	100%	–
Xinyi Renewable Energy (Huaibei) Limited ("**Huaibei Xinyi**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of US$25,000,000 and paid up capital of USD5,861,911.74	100%	–
Zaoqiang County Huisheng Renewable Energy Limited ("**Zaoqiang Huisheng**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of RMB5,000,000 and nil paid up	100%	–
Qingyang County Hewu Renewable Energy Technology Limited ("**Qingyang Hewu**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of RMB1,000,000 and nil paid up	100%	–
Heshan City Hongde Renewable Energy Limited ("**Heshan Hongde**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of RMB500,000 and nil paid up	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Indirectly held by the Company (Continued)					
Xinyi Solar (Xiangyang) Limited ("**Solar (Xiangyang)**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB8,000,000	100%	–
Wuhu Xiangtai Solar Power Development Limited ("**Wuhu Xiangtai**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of RMB10,000,000 and paid up capital of RMB3,719,200	100%	–

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 BUSINESS COMBINATION

The Group's strategy is to continue to acquire solar farm projects for the purpose of enhancing its portfolio. During the year ended 31 December 2021, the Group completed the acquisition of several solar farm projects in the PRC from Xinyi Power (BVI) Limited ("**Xinyi Power (BVI)**"), the immediate holding company of the Company (the "**2021 Xinyi Solar Acquisitions**"), and independent third parties (the "**2021 Other Acquisitions**"). The Group also acquired solar farm projects from Xinyi Power (BVI) and independent third parties in 2020, further information of which is set forth in the annual report of the Company dated 1 March 2021. Information on each of the business combinations for the year ended 31 December 2021 are set forth below:

(a) Acquisitions from Xinyi Power (BVI)

On 11 February 2021, the Group completed the acquisition of the entired equity interest in Xinyi Solar Farm (Group 6) Limited which, through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 250 MW in the PRC from Xinyi Power (BVI), at a gross agreed purchase price of approximately HK$520,187,000 which was determined in compliance with the terms and conditions of the sale and purchase agreement dated 6 January 2021 between Xinyi Power (BVI) and the Company. Pursuant to the sale and purchase agreement, Xinyi Power (BVI) received 90% of the gross agreed purchase price upon completion of the acquisition and the deferred consideration was fully settled in February 2022.

15 BUSINESS COMBINATION (Continued)

(a) Acquisitions from Xinyi Power (BVI) (Continued)

The table below summarises the details of the solar farm projects acquired on 11 February 2021.

Name of the companies	Equity interest acquired	Solar farm projects acquired Locations	Number of solar farms	Approved capacity *(MW)*
Great Power Investments Limited and its subsidiaries, Huaibei Xinyi and Zaoqiang Huisheng	100%/100%	Anhui Province & Hebei Province, PRC	2	100/100
East Shine Investments Limited and its subsidiary, Huainan Xinyi	100%	Anhui Province, PRC	1	50

On 15 December 2021, the Group completed the acquisition of the entired equity interest in Xinyi Solar Farm (Group 7) Limited which, through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 270 MW in the PRC from Xinyi Power (BVI), at a gross agreed purchase price of approximately HK$181,280,000 which was determined in compliance with the terms and conditions of the sale and purchase agreement dated 6 January 2021 between Xinyi Power (BVI) and the Company. Pursuant to the sale and purchase agreement, Xinyi Power (BVI) received 90% of the gross agreed purchase price upon completion of the acquisition and the deferred consideration will be fully settled on or before 15 December 2022.

The table below summarises the details of the solar farm projects acquired on 15 December 2021.

Name of the companies	Equity interest acquired	Solar farm projects acquired Locations	Number of solar farms	Approved capacity *(MW)*
Wealthy Treasure Investment Limited and its subsidiaries, Xinjie Renewable Energy (Wuhu) Limited and Qingyang Hewu	100%	Anhui Province, PRC	1	70
Heshan Hongde	100%	Guangdong Province, PRC	1	100
Solar (Xiangyang)	100%	Hubei Province, PRC	1	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(a) Acquisitions from Xinyi Power (BVI) (Continued)

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

	Total *HK$'000*
Purchases consideration	
Fair value of cash consideration	701,467
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,535,158
Right-of-use assets	105,048
Trade and other receivables and prepayments *(Note (d))*	298,410
Cash and cash equivalents	11,188
Amounts due to related parties	(1,677,324)
Accruals and other payables	(466,988)
Lease liabilities	(98,424)
Deferred income tax liabilities *(Note (e))*	(99,534)
Total identifiable net assets	607,534
Goodwill *(Note (f))*	93,933
	701,467
Net cash outflow arising from the 2021 Xinyi Solar Acquisitions	
Cash consideration	701,467
Settlement to Xinyi Power (BVI) *(Note (g))*	1,677,324
Less: Cash and cash equivalents acquired	(11,188)
Less: Deferred cash consideration payable	(70,147)
	2,297,456
Cash consideration represents	
Upfront payment upon completion of 2021 Xinyi Solar Acquisitions *(Note (a))*	631,320
Deferred cash consideration *(Note (b))*	70,147
	701,467

15 BUSINESS COMBINATION (Continued)

(a) Acquisitions from Xinyi Power (BVI) (Continued)

Notes:

(a) Upfront payment upon completion of 2021 Xinyi Solar Acquisitions

Upfront payment represents 90% of the gross agreed purchase price of approximately HK$631,320,000.

(b) Deferred cash consideration

Deferred cash consideration represents the remaining 10% of the gross agreed purchase price. The impact of discounting is considered to be insignificant.

(c) Revenue and profits contribution

The table below illustrates the revenue and the profits included in the consolidated income statement since acquisition date contributed by the 2021 Xinyi Solar Acquisitions.

	Total *HK$'000*
Revenue	197,525
Profits contributed to the Group	139,218

If the 2021 Xinyi Solar Acquisitions had occurred on 1 January 2021, the consolidated income statement would show pro-forma revenue of approximately HK$2,376,029,000 and pro-forma profit of approximately HK$1,287,630,000.

(d) Acquired receivables

The total fair value of trade and other receivables and prepayments acquired was approximately HK$298,410,000 and included trade and tariff adjustment receivables with fair values as below:

	Total *HK$'000*
Trade and tariff adjustment receivables	114,106

The gross contractual amount of these trade receivables due in aggregate was approximately HK$114,106,000.

(e) Deferred income tax liabilities

Deferred income tax liabilities of approximately HK$99,534,000 have been provided for in relation to the fair value adjustments of acquired identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(a) Acquisitions from Xinyi Power (BVI) (Continued)

Notes: (Continued)

(f) Goodwill

The Group recognised goodwill of approximately HK$93,933,000 in the consolidated balance sheet in connection with the 2021 Xinyi Solar Acquisitions which was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the 2021 Xinyi Solar Acquisitions, the Group benefits through the synergies expected to arise after the 2021 Xinyi Solar Acquisitions because of the close proximity of these projects to other solar farms currently operated by the Group. The goodwill will not be deductible for tax purposes.

(g) Settlement to Xinyi Power (BVI)

Acquired entities had outstanding amounts due to Xinyi Power (BVI). The Group settled these balances on the same day when the acquisition happened.

(b) Acquisitions from independent third parties

During the year ended 31 December 2021, the following projects were acquired from independent third parties and the solar farms have achieved on-grid connection. The table below summarised the details of the other projects acquired.

				Solar farm projects acquired		
Name of the companies	**Consideration** *HK$'000*	**Month of acquisition in 2021**	**Equity interest acquired**	**Locations**	**Number of solar farms**	**Approved capacity** *(MW)*
Hubei Jingping	1,194	February	100%	Hubei Province, PRC	1	80
Wuhu Xiangtai	4,549	December	100%	Anhui Province, PRC	1	60

15 BUSINESS COMBINATION (Continued)

(b) Acquisitions from independent third parties (Continued)

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

	Total *HK$'000*
Purchases consideration	
Fair value of cash consideration	5,743
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	488,685
Right-of-use assets	17,450
Other receivables and prepayments *(Note (b))*	15,030
Cash and cash equivalents	29
Accruals and other payables	(498,289)
Lease liabilities	(17,544)
Deferred income tax liabilities	(218)
Total identifiable net assets	5,143
Goodwill *(Note (c))*	600
	5,743
Net cash outflow arising from the 2021 Other Acquisitions	
Cash consideration	5,743
Less: Cash and cash equivalents acquired	(29)
Less: Cash consideration payable	(1,194)
	4,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(b) Acquisitions from independent third parties (Continued)

Notes:

(a) Revenue and profits contribution

The table below illustrates the revenue and the profits included in the consolidated income statement since acquisition date contributed by the 2021 Other Acquisitions.

	Total *HK$'000*
Revenue	32,793
Profits contributed to the Group	23,904

If the 2021 Other Acquisitions had occurred on 1 January 2021, the revenue and profit of the Group would remain unchanged.

(b) Acquired receivables

The total fair value of other receivables and prepayments acquired was approximately HK$15,030,000.

(c) Goodwill

The Group recognised goodwill of approximately HK$600,000 in the consolidated balance sheet in connection with the 2021 Other acquisitions. The goodwill is attributable to the synergies expected to arise after the 2021 Other Acquisitions because of the close proximity of this project to other solar farms currently operated by the Group. The goodwill will not be deductible for tax purposes.

16 PROPERTY, PLANT AND EQUIPMENT

	Solar Farms *HK$000*	Buildings *HK$000*	Motor vehicles, furniture and fixtures, equipment and others *HK$000*	Total *HK$000*
At 1 January 2020				
Cost	10,388,476	191,093	10,621	10,590,190
Accumulated depreciation	(1,071,134)	(21,284)	(2,251)	(1,094,669)
Net book amount	9,317,342	169,809	8,370	9,495,521
Year ended 31 December 2020				
Opening net book amount	9,317,342	169,809	8,370	9,495,521
Additions	4,001	–	2,225	6,226
Acquisition of subsidiaries	1,220,611	–	191	1,220,802
Disposal	–	–	(88)	(88)
Depreciation charge *(Note 7)*	(400,432)	(6,400)	(1,219)	(408,051)
Currency translation differences	671,801	10,794	1,033	683,628
Closing net book amount	10,813,323	174,203	10,512	10,998,038
At 31 December 2020				
Cost	12,429,506	204,177	14,779	12,648,462
Accumulated depreciation	(1,616,183)	(29,974)	(4,267)	(1,650,424)
Net book amount	10,813,323	174,203	10,512	10,998,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Solar Farms *HK$000*	Buildings *HK$000*	Motor vehicles, furniture and fixtures, equipment and others *HK$000*	Total *HK$000*
Year ended 31 December 2021				
Opening net book amount	10,813,323	174,203	10,512	10,998,038
Additions	26,693	–	3,446	30,139
Acquisition of subsidiaries	3,023,234	–	609	3,023,843
Disposal	–	–	(145)	(145)
Depreciation charge *(Note 7)*	(522,949)	(7,248)	(1,661)	(531,858)
Currency translation differences	313,219	4,503	320	318,042
Closing net book amount	13,653,520	171,458	13,081	13,838,059
At 31 December 2021				
Cost	15,927,358	209,620	18,960	16,155,938
Accumulated depreciation	(2,273,838)	(38,162)	(5,879)	(2,317,879)
Net book amount	13,653,520	171,458	13,081	13,838,059

	2021 *HK$'000*	2020 *HK$'000*
Depreciation charged in consolidated income statement:		
– Cost of sales	530,819	407,401
– Administrative expenses	1,039	650
	531,858	408,051

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book amount of property, plant and equipment held by:

	2021 HK$'000	2020 HK$'000
Initial solar farm projects owned by the Group	**5,793,948**	5,541,667
Solar farm projects acquired by the Group	**8,044,111**	5,456,371
	13,838,059	10,998,038

17 LEASES

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

(a) Amounts recognised in the consolidated balance sheet

	Leasehold land HK$'000	Office HK$'000	Total HK$'000
Right-of-use assets			
Year ended 31 December 2020			
Opening net book amount	438,696	320	439,016
Additions	1,587	338	1,925
Acquisition of subsidiaries	53,694	–	53,694
Depreciation charge *(Note 7)*	(18,033)	(432)	(18,465)
Currency translation differences	31,416	2	31,418
Closing net book amount	507,360	228	507,588
Year ended 31 December 2021			
Opening net book amount	**507,360**	**228**	**507,588**
Additions	**76,388**	**579**	**76,967**
Acquisition of subsidiaries	**122,498**	**–**	**122,498**
Depreciation charge *(Note 7)*	**(26,485)**	**(492)**	**(26,977)**
Currency translation differences	**18,477**	**41**	**18,518**
Closing net book amount	**698,238**	**356**	**698,594**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES (Continued)

(a) Amounts recognised in the consolidated balance sheet (Continued)

	2021 HK$'000	2020 HK$'000
Lease liabilities		
Non-current	**692,013**	500,921
Current	**31,680**	18,803
	723,693	519,724

Additions to the right-of-use assets during the year ended 31 December 2021 were HK$76,967,000 (2020: HK$1,925,000).

(b) Amounts recognised in the consolidated income statement

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets		
Leasehold land	**26,485**	18,033
Office	**492**	432
	26,977	18,465
Interest expense (included in finance cost)		
Leasehold land	**40,604**	28,804
Office	**38**	22
	40,642	28,826

The total cash outflow for leases during the year ended 31 December 2021 was HK$41,888,000 (2020: HK$26,934,000).

17 LEASES (Continued)

(c) The Group's leasing activities and how these are accounted for

The Group leases offices and land. Rental contracts are typically made for fixed periods of 2 to 30 years but may have extension options. Lease terms are negotiated on an individual basis but contain similar terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Pursuant to the lease agreements signed with landlords, landlords have agreed to reimburse the Group in respect of any PRC taxes, levies or surtaxes, which may be imposed on the Group for the use of the land under the current PRC tax laws and regulations, in case the Group may be liable.

18 GOODWILL

	HK$'000
At 1 January 2020	330,303
Additions	14,160
Currency translation differences	17,595
At 31 December 2020 and 1 January 2021	362,058
Additions	94,533
Currency translation differences	10,840
Impairment loss	(22,239)
At 31 December 2021	**445,192**

For the purpose of impairment assessment, goodwill arising from:

(a) Acquisition relating to six utility-scale ground-mounted solar farms projects in 2019 (the "**2019 Acquisition**") is allocated to five CGUs under Xiaochang, Suiping, Shouxian, Huainan and Wuwei, respectively;

(b) Acquisition relating to three solar farms from Xinyi Power (BVI) in 2020 are allocated to three CGUs under Gunagdong Shenke, Wuwei Xinchuang and Xiangyang, respectively;

(c) Acquisition relating to two solar farms from independent third parties in 2020 are allocated to two CGUs under Wuwei Rihao and Anlu Jingshun, respectively;

(d) The 2021 Xinyi Solar Acquisitions are allocated to six CGUs under Huaibei Xinyi, Zaoqiang Huisheng, Huainan Xinyi, Qingyang Hewu, Heshan Hongde, Solar (Xiangyang), respectively; and

(e) The 2021 Other Acquisitions are allocated to two CGUs under Hubei Jingping and Wuhu Xiangtai respectively.

The recoverable amounts of each CGU are determined based on FVLCOD calculations covering a period of the useful lives of the solar farms. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 GOODWILL (Continued)

The key assumptions and estimates used in determining the FVLCOD are as follows:

	31 December 2021	31 December 2020	Approach to determine key assumption
Cash flow forecast period	**25 years**	25 years	Estimate with reference to the average remaining years of land use right
Annual utilisation hours	**1,100 MWh/MWp to 1,300 MWh/MWp**	1,100 MWh/MWp to 1,483 MWh/MWp	Estimate with reference to industry report and weather information
Feed-in-tariff	**RMB 0.03/kWh to RMB0.62/kWh**	RMB 0.03/kWh to RMB0.62/kWh	Estimate by assuming the feed-in-tariff remain at the same level as current year
Degradation factor	**0.5%-0.6% per annum**	0.5%-0.6% per annum	Estimate with reference to industry report and historical information
Discount rate	**6.5% to 8.0%**	7.1% to 8.7%	Estimate by benchmarking the cost of equity and cost of debt of market participants

Management has engaged independent external valuer to perform impairment assessment for certain solar farms. Based on the impairment assessment performed, the recoverable amounts of two CGUs acquired in 2019 were below the carrying amounts. As a result, the Group made impairment provision for the goodwill amounting to approximately HK$22,239,000 (2020: Nil). The impairment loss is primarily resulting from the delay in settlement received for tariff adjustment receivables.

The recoverable amounts of the remaining CGUs would equal carrying amounts if the key assumptions at 31 December 2021 were to change as follows:

Annual utilisation hours decrease by	102 MWh/MWp to 199 MWh/MWp
Discount rate increases by	0.8% to 1.7%

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade receivables *(Note (a))*	**4,628,982**	3,501,306
Bills receivables *(Note (a))*	**612**	3,574
Trade and bills receivables	**4,629,594**	3,504,880
Deposits and other receivables *(Note (c))*	**49,023**	14,379
Other tax receivables *(Note (d))*	**337,352**	382,754
Prepayments for property, plant and equipment	**61,239**	126,649
Other prepayments	**14,683**	14,321
	5,091,891	4,042,983
Less: Non-current portion		
Prepayments for property, plant and equipment	**(61,239)**	(126,649)
Current portion	**5,030,652**	3,916,334

(a) Trade and bills receivables

As at 31 December 2021, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables is set out below:

	2021 HK$'000	2020 HK$'000
Receivables from sales of electricity	**106,412**	75,507
Tariff adjustment receivables	**4,522,570**	3,425,799
	4,628,982	3,501,306

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade and bills receivables (Continued)

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	429,851	338,788
91 days to 180 days	382,181	353,257
181 days to 365 days	700,065	635,729
Over 365 days	3,116,885	2,173,532
	4,628,982	3,501,306

The maturity of the bills receivables is within one year.

The carrying amounts of the Group's trade and bills receivables are denominated in RMB.

(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 trade receivable.

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. The Group has nineteen ground-mounted solar farms with aggregate capacity of 1,724 MW successfully enlisted on the List.

During the year ended 31 December 2021, the Group received aggregate payment of RMB371,099,000 (equivalent to approximately HK$449,644,000) (2020: RMB435,007,000 (equivalent to approximately HK$497,242,000)) for tariff adjustment in relation to the solar power generation by the solar farm projects enlisted on the 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 are expected to be recoverable. Consequently, no loss allowance of tariff adjustment receivables was recognised as at 31 December 2021 (2020: Nil). As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets.

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(c) Deposits and other receivables

Deposits and other receivables are all expected to be recoverable and therefore no provision was made. The ageing of deposits and other receivables was within one year. The carrying amounts of the Group's deposits and other receivables are mainly denominated in RMB.

(d) Other tax receivables

Other tax receivables mainly represent value added tax ("**VAT**") recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress). They will be offset against output VAT on sales of solar electricity and tariff adjustment. The balance is denominated in RMB.

(e) The carrying amounts of trade and other receivables approximate their fair values.

(f) The other classes within trade and other receivables do not contain impaired assets.

20 CASH AND CASH EQUIVALENTS

	2021 ***HK$'000***	2020 *HK$'000*
Cash at bank	**1,104,858**	1,312,419
Maximum exposure of credit risk	**1,104,858**	1,312,419

As at 31 December 2021, funds of the Group amounting to HK$710,496,000 (2020: HK$1,039,235,000) were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$394,362,000 (2020: HK$273,184,000) as at 31 December 2021 were deposited in reputable banks in Hong Kong.

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

	2021 ***HK$'000***	2020 *HK$'000*
RMB	**712,023**	1,040,721
HK$	**295,669**	268,137
US$	**97,166**	3,561
	1,104,858	1,312,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares of HK$0.01 each *HK$*	Total *HK$'000*
Authorised:			
At 1 January 2020,31 December 2020 and 2021	800,000,000,000	8,000,000,000	8,000,000
Issued and fully paid:			
At 1 January 2020	6,752,478,471	67,524,785	67,525
Issuance of shares by the way of placing *(Note)*	357,520,000	3,575,200	3,575
At 31 December 2020, 1 January 2021 and 31 December 2021	**7,109,998,471**	**71,099,985**	**71,100**

Note:

On 21 September 2020, the Company allotted and issued 357,520,000 shares by way of placing at HK$2.50 each. Proceeds of approximately HK$893,800,000 were received and the related transaction costs of approximately HK$627,000 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.

22 SHARE OPTIONS

The Company adopted a share option scheme (the "**Share Option Scheme**") in November 2018. 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 Group must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of the Company, unless the Company obtains further approval from the shareholders.

22 SHARE OPTIONS (Continued)

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 Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

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

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	HK$2.18	1,829,500	–	–
Granted	HK$3.78	2,480,000	HK$2.18	1,902,500
Forfeited	HK$3.08	(154,000)	HK$2.18	(73,000)
As at 31 December	HK$3.10	4,155,500	HK$2.18	1,829,500
Vested and exercisable at 31 December	HK$2.83	1,972,667	HK$2.18	609,833

During the year ended 31 December 2021, no options were expired.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Number of options 31 December 2021	Remaining contractual life of options outstanding at end of the year
31 March 2020	31 March 2024	HK$2.18	1,762,500	2.25 years
31 March 2021	31 March 2025	HK$3.78	2,393,000	3.25 years
		Total	4,155,500	
Weighted average remaining contractual life of options outstanding at end of the year				2.83 years

In March 2020, 1,902,500 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.18 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 1 April 2023 to 31 March 2024. One third of the options will vest on each of the year-end date of 2020, 2021 and 2022 if the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE OPTIONS (Continued)

In March 2021, 2,480,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$3.78 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 1 April 2024 to 31 March 2025. One third of the options will vest on each of the year-end date of 2021, 2022 and 2023 if the grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2025.

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 (2020: HK$0.39) per option. The significant inputs into the model are as follows:

	2021	2020
Weighted average share price, at the grant date (HK$)	**3.78**	2.12
Exercise price (HK$)	**3.78**	2.18
Volatility (%)	**47.66**	41.47
Dividend yield (%)	**3.84**	6.37
Expected share option life (years)	**3.50**	3.50
Annual risk-free interest rate (%)	**0.49**	0.60

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 9 for the total expenses recognised in the consolidated income statement for share options granted to employees of the Group.

23 OTHER RESERVES

	Share premium HK$'000	Statutory reserve *(Note (a))* HK$'000	Capital reserve *(Note (b))* HK$'000	Exchange reserve HK$'000	Share option reverse HK$'000	Total HK$'000
At 1 January 2020	7,679,766	387,884	(166,207)	(676,664)	–	7,224,779
Currency translation differences	–	–	–	975,284	–	975,284
Appropriation to statutory reserve	–	121,892	–	–	–	121,892
Employees' share option scheme:						
– value of employee services *(Note 9)*	–	–	–	–	187	187
Issuance of shares in respect of placing, net of transaction cost *(Note 21)*	889,598	–	–	–	–	889,598
Dividend:						
– 2019 final dividend	(573,961)	–	–	–	–	(573,961)
– 2020 interim dividend *(Note 13)*	(405,149)	–	–	–	–	(405,149)
At 31 December 2020	7,590,254	509,776	(166,207)	298,620	187	8,232,630

	Share premium HK$'000	**Statutory reserve *(Note (a))* HK$'000**	**Capital reserve *(Note (b))* HK$'000**	**Exchange reserve HK$'000**	**Share option reverse HK$'000**	**Total HK$'000**
At 1 January 2021	**7,590,254**	**509,776**	**(166,207)**	**298,620**	**187**	**8,232,630**
Currency translation differences	**–**	**–**	**–**	**444,679**	**–**	**444,679**
Appropriation to statutory reserve	**–**	**155,831**	**–**	**–**	**–**	**155,831**
Employees' share option scheme:						
– value of employee services *(Note 9)*	**–**	**–**	**–**	**–**	**856**	**856**
Dividend:						
– 2020 final dividend *(Note 13)*	**(604,350)**	**–**	**–**	**–**	**–**	**(604,350)**
– 2021 interim dividend *(Note 13)*	**(526,140)**	**–**	**–**	**–**	**–**	**(526,140)**
At 31 December 2021	**6,459,764**	**665,607**	**(166,207)**	**743,299**	**1,043**	**7,703,506**

23 OTHER RESERVES (Continued)

Notes:

(a) The PRC subsidiaries are required to allocate 10% of their net profits to the statutory reserve fund until such fund reaches 50% of the companies' registered capitals. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2021, the boards of directors of the Company's PRC subsidiaries resolved to appropriate approximately HK$155,831,000 (2020: HK$121,892,000) from retained earnings to statutory reserve.

(b) On 30 June 2015, Xinyi Solar transferred all 200 shares of Xinyi Energy (BVI) to the Company for a consideration of US$200 (equivalent to HK$2,000) and thereafter Xinyi Energy (BVI) has become wholly-owned by the Company. Since then, the Company has become the holding company of the Group. Upon the transfer of shares of Xinyi Energy (BVI), the assets and liabilities of Xinyi Energy (BVI) and its subsidiaries, with aggregate net carrying amount on the same day of HK$166,209,000, were transferred to the Company from Xinyi Solar.

24 ACCRUALS AND OTHER PAYABLES

	2021 ***HK$'000***	2020 *HK$'000*
Payables for property, plant and equipment	**861,824**	757,885
Accrued listing expenses	**1,516**	1,516
Others *(Note (b))*	**33,813**	21,215
	897,153	780,616
Less: Non-current portion		
Retention payables for property, plant and equipment	**(65,743)**	(60,957)
Current portion	**831,410**	719,659

Notes:

(a) The carrying amounts of accruals and other payables are mainly denominated in RMB and approximate their fair values.

(b) The balance mainly comprises accruals of professional fees, interest for bank borrowings and accrued staff costs.

25 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2021 **HK$'000**	2020 HK$'000
Repayable on demand and within 1 year	**2,036,302**	1,209,809
Between 1 and 2 years	**1,582,607**	344,781
Between 2 and 5 years	**1,261,311**	308,512
	4,880,220	1,863,102
Less: Non-current portion	**(2,843,918)**	(653,293)
Current portion	**2,036,302**	1,209,809

As at 31 December 2021, bank borrowings of HK$269,862,000 (2020: Nil) contain repayment on demand clause and are classified as current liabilities.

As at 31 December 2021, all bank borrowings bore floating interest rates (2020: same). These bank borrowings are repayable by instalments up to 2024 (2020: 2023). The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2021 (2020: same), as the impact of discounting is not significant.

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

	2021	2020
Bank borrowings	**1.21%**	1.52%

All bank borrowings were exposed to interest rate changes.

As at 31 December 2021 and 2020, corporate guarantee was provided by the Company and its subsidiaries for the bank borrowings.

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26 DEFERRED INCOME TAX

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	**20,192**	10,557
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	**(335,437)**	(233,282)
Deferred income tax liabilities, net	**(315,245)**	(222,725)

The net movements on the deferred income tax account are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**(222,725)**	(206,413)
Acquisition of subsidiaries	**(99,752)**	(8,640)
Credited to the consolidated income statement *(Note 11)*	**14,240**	6,382
Currency translation differences	**(7,008)**	(14,054)
At 31 December	**(315,245)**	(222,725)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, are as follows:

	Leases	
	2021 HK$'000	2020 HK$'000
Deferred income tax assets		
At 1 January	**10,557**	7,634
Acquisition of subsidiaries	**–**	74
Credited to the consolidated income statement	**9,201**	2,182
Currency translation differences	**434**	667
At 31 December	**20,192**	10,557

26 DEFERRED INCOME TAX (Continued)

	Fair value gains		Leases		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Deferred income tax liabilities						
At 1 January	**232,754**	213,610	**528**	437	**233,282**	214,047
Acquisition of subsidiaries	**99,752**	8,714	**–**	–	**99,752**	8,714
(Credited)/charged to the consolidated income statement	**(5,581)**	(4,258)	**542**	58	**(5,039)**	(4,200)
Currency translation difference	**7,419**	14,688	**23**	33	**7,442**	14,721
At 31 December	**334,344**	232,754	**1,093**	528	**335,437**	233,282

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 are held by intermediate holding companies incorporated in Hong Kong, which are subject to 5% or 10% withholding tax.

As at 31 December 2021, deferred income tax liabilities of approximately HK$339,542,000 (2020: HK$261,942,000) were not recognised for withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% (2020: 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. As at 31 December 2021, the related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$6,790,842,000 (2020: HK$5,238,849,000).

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. As at 31 December 2021, there was no significant unrecognised tax loss (2020: Nil).

27 CASH FLOW INFORMATION

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

	2021 **HK$'000**	2020 HK$'000
Profit before income tax	**1,456,391**	1,088,645
Adjustments for:		
Interest income *(Note 8)*	**(18,875)**	(41,086)
Interest expense *(Note 8)*	**188,171**	165,642
Depreciation charge of property, plant and equipment *(Note 16)*	**531,858**	408,051
Depreciation charge of right-of-use assets *(Note 17)*	**26,977**	18,465
Share options granted to employees *(Note 9)*	**856**	187
Impairment loss of goodwill *(Note 6)*	**22,239**	–
Loss on disposal of property, plant and equipment *(Note 6)*	**98**	52
	2,207,715	1,639,956
Changes in working capital:		
Trade and other receivables	**(692,136)**	(416,945)
Accruals and other payables	**(6,522)**	48,295
Amounts due from fellow subsidiaries	**(2,965)**	68
Amounts due to fellow subsidiaries	**(625)**	625
Cash generated from operations	**1,505,467**	1,271,999

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

	2021 **HK$'000**	2020 HK$'000
Net book amount *(Note 16)*	**145**	88
Loss on disposal of property, plant and equipment *(Note 6)*	**(98)**	(52)
Proceeds from disposal of property, plant and equipment	**47**	36

27 CASH FLOW INFORMATION (Continued)

(c) Major non-cash transactions

During the year ended 31 December 2021, additions of plant and equipment amounting to HK$762,317,000 (2020: HK$353,957,000) were purchased through increase in other payables without any cash paid.

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

	2021 *HK$'000*	2020 *HK$'000*
Cash and cash equivalents	**1,104,858**	1,312,419
Bank borrowings – repayable within one year or on demand	**(2,036,302)**	(1,209,809)
Bank borrowings – repayable after one year	**(2,843,918)**	(653,293)
Lease liabilities	**(723,693)**	(519,724)
Net debt	**(4,499,055)**	(1,070,407)
Cash and cash equivalents	**1,104,858**	1,312,419
Gross debt – fixed interest rates	**(723,693)**	(519,724)
Gross debt – variable interest rates	**(4,880,220)**	(1,863,102)
Net debt	**(4,499,055)**	(1,070,407)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CASH FLOW INFORMATION (Continued)

(d) Net debt reconciliation (Continued)

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents HK$'000	Bank borrowings due within 1 year or on demand HK$'000	Bank borrowings due after 1 year HK$'000	Lease liabilities HK$'000	Total HK$'000
Net debt as at 1 January 2020	1,631,244	(727,388)	(1,225,580)	(441,667)	(763,391)
Acquisition of subsidiaries	4,327	–	–	(43,570)	(39,243)
Cash flows	(389,790)	(482,421)	572,287	26,934	(272,990)
Foreign exchange adjustments	66,638	–	–	(32,769)	33,869
Interest on lease liabilities	–	–	–	(28,826)	(28,826)
Other non-cash movements	–	–	–	174	174
Net debt as at 31 December 2020	1,312,419	(1,209,809)	(653,293)	(519,724)	(1,070,407)
Net debt as at 1 January 2021	**1,312,419**	**(1,209,809)**	**(653,293)**	**(519,724)**	**(1,070,407)**
Acquisition of subsidiaries	**11,217**	**–**	**–**	**(115,968)**	**(104,751)**
Cash flows	**(246,094)**	**(814,375)**	**(2,190,625)**	**41,888**	**(3,209,206)**
Foreign exchange adjustments	**27,316**	**–**	**–**	**(12,280)**	**15,036**
Interest on lease liabilities	**–**	**–**	**–**	**(40,642)**	**(40,642)**
Inception of leases	**–**	**–**	**–**	**(76,967)**	**(76,967)**
Other non-cash movements	**–**	**(12,118)**	**–**	**–**	**(12,118)**
Net debt as at 31 December 2021	**1,104,858**	**(2,036,302)**	**(2,843,918)**	**(723,693)**	**(4,499,055)**

28 BANKING FACILITIES

The banking facilities made available to subsidiaries of the Group are as follows:

	2021 **HK$'000**	2020 HK$'000
Banking facilities granted to subsidiaries of the Company without securities:		
– Available facilities	**5,395,400**	2,871,240
– Facilities utilised	**(4,905,400)**	(1,871,240)
Unutilised facilities	**490,000**	1,000,000

29 RELATED PARTY TRANSACTIONS

As at 31 December 2021, 50.05% (2020: 50.05%) of the Company's shares are held by Xinyi Solar. Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai, *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "**Equity investors**") in aggregate owns 20.62% (2020: 20.62%) of the Company's shares. 6.05% (2020: 6.03%) of the shares are held by Xinyi Glass Holdings Limited ("**Xinyi Glass** ") and its subsidiary, and the remaining 23.28% (2020: 23.30%) of the shares are widely held.

The Company's controlling shareholders include Xinyi Solar and its subsidiary and the Equity Investors. The Equity investors are also the controlling shareholders of Xinyi Solar, holding 26.05% (2020: 25.96%) of the shares of Xinyi Solar in issue as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years.

	Note	2021 HK$'000	2020 HK$'000
One-off transaction			
Acquisition of subsidiaries from immediate holding company	(i)	**701,467**	82,948
Continuing transactions			
Solar farm operation and management services fees receivable from subsidiaries of Xinyi Solar	(ii)	**10,046**	8,712

Notes:

(i) The acquisitions of subsidiaries were transacted at mutually agreed prices and terms. Details of the acquisition are disclosed in Note 15.

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

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	2021 HK$'000	2020 HK$'000
Due from fellow subsidiaries:		
– Chaohu Jindao Photovoltaic Power Generation Company Limited*	**145**	10
– Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited*	**147**	4
– Xinyi Solar (Bozhou) Limited ("**Xinyi Solar (Bozhou)**") *	**58**	–
– Xinyi Solar (Jinzhai) Limited ("**Xinyi Solar (Jinzhai)**") *	**1,049**	–
– Xinyi Solar (Wangjiang) Limited ("**Xinyi Solar (Wangjiang)**") *	**848**	–
– Xinyi Solar (Haikou) Limited*	**183**	21
– Huainan Xinyi*#	**–**	139
– Qingyang Hewu*#	**–**	25
– Hepu County Xinyi Solar Limited*	**734**	–
	3,164	199
Due to immediate holding company:		
– Xinyi Power (BVI)	**(1,753,764)**	(1,766,328)
Due to fellow subsidiaries:		
– Xinyi Solar (Bozhou)*	**–**	(125)
– Xinyi Solar (Jinzhai)*	**–**	(96)
– Huaibei Xinyi*#	**–**	(255)
– Xinyi Solar (Wangjiang)*	**–**	(149)
	–	(625)

* Companies under control of Xinyi Solar

\# Fellow subsidiaries before acquisition in 2021

The amounts due from and due to fellow subsidiaries are unsecured, interest free and repayable on demand. The amounts approximate their fair values and are denominated in RMB.

The amount due to immediate holding company mainly represents the present value amount of the remaining 50% consideration of the 2019 Acquisition discounted at the effective interest rate of 6.38 % (2020: 6.38%) according to the estimated payment schedule. The amount is unsecured, non-interest bearing and payable on 28 May 2023, or upon the receipt of the payment from the PRC Government of the tariff adjustment of the solar power plants acquired, whichever is earlier. The amount approximates its fair value and is denominated in HK$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Leases

	Note	2021 *HK$'000*	2020 *HK$'000*
Interest expense on lease liabilities in relation to office area recognised by the Group as a lessee to related parties:			
– Cheer Wise Investment Limited ("**Cheer Wise**")	(ii)	28	13
– Xinyi Energy Smart (Wuhu) Company Limited ("**Xinyi Energy Smart**")	(iii)	10	9
		38	22

Notes:

(i) Both companies under control of Xinyi Glass, a major shareholder of Xinyi Solar.

(ii) Approximate 30 square meter ("**sq.m.**") office area in Hong Kong was provided by Cheer Wise for the Group's operations with rental mutually agreed.

(iii) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart for the Group's operations with rental mutually agreed.

(d) Key management compensation

Key management includes directors of the Company and certain senior management. The compensation of directors of the Company paid or payable is disclosed in Note 10.

30 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 **HK$'000**	2020 HK$'000
Financial assets at amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	**4,678,617**	3,519,259
Amounts due from fellow subsidiaries	**3,164**	199
Cash and cash equivalents	**1,104,858**	1,312,419
	5,786,639	4,831,877
Financial liabilities at amortised cost		
Accruals and other payables excluding accruals of staff costs and other taxes payables	**880,225**	770,415
Bank borrowings	**4,880,220**	1,863,102
Amount due to immediate holding company	**1,753,764**	1,766,328
Amounts due to fellow subsidiaries	**–**	625
Lease liabilities	**723,693**	519,724
	8,237,902	4,920,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	**2021** **HK$'000**	2020 HK$'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**4,689,080**	3,987,610
Current assets			
Prepayments		**618**	541
Amounts due from subsidiaries		**5,634,462**	6,276,119
Cash and bank balances		**917**	4,891
Total current assets		**5,635,997**	6,281,551
Total assets		**10,325,077**	10,269,161
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**71,100**	71,100
Share premium	(a)	**6,459,764**	7,590,254
Share option reserve	(a)	**1,043**	187
Accumulated losses	(a)	**(310,263)**	(205,174)
Total equity		**6,221,644**	7,456,367
LIABILITIES			
Current liabilities			
Accruals and other payables		**2,806**	3,344
Amount due to immediate holding company		**1,753,764**	1,766,328
Amounts due to subsidiaries		**2,346,863**	1,043,122
Total current liabilities		**4,103,433**	2,812,794
Total equity and liabilities		**10,325,077**	10,269,161

The balance sheet of the Company was approved by the Board of Directors on 28 February 2022 and was signed on its behalf.

LEE Shing Put, B.B.S.
Executive Director

TUNG Fong Ngai
Executive Director and Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Note:

(a) Movements of share premium, share option reserve and accumulated losses of the Company

	Share premium HK$'000	Share option reserve HK$'000	Accumulated Losses HK$'000
At 1 January 2020	7,679,766	–	(119,055)
Loss for the year	–	–	(86,119)
Employees' share option scheme:			
– value of employee services *(Note 9)*	–	187	–
Issuance of shares in respect of placing, net of transaction cost *(Note 21)*	889,598	–	–
Dividend:			
– 2019 final dividend	(573,961)	–	–
– 2020 interim dividend *(Note 13)*	(405,149)	–	–
At 31 December 2020	7,590,254	187	(205,174)
At 1 January 2021	**7,590,254**	**187**	**(205,174)**
Loss for the year	**–**	**–**	**(105,089)**
Employees' share option scheme:			
– value of employee services *(Note 9)*	**–**	**856**	**–**
Dividend:			
– 2020 final dividend *(Note 13)*	**(604,350)**	**–**	**–**
– 2021 interim dividend *(Note 13)*	**(526,140)**	**–**	**–**
At 31 December 2021	**6,459,764**	**1,043**	**(310,263)**

32 CONTINGENCIES

The Company and the Group did not have any significant contingent liabilities as at 31 December 2021 (2020: Nil).

FINANCIAL SUMMARY

	Year ended 31 December				
	2021 ***HK$'000***	2020 *HK$'000*	2019 *HK$'000*	2018 *HK$'000* *(restated)*	2017 *HK$'000* *(restated)*
Result					
Revenue	**2,296,648**	1,722,051	1,593,086	1,200,556	1,116,044
Cost of sales	**(617,267)**	(475,343)	(377,590)	(289,055)	(278,367)
Gross profit	**1,679,381**	1,246,708	1,215,496	911,501	837,677
Profit before income tax	**1,456,391**	1,088,645	1,022,110	785,252	726,125
Income tax expense	**(221,585)**	(166,218)	(131,124)	(44,439)	(15,170)
Profit for the year	**1,234,806**	922,427	890,986	740,813	710,955
Profit attributable to:					
– Equity holders of the company	**1,232,275**	922,007	890,986	740,813	710,955
– Non-controlling interests	**2,531**	420	–	–	–
	1,234,806	922,427	890,986	740,813	710,955

	As at 31 December				
	2021 ***HK$'000***	2020 *HK$'000*	2019 *HK$'000*	2018 *HK$'000* *(restated)*	2017 *HK$'000* *(restated)*
Assets and Liabilities					
Total assets	**21,201,950**	17,233,842	14,966,420	8,656,386	9,494,436
Total liabilities	**8,641,498**	5,223,557	4,772,681	2,274,676	3,409,150
	12,560,452	12,010,285	10,193,739	6,381,710	6,085,286
Equity attributable to equity holders of the Company	**12,552,600**	12,005,280	10,193,739	6,381,710	6,085,286
Non-controlling interests	**7,852**	5,005	–	–	–
	12,560,452	12,010,285	10,193,739	6,381,710	6,085,286