

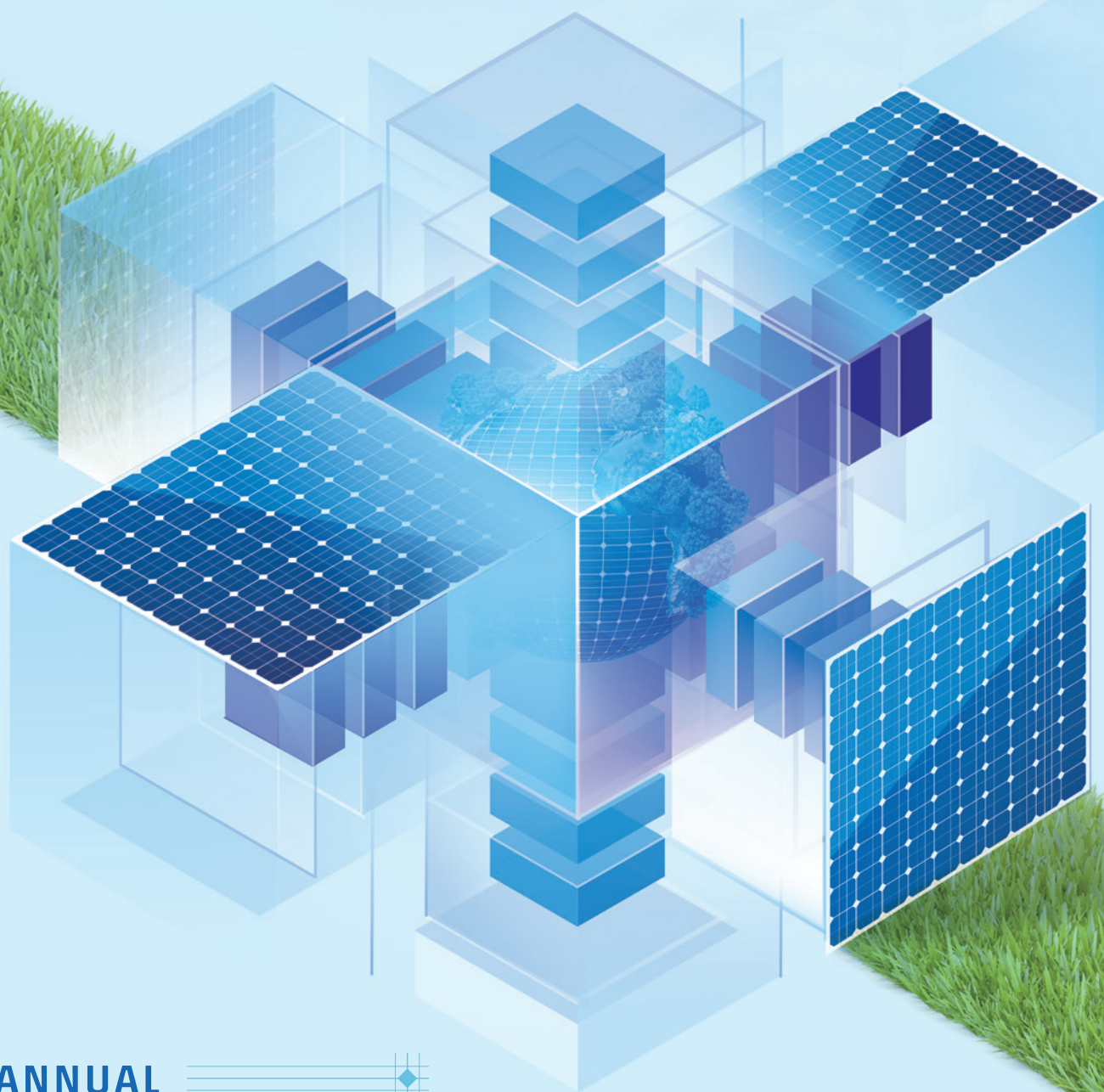


XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 03868



ANNUAL
REPORT



2020



CONTENTS



2	Corporate Information
4	Chairman's Statement
8	Management's Discussion and Analysis
15	Profile of Directors and Senior Management
19	Corporate Governance Report
26	Report of the Directors
45	Independent Auditor's Report
50	Consolidated Income Statement
51	Consolidated Statement of Comprehensive Income
52	Consolidated Balance Sheet
54	Consolidated Statement of Changes in Equity
56	Consolidated Statement of Cash Flows
57	Notes to the Consolidated Financial Statements
128	Financial Summary

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTOR AND CHAIRMAN

Dr. LEE Yin Yee, B.B.S. (*Chairman*)^{o-}
(Resigned on 4 August 2020)

EXECUTIVE DIRECTORS

Mr. LEE Shing Put, B.B.S. (*Chairman*)^{o-}
(Appointed on 4 August 2020)

Tan Sri Datuk TUNG Ching Sai
P.S.M., D.M.S.M., J.P. (Vice Chairman)^{o<}

Mr. TUNG Fong Ngai (*Chief Executive Officer*)[^]

Mr. LEE Yau Ching

Ms. CHENG Shu E⁼

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk^{* o<=}

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.^{#+ <=}

Ms. LYU Fang^{# o<=}

- * Chairman of audit committee
- # Members of audit committee
- + Chairman of remuneration committee
- o Members of remuneration committee
- Chairman of nomination committee
- < Members of nomination committee
- ^ Chairman of acquisition committee
- = Member 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

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 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\$4.72
Market capitalisation as of the date of this annual report:
Approximately HK\$33.56 billion

KEY DATES

Closure of register of members for the purpose of
determining the entitlements to attend and vote at
the Annual General Meeting:

Tuesday, 25 May 2021 to Friday, 28 May 2021
(both days inclusive)

Date of Annual General Meeting:

Friday, 28 May 2021

Closure of register of members for the purpose of
determining the entitlements to the final dividend:

Thursday, 3 June 2021 to Monday, 7 June 2021
(both days inclusive)

Proposed final dividend payable date:

On or about Wednesday, 23 June 2021

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the board (the "**Board**") of director (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 2020.

The novel coronavirus ("**COVID-19**") pandemic has caused drastic fluctuations in the global economic and financial environment, resulting in an unprecedented impact on almost all industries and businesses lingered through the whole of 2020. As a solar farm owner and operator, however, the Group was not affected by the economic adversity caused by the pandemic. The revenue contribution from the solar farm business remained stable.

As a result of the full performance of the 2019 Portfolio and the new acquisitions in 2020, i.e. 2020 Xinyi Solar Acquisition and 2020 Other Acquisition, the Group's consolidated revenue increased by 8.1% to HK\$1,722.1 million during the year of 2020, and the profit for the year attributable to the equity holders of the Company increased by 3.5% to HK\$922.0 million. Basic earnings per share attributable to the equity holders of the Company were 13.44 HK cents for the year ended 31 December 2020, as compared with 15.03 HK cents for 2019. The decrease in the basic earnings per share attributable to the equity holders of the Company in 2020 was primarily due to the increase in number of shares of the Company in issue. The Board proposes to declare a final dividend of 8.5 HK cents per share, representing 100% of the distributable income (the "**Distributable Income**") (as defined in the prospectus of the Company dated 15 May 2019), subject to the approval by the shareholders ("**Shareholders**") at the forthcoming annual general meeting ("**Annual General Meeting**") of the Company.

BUSINESS REVIEW

Stable revenue contribution from the solar farm portfolio

During the year ended 31 December 2020, the total electricity generated from the solar farm portfolio of the Group increased steadily, primarily due to the full performance of the 2019 Portfolio with an aggregated approved capacity of 540 megawatts ("**MW**"). In 2020, the 2019 Portfolio contributed total revenue of HK\$566.9 million, representing an increase of 44.5% as compared with 2019, and 33.1% of the Group's total revenue from the solar power electricity generation.

The Group acquired five solar farm projects (the "**2020 Portfolio**") with an aggregated approved capacity of 340 MW during the year ended 31 December 2020. The majority of these acquisitions were completed during the fourth quarter of 2020. Hence, the revenue contributed by the 2020 Portfolio was only HK\$35.3 million, representing 2.1% of the total revenue from the solar power electricity generation. The full performance of the 2020 Portfolio will be reflected in the amount of revenue contribution from 2021 onwards.

All of the solar farm projects owned and operated by the Group are located in provinces or municipality with a relatively high demand for electricity. Therefore, the Group has not encountered any curtailment problem in electricity generation from its customers, The State Grid Corporation or the China Southern Power Grid, since the commencement of operation.

Acquisition of the solar farm projects – 2020 Portfolio

In order to cope with the changes in the photovoltaic (the "**PV**") industry of the People's Republic of China (the "**PRC**"), the Group has transformed its acquisition targets from solar farm projects under the Feed-in-Tariff (the "**Fit**") regime to grid-parity or grid-bidding solar farm projects since the second half of 2019, following completion of the 2019 Portfolio acquisition. The Directors believe that the development of these two types of solar farm projects would to a large extent eliminate the risk of delays in subsidy payments and provide better visibility and stability in future cash flows and determination of investment returns.

CHAIRMAN'S STATEMENT

In 2020, the Group successfully completed the acquisition of the 2020 Portfolio from Xinyi Solar Holdings Limited ("**Xinyi Solar**") and independent third parties. They are located in Anhui Province, Hubei Province and Guangdong Province, respectively, with an aggregated approved capacity of 340 MW. Going forward, the Group will continue to give priority to the acquisition of grid-parity and grid-bidding solar farm projects, unless the solar farm projects under the FiT regime are included in the "Renewable Energy Power Generation Project List" (《可再生能源發電項目清單》) (the "**List**") and have already received the subsidy payments under the regime.

Latest developments regarding the List

As the PRC PV industry has become the world-leading industry the subsidy shortfall of the Chinese Renewable Energy Development Fund and the delay in making subsidy payments has been increasingly significant in recent years. Therefore, the PRC government initiated the grid-parity regime in 2019 to resolve the problem of delayed payments of subsidy payments.

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 prerequisites for solar farm projects entering the List during the year.

During the year ended 31 December 2020, there were a total of ten Lists published by The State Grid Corporation. Fourteen of the Group's solar farm projects, with an aggregated approved capacity of 1,184 MW, were successfully added to the List. The Directors expect that the remaining solar farm projects will receive the review approval and be enrolled in the List within the first half of 2021.

BUSINESS OUTLOOK

From the beginning of 2020, the COVID-19 pandemic caused governments around the world to be increasingly concerned on public health and safety issues. As a result, lockdown measures and different kinds of restrictions on both international and national levels were introduced to reduce the rate of spread of the disease. Consequently, the global economy is in a downturn, especially in countries in Europe and America.

The PRC implemented a series of lockdown measures from the first quarter of the year of 2020 until the start of the second quarter of 2020. Economic activities experienced severe disruption, which also led to a significant drop in the demand for electricity. The COVID-19 pandemic has been under effective control in the PRC and the economic stimulus measures have been introduced, which enable the PRC to become the first country to resume the normal social and economic activities. As a result, the electricity demand has begun to pick up from the second quarter of 2020.

According to data and statistics published by the National Energy Administration (the "**NEA**"), the steady recovery of the domestic economic operations and activities led to the country's electricity demand and consumption to return to the normal level or at a higher level than that of 2019. The total electricity consumption for 2020 saw a year-on-year increase of 3.1% as compared with 2019. Meanwhile, the proportion of PV electricity consumption has recorded a year-on-year increase of 16.1% as compared with 2019. It is obvious that the proportion of PV electricity consumption in total power consumption is increasing.

CHAIRMAN'S STATEMENT

Based on the estimate by the International Energy Agency, the renewable energy sector will lead capacity additions in 2021. In 2020, the net additions of the renewable energy capacity reached a new high of 200 gigawatts (the "GW") and the global total capacity is expected to grow by around 218 GW in 2021, representing an increase of close to 10%. The additions are expected to be led by PV and wind electricity power sectors, representing around 54% and 31%, respectively. In fact, the majority of PV net capacity additions are expected to take place in the PRC, representing around one third of the global capacity increase.

In summary, as renewable energy, especially PV, as well as wind and hydroelectricity, have low or zero carbon emissions, the overall proportion of their usage is expected to gradually increase and will eventually replace the fossil fuels and become the mainstream in the future. In the PRC, in accordance with the relevant supporting government policies, the PV electricity power generation has been given priority and is generally assured by the full purchase by the grid companies. This will promote the use of the PV electricity power generation in the future.

The PRC government announced the new measures of "China's Intended Nationally Determined Contributions" in the "75th General Assembly of the United Nations" and the "Climate Ambition Summit" in September and December 2020, respectively. The PRC government aims to peak carbon dioxide emission by 2030 and achieve carbon neutrality by 2060, which means (i) the carbon dioxide emissions per unit of gross domestic product will decrease by more than 65%; (ii) non-fossil energy will account for not less than 25% of the primary energy consumption; and (iii) the forest storage will increase by 6 billion cubic meters compared to 2005's level by 2030. Meanwhile, the total installed capacity of PV and wind power generation is expected to reach more than 1,200 GW. At the end of 2020, the total installed capacity of PV and wind power in the PRC was close to 530 GW. The target for 2030 is almost tripling of the current total installed capacity and even exceeds the current global total installed capacity of PV and wind power. In the next decade, the rapid increase in the proportion of renewable energy is expected to provide additional opportunities for acquisitions of high-quality renewable energy projects.

In January 2021, the Energy Research Institute of the National Development and Reform Commission (the "NDRC") issued the "2020 China Renewable Energy Outlook Report" (《2020年中國可再生能源展望報告》), which mentioned that the temperature change should be controlled at two degrees celsius or below. To achieve this target, the proportion of the renewable energy in the PRC will need to increase from less than 20% in 2020 to close to 80% in 2050. At the same time, the NEA also mentioned that it will focus on several aspects, namely: (i) giving priority to the promotion of the high proportion and quality development of the renewable energy through wind and PV electricity power generation under the 14th Five-Year Plan; (ii) strengthening the technological innovation of the renewable energy sector, especially for PV, wind and hydroelectricity power generation; and (iii) strengthening the policy coordination for the renewable energy development in the areas of fiscal and taxation mechanism, power reform and market development, etc.

The year of 2020 was the last year under the 13th Five-Year Plan. During the year, the NDRC and the NEA jointly announced the "Notice on the Renewable Energy Power Consumption Duties in Provincial Administrative Regions in 2020" (《關於印發各省級行政區域2020年可再生能源電力消納責任權重的通知》), which clearly stated that provinces including administrative regions should actively promote the construction of renewable energy power plants in their regions and the active implementation of policies to require businesses or enterprises to bear the responsibility of using the renewable energy and being conscientious in grid-connected consumption, cross-provincial and cross-regional transmission and various market measures. These policies provide the Group with more confidence in making investments in the renewable energy sector.



CHAIRMAN'S STATEMENT

The Group will continue to acquire solar farm projects from Xinyi Solar during 2021. In January 2021, the Company entered into two sale and purchase agreements with Xinyi Power (BVI) Limited ("**Xinyi Power (BVI)**"), a wholly owned subsidiary of Xinyi Solar and the immediate holding company of the Company, pursuant to which it agreed to acquire in two batches of three and a total of six utility-scale ground-mounted solar farm projects from Xinyi Solar, with an aggregated approved capacity of 520 MW in 2021. The transaction thereunder constituted a connected and discloseable transaction for the Company, which was subsequently approved by the independent Shareholders of the Company at the extraordinary general meeting ("**Extraordinary General Meeting**") in February 2021. The acquisition of the first batch of the solar farm projects with an aggregated approved capacity of 250MW was completed in February 2021 and the acquisition of the second batch of the solar farm projects with an aggregated capacity of 270MW is expected to be completed in the fourth quarter of 2021.

The Group will also continue to seek potential acquisition targets under the new era of grid-parity regime for the development of the renewable energy in the PRC during the 14th Five-Year Plan.

LEE Shing Put, B.B.S.

Chairman

Hong Kong, 1 March 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

As the full performance of the 2019 Portfolio was offset by the extreme weather during the middle of the year, the Group recorded revenue of HK\$1,722.1 million, representing an increase of 8.1%, as compared with the amount of revenue in 2019. Profit for the year attributable to equity holders of the Company increased by 3.5% to HK\$922.0 million. Basic earnings per share attributable to equity holders of the Company were 13.44 HK cents for 2020, as compared with 15.03 HK cents for 2019.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue was mainly derived from two core businesses, namely, (i) solar power electricity generation; and (ii) solar farm operation and management services. Revenue from solar power electricity generation increased, as compared to the corresponding period in 2019, due to completion of the acquisitions during the year.

The table below sets forth an analysis of the Group's revenue for the year ended 31 December 2020, as compared to the year ended 31 December 2019:

	2020		2019		Increase	
	HK\$'million	% of revenue	HK\$'million	% of revenue	HK\$'million	%
Sales of electricity	685.9	39.8	621.5	39.0	64.4	10.4
Tariff adjustment	1,027.4	59.7	966.7	60.7	60.7	6.3
	1,713.3	99.5	1,588.2	99.7	125.1	7.9
Operation and management services	8.8	0.5	4.9	0.3	3.9	79.6
Total	1,722.1	100.0	1,593.1	100.0	129.0	8.1

The Group's revenue contributed by the sales of electricity and the tariff adjustment slightly increased by 10.4% to HK\$685.9 million and 6.3% to HK\$1,027.4 million, respectively, as compared with the same for the year ended 31 December 2019. This increase was primarily due to the full performance and contribution of the 2019 Portfolio and completion of the acquisitions of the 2020 Portfolio. However, this increase was partially offset by the depreciation of the Renminbi ("RMB") against the Hong Kong dollar ("HK\$") during the first half of 2020 and the decrease in the utilisation hours in the middle of 2020. Since the monsoon season in the region along the Yangtze River, including a large part of Hubei Province, Anhui Province and Fujian Province, started earlier than usual, there was heavy rainfall and flooding in the region, which vastly reduced the electricity power generation total.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the years ended 31 December 2020 and 2019, the Group did not experience any curtailment in the power purchased by customers of the Group.

In 2020, the Group's revenue from solar power electricity generation was derived from the solar farms operated and managed by the Group as follows:

Name of the solar farm project	Location	Approved capacity (MW)
Initial Portfolio		
Nanping Solar Farm	Fujian Province, PRC	30
Hong'an Solar Farm	Hubei Province, PRC	100
Wuwei Solar Farm One	Anhui Province, PRC	100
Lixin Solar Farm	Anhui Province, PRC	140
Fanchang Solar Farm	Anhui Province, PRC	60
Binhai Solar Farm.....	Tianjin Municipality, PRC	174
Shouxian Solar Farm One.....	Anhui Province, PRC	100
Sanshan Solar Farm	Anhui Province, PRC	100
Jinzhai Solar Farm.....	Anhui Province, PRC	150
		954
2019 Portfolio		
Xiaochang Solar Farm One.....	Hubei Province, PRC	130
Xiaochang Solar Farm Two	Hubei Province, PRC	30
Suiping Solar Farm.....	Henan Province, PRC	110
Shouxian Solar Farm Two	Anhui Province, PRC	200
Huainan Solar Farm	Anhui Province, PRC	20
Wuwei Solar Farm Two	Anhui Province, PRC	50
		540
2020 Portfolio		
Wuwei Rihao Solar Farm	Anhui Province, PRC	20
Zhanjiang Solar Farm One and Two	Guangdong Province, PRC	100
Wuwei Solar Farm Three	Anhui Province, PRC	30
Laohekou Solar Farm One	Hubei Province, PRC	100
Anlu Jingshun Solar Farm	Hubei Province, PRC	90
		340
Total		1,834

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group received HK\$8.8 million from solar farm operation and management services rendered for the year ended 31 December 2020, which accounted for 0.5% of total revenue in 2020. Pursuant to the Solar Farm Operation and Management Agreement (the "**Solar Farm O&M Agreement**"), Xinyi Solar has agreed to engage the Group to operate and manage its connection-ready solar farm projects. All of the revenue in 2020 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 etc., as compared with the services provided to independent third parties.

Cost of sales

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 systems for the year ended 31 December 2020.

In 2020, the Group's cost of sales increased by 25.9% to HK\$475.3 million from HK\$377.6 million in 2019. The increase was mainly due to the increased depreciation charge of property, plant and equipment and right-of-use assets, electricity expenses and repair and maintenance expenses following the completion of acquisitions of 2019 Portfolio and 2020 Portfolio during both years.

Gross profit

The Group's gross profit increased by 2.6% to HK\$1,246.7 million for the year ended 31 December 2020 from HK\$1,215.5 million during the year ended 31 December 2019. The slight increase was due to greater contributions from solar power electricity generation and service fee income from the provision of the solar farm operation and management services businesses, dramatically offset by the increase in cost of sales.

Overall gross profit margins of the Group decreased by 5.1% to 72.4% in 2020 from 76.3% in 2019. The decrease was mainly due to an increase in (i) depreciation charge of the property, plant and equipment of the solar farm projects; (ii) repair and maintenance expenses; and (iii) electricity expenses for the daily operation of the solar farms.

Other income

For the year ended 31 December 2020, other income significantly increased by 44.3% to HK\$8.8 million from HK\$6.1 million for the year ended 31 December 2019. The increase was primarily due to the increase in the receipt of government grants, though partially offset by (i) the decrease in the amount of insurance compensation; and (ii) the decrease in the number of discounts received from suppliers.

Other gains, net

The Group recorded other gains, net of HK\$2.5 million during the year ended 31 December 2020, as compared with other gains, net of HK\$0.4 million during the year ended 31 December 2019 due to the significantly appreciation of the RMB against the HK\$ during the second half of 2020.

Administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses decreased by HK\$6.6 million from HK\$51.3 million for the year ended 31 December 2019 to HK\$44.7 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in the listing expenses in 2019, which were partially offset by the increase in (i) employee benefit expenses; (ii) insurance expenses; (iii) legal and professional fees; and (iv) miscellaneous expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Finance income and finance costs

The finance income increased by 43.7% to HK\$41.1 million for the year ended 31 December 2020 due to bank interest income on (i) the net proceeds of the global offering (the “**Global Offering**”) in 2019 and placing in 2020; and (ii) receipt of an aggregate subsidy payment in the second half year.

For the year ended 31 December 2020, the total finance costs amounted to HK\$165.6 million, as compared with HK\$177.2 million during the year ended 31 December 2019. The interest expense on bank borrowings decreased from HK\$80.8 million during the year ended 31 December 2019 to HK\$54.5 million during the year ended 31 December 2020. The decrease was mainly due to the decrease in the balance of interest-bearing bank borrowings and the bank borrowings effective interest rate. The interest component on lease liabilities increased by 20.0% to HK\$28.8 million during the year ended 31 December 2020 from HK\$24.0 million during the year ended 31 December 2019, due to the completion of the acquisitions of 2020 Portfolio. Meanwhile, the imputed interest expense on the deferred payment of the consideration of the 2019 Portfolio amounted to HK\$82.3 million during the year ended 31 December 2020.

Income tax expense

The Group incurred income tax expense of HK\$166.2 million during the year ended 31 December 2020, as compared with HK\$131.1 million during the year ended 31 December 2019. The increase was mainly attributable to (i) the acquisition of the 2019 Portfolio; (ii) one solar farm project under the Initial Portfolio commencing the full payment of PRC corporate income tax at the statutory rate of 25% (2019: Nil); and (iii) two more solar farm projects under the Initial Portfolio and 2019 Portfolio commencing the payment of PRC corporate income tax at the rate of 50% of the amount of the statutory rate (2019: eleven solar farm projects).

Adjusted EBITDA, Distributable Income and net profit

For the year ended 31 December 2020, the adjusted EBITDA was HK\$1,616.4 million, representing an increase of 8.9%, as compared with HK\$1,484.4 million for the previous year. The adjusted EBITDA margin was 93.9% during the year ended 31 December 2020 as compared with 93.2% during the year ended 31 December 2019.

Pursuant to the distribution policy of the Group, for the year ended 31 December 2020, the Distributable Income was HK\$1,008.0 million, which represents an increase of 11.2%, as compared with HK\$906.8 million during the year ended 31 December 2019.

Net profit attributable to equity holders of the Company during the year ended 31 December 2020 was HK\$922.0 million, representing an increase of 3.5%, as compared with HK\$891.0 million during the year ended 31 December 2019. The slight decrease in the net profit margin to 53.5% during the year ended 31 December 2020 from 55.9% during the year ended 31 December 2019 was due to (i) increased depreciation charge to property, plant and equipment; (ii) increased income tax expense; and (iii) increased repair and maintenance expenses.

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 not less than 90% of the Distributable Income, and with an intention to distribute 100% of the Distributable Income in each year. The year ended 31 December 2020 was the second and also the final year of the commitment to declare and distribute 100% of the Distributable Income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Finance Resources and Liquidity

As at 31 December 2020, the Group's total assets amounted to HK\$17,233.8 million, representing an increase of 15.1% and net assets amounted to HK\$12,010.3 million, increasing by 17.8% as at 31 December 2019. Current ratio of the Group as at 31 December 2020 was 1.4, as compared with 1.6 as at 31 December 2019, as the increase in trade and other receivables was offset by the decrease in cash and cash equivalents; alongside the increase in (i) bank borrowings; (ii) the amount due to immediate holding company; and (iii) the accruals and other payables.

The Group's net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2020 was 4.6% (31 December 2019: 3.2%), representing an increase of 43.8%. The increase was primarily due to a slight decrease in bank borrowings partially offset by the decrease in cash and cash equivalents.

As at 31 December 2020, the Group's financial position remained healthy, with a cash and cash equivalents balance of HK\$1,312.4 million (2019: HK\$1,631.2 million). During the year ended 31 December 2020, net cash generated from operating activities was HK\$1,070.9 million (2019: HK\$1,120.5 million), which was primarily attributable to profit before income tax of HK\$1,088.6 million (2019: HK\$1,022.1 million), though partially offset by an increase in trade and other receivables and a decrease in accruals and other payables. Net cash used in investing activities amounted to HK\$1,253.6 million (2019: HK\$2,169.1 million), which was primarily attributable to the payment for acquisition of the 2020 Portfolio and settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the year. Net cash used in financing activities amounted to HK\$202.7 million (2019: net cash generated from financing activities, HK\$2,280.3 million) which was primarily attributable to (i) the new bank borrowings of HK\$545.0 million; and (ii) the issuance of shares in respect of placing of HK\$893.8 million, though partially offset by (i) repayments of the bank borrowings; and (ii) dividend paid to the Company's shareholders during the year.

For the year ended 31 December 2020, the Group received tariff adjustments of RMB435.0 million (equivalent to HK\$497.2 million) belonging to the List, in relation to electricity generation almost up to the third quarter of 2018.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING IN MAY 2019

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 Listing and 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 2019 Portfolio 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 of 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. There has been an increasing number of grid-parity solar farm projects available for sales at a decreasing valuation and purchase price. The Directors believe that these grid-parity solar farm projects could generate constant cash inflows from the generation of electricity.

The table below sets out the use of the net proceeds from the Global Offering up to 31 December 2020:

	Proposed allocation of the net proceeds <i>HK\$ million</i>	Remaining balance up to 31 December 2019 <i>HK\$ million</i>	Amount utilised up to 31 December 2020 <i>HK\$ million</i>	Remaining balance up to 31 December 2020 <i>HK\$ million</i>
Capital expenditure				
Acquisition of 2019 Portfolio	3,376.3	1,334.7	—	—
General working capital	386.0	—	—	—
Acquisition of solar farm projects	—	—	295.0	1,039.7
Total	3,762.3	1,334.7	295.0	1,039.7

The remaining balance of the net proceeds from the Global Offering is expected to be utilised in full by 31 December 2021.

USE OF PROCEEDS OF PLACING IN SEPTEMBER 2020

In September 2020, the Company raised net proceeds of approximately HK\$893.2 million from the placing of 357,520,000 new shares. The table below sets out the proposed application of the net proceeds, the utilisation and remaining balance of the net proceeds up to 31 December 2020.

	Proposed allocation of the net proceeds <i>HK\$ million</i>	Amount utilised up to 31 December 2020 <i>HK\$ million</i>	Remaining balance up to 31 December 2020 <i>HK\$ million</i>
Capital expenditure			
General working capital	893.2	893.2	—

CAPITAL EXPENDITURES AND COMMITMENTS

In 2020, the Group incurred capital expenditures of HK\$467.5 million which were mainly (i) used in further refinement of the existing and new acquired solar farm projects; and (ii) settlement of the outstanding capital expenditures of the existing solar farm projects. As at 31 December 2020, the Group did not have other capital commitments (2019: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged asset as security for bank borrowings as of 31 December 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

On 6 January 2021, the Company entered into two sale and purchase agreements with Xinyi Power (BVI), a wholly owned subsidiary of Xinyi Solar and the immediate holding company of the Company, in respect of the proposed acquisitions of the entire equity interest in Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited, respectively. Through their respective subsidiaries, Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited respectively owns and operates solar farms with an aggregated approved capacity of 250MW and 270MW in the PRC. Please refer to Note 33 to the consolidated financial statements in this annual report for further details.

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020, the Group acquired the 2020 Portfolio with an aggregate capacity of 340 MW. Please refer to Note 15 to the consolidated financial statements in this annual report for further details. Except for this, there was no further material acquisition and disposal of subsidiaries for the year ended 31 December 2020.

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 borrowings interest rates of HK\$, as compared to the RMB. As at 31 December 2020, all bank borrowings were denominated in HK\$.

During the year ended 31 December 2020, the Group has not experienced any material difficulties and liquidity problems resulting from the fluctuation of currency exchange. However, the Group may use financial instruments for hedging purposes as and when required. For the year ended 31 December 2020, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

The Group has highly valued the human resources continuously shares the reciprocal benefits and shared growth with its employees. The Group consistently explore the potential and ability of its employees. On the other hand, the Group will continue to attract additional employees as and when appropriate for business development.

As at 31 December 2020, the Group had 224 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$37.7 million for the year ended 31 December 2020. 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 provide mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in PRC, respectively, under the laws and regulations.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. LEE Shing Put, B.B.S. (李聖潑), aged 43, was appointed as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee since August 2020. 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. Mr. LEE Shing Put, B.B.S. is currently a standing committee member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (政協廣東省第十二屆委員會常委) and the 6th Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference (政協深圳市第六屆委員會常委). Mr. LEE Shing Put, B.B.S. is a cousin of Mr. LEE Yau Ching and Mr. TUNG Fong Ngai, both are executive Directors, and a nephew of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, 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 55, is an executive Director and the vice chairman of the Board. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* has been responsible for the formulation and implementation of the business strategies of the 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 *P.S.M, D.M.S.M, J.P.* joined the Group in December 2013. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* has over 10 years of experience in the power industry and more than 30 years of experience in glass manufacturing industry and is currently an executive director and the chief executive officer of Xinyi Glass Holdings Limited ("**Xinyi Glass**"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 00868). Also, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is currently a non-executive director and the vice chairman of Xinyi Solar.

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, 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), and 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). Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in 2001 and was awarded the Young Industrialist Awards of Hong Kong in 2006. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* obtained from the Sun Yat-Sen University a Senior Executive Master's Degree in Business Administration in 2007.

Since November 2015, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* has been the chairman and a non-executive director of Xinyi Electric Storage Holdings Limited (formerly known as Xinyi Automobile Glass Hong Kong Enterprises Limited), a company listed on the GEM of the Stock Exchange (stock code: 08328).

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is an uncle of Mr. LEE Shing Put, B.B.S., an executive Director and chairman of the Board and Mr. TUNG Fong Ngai, an executive Director.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TUNG Fong Ngai (董貺澹), aged 33, 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 the Group and evaluating potential solar farm acquisition and investment opportunities. Mr. TUNG Fong Ngai joined the 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 *P.S.M, D.M.S.M, 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 45, 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 6 years of experience in the power industry. Mr. LEE Yau Ching is currently an executive director and the chief executive officer of Xinyi Solar.

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 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 62, is an executive Director and a member of the Acquisition Committee. She joined the Group in January 2016 as a general manager and re-designated as a management consultant of the Group since March 2021 and is mainly responsible for the operation and maintenance of solar farm projects of the Group.

Ms. CHENG Shu E has over 9 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 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 46, was appointed as an independent non-executive Director since November 2018. Mr. LEUNG Ting Yuk is also the chairman of the Audit Committee and a member of Remuneration Committee, Nomination Committee and Acquisition Committee. Mr. LEUNG Ting Yuk obtained a bachelor's degree of Commerce with major in accounting from University of Wollongong, Australia. Mr. LEUNG Ting Yuk is a member of the Certified Practising Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. Mr. LEUNG Ting Yuk has over 18 years of experience in financial management, accounting and auditing.

Mr. LEUNG Ting Yuk has been 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 Stock Exchange. Mr. LEUNG Ting Yuk was an independent non-executive director of Hang Tai Yue Group Holdings Limited, a company listed on the GEM of Stock Exchange (stock code: 08081), from May 2016 to January 2019.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. (葉國謙), aged 69, is an independent non-executive Director. 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 Organisation, 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. was an independent non-executive director of Vantage International (Holdings) Limited, a company listed on the main board of Stock Exchange (stock code: 00015), from July 2000 to October 2020.

Ms. LYU Fang (呂芳), aged 42, is an independent non-executive Director. 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 22 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 currently 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 37, 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 41, 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 40, joined the Group as financial controller in January 2017 and has been mainly responsible for monitoring the financial operation of the Group since January 2017. Mr. TUEN Ling is also 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 15 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 out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year of 2020.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the code provisions of the CG Code for the year ended 31 December 2020.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises five executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 15 to 17 of 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 *P.S.M, D.M.S.M, 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. 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 out the number of meetings of the Board in 2020 and individual attendance of each Director at these meetings:

Directors	Meetings attended/held	
	General meeting	Board meeting
Executive		
LEE Shing Put (Appointed on 4 August 2020)	–	1/1
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
Non-executive		
LEE Yin Yee (Resigned on 4 August 2020)	2/2	3/3
Independent non-executive		
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 2021.

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 out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2020 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., 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 determining the award of bonuses to 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 2020, one meeting of the Remuneration Committee was held which was held on 16 March 2020 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 B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2020 is set forth below:

In the band of:	Number of individuals
Nil to HK\$1,000,000	2
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 on pages 85 to 89 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 2020 which were held on 16 March 2020, 3 August 2020 and 27 November 2020, 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.

CORPORATE GOVERNANCE REPORT

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 *P.S.M, D.M.S.M, 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 2020, one meeting of the Nomination Committee was held on 16 March 2020 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" and 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 2020, 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 out in the Independent Auditor's Report on pages 45 to 49 of this annual report.

AUDITORS' REMUNERATION

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

Auditors remuneration	HK\$'000
– Audit services	1,270

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.

CORPORATE GOVERNANCE REPORT

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

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

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2020.

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

Based on the results of the internal control review for the year ended 31 December 2020 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2020.

INSIDE INFORMATION POLICY

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code provision A.6.5, 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 Ling is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2020, Mr. TUEN Ling has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 58 of the articles of association (the "**Articles**") of the Company, the Board shall call an Extraordinary General Meeting if requested in writing to do so by Shareholders entitled to exercise at least ten per cent of the voting rights in respect of the matter for which the meeting is requested. Such request shall be made in writing to the Board for the purpose of requiring an Extraordinary General Meeting to be called by the Board for the transaction of any business specified in such request.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

- (i) the Annual General Meeting provides a forum for the Shareholders of the Company 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 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 2020.

REPORT OF THE DIRECTORS

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

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 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 2020 and the future development are set out in the Chairman's Statement from pages 4 to 7 and Management's Discussion and Analysis from pages 8 to 14 of 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 2020 are set out in the consolidated income statement on page 50 in this annual report. During the year, an interim dividend of 6.0 HK cents per Share, amounting to a total of approximately HK\$405.1 million, was paid to Shareholders in cash on 16 September 2020.

The Board proposes the payment of a final dividend of 8.5 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 7 June 2021. Subject to approval by Shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about Wednesday, 23 June 2021.

The register of members of the Company will be closed for the purpose of determining the entitlements to attend and vote at the Annual General Meeting from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office 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, no later than 4:30 p.m. on Monday, 24 May 2021.

The register of members of the Company will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, both days inclusive, during such period no transfer of the Shares will be registered in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office 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, no later than 4:30 p.m. on Wednesday, 2 June 2021 for such purpose.



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 environment 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 2020 was approximately 1.8 billion kWh, up 12.0% from 1.61 billion kWh in 2019, offsetting around 1.51 million tons of CO₂ 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 2020, 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 2020 and will publish it on the Stock Exchange's website and the Company's website on or before Thursday, 8 July, 2021.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, equipment suppliers and the employees of the Group. During the year ended 31 December 2020, there were no material dispute between the Group and its customers, suppliers and employees.

DONATION

Donations by the Group for charitable and other purposes during the year ended 31 December 2020 amounted to HK\$1.1 million (2019: HK\$4,000).

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 out in the section headed "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the Management's Discussion and Analysis on page 14 and section headed "Financial Risk Management" in the consolidated financial statements from pages 72 to 78 of this annual report.

FINANCIAL SUMMARY

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 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 2020 are set forth in Note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company does not have reserves available for cash distribution and/or distribution, as computed in accordance with the British Virgin Islands 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 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*)

(Appointed on 4 August 2020)

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

Non-executive Director

Dr. LEE Yin Yee, B.B.S. (*Chairman*)

(Resigned on 4 August 2020)

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, Mr. TUNG Fong Ngai, Ms. CHENG Shu E and Mr. LEUNG Ting Yuk will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting. In accordance with article 106 of the Articles, Mr. LEE Shing Put, B.B.S. will retire by rotation and being eligible, will offer himself 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 Rules Governing 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).

REPORT OF THE DIRECTORS

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 2020 and HK\$230,000 per annum for the year ending 31 December 2021.

All other Directors: HK\$200,000 per annum for the year ended 31 December 2020 and HK\$200,000 per annum for the year ending 31 December 2021.

During the year ended 31 December 2020, four 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 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director 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 2020.

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 from the year ended 31 December 2020:

	Grant date	Exercise price (HK\$)	Price of the Company's shares immediately before the grant date (HK\$)	Vesting period	Exercisable period	Number of share options					
						As at 1/1/2020	Granted	Exercised	Cancelled	Lapsed	As at 31/12/2020
Executive Director - Ms. CHENG Shu E	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	-	450,000	-	-	-	450,000
Continuous contract employees	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	-	1,452,500	-	-	(73,000)	1,379,500
Total						-	1,902,500	-	-	(73,000)	1,829,500

During the year ended 31 December 2020, 1,902,500 share options were granted. The fair value of the equity-settled share options under the Share Option Scheme granted during the year was estimated at HK\$741,000. The fair value of the share options granted to Director and eligible employees of the Group were HK\$175,000 and HK\$566,000, respectively.

REPORT OF THE DIRECTORS

The value of the share options granted during the year ended 31 December 2020 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 2020 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the share options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK\$)	2.12
Exercise price (HK\$)	2.18
Volatility (%)	41.47
Dividend yield (%)	6.37
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.60

Taking into account the share options lapsed subsequent to 31 December 2020, as at 1 March 2021, a total of 1,829,500 share options were still outstanding under the Share Option Scheme which represents approximately 0.026% 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 optimise 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 Stock Exchange's daily quotations sheet on the date of grant; and
- (c) the average closing price of a Share as stated in the 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 10 years commencing on 28 May 2019.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 15 to 18 of this annual report.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were 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 percentag of the Company's issued share capital
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	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 *P.S.M, D.M.S.M, 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 *P.S.M, D.M.S.M, J.P.* is also deemed to be interested in 14,544,041 Shares directly held by his spouse, Puan Sri Datin SZE Tang 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 *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they would like to dispose of their Shares received at the time of listing of the Company.

REPORT OF THE DIRECTORS

(ii) Share options of the Company

As at 31 December 2020, there were a total of 450,000 outstanding share options of the Company granted to Ms. CHENG Shu E, an executive Director of the Company under the Share Option Scheme of the Company. Details of which are summarised as follows:

Date of grant:	31 March 2020
Number of share options granted:	450,000
Number of share options outstanding at 31 December 2020:	450,000
Exercise period:	1 April 2023 to 31 March 2024
Exercise price per Share:	HK\$2.18
Capacity in which interest is held:	Beneficial owner
Approximate percentage of the Company's issued share capital at 31 December 2020:	0.006%

(iii) Long positions in the associated corporation

Name of Director	Capacity	Name of the associated corporation	Number of shares held	Approximate percentage in the total issued share capital at associated corporation
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Interest in a controlled corporation ⁽¹⁾	Xinyi Solar	218,010,049	2.475%
	Family interest ⁽¹⁾		16,279,822	0.185%
	Interest in persons acting in concert ⁽²⁾		2,053,299,520	23.308%

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is the beneficial owner of the entire issued share capital of Copark which is the registered owner of 218,010,049 shares in the issued share capital of Xinyi Solar (the "XYS Shares"). Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* also has deemed to be interested in 16,279,822 XYS Shares directly held by 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 *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their XYS Shares allotted to them under a conditional distribution in specie by way of special interim dividend declared on 19 November 2013.

REPORT OF THE DIRECTORS

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

As at 31 December 2020, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and the underlying shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial shareholder	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	35,272,000	0.496%
	Interest in a controlled corporation	393,074,211	5.528%
Xinyi Power (BVI)	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	0.106%
	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 shareholder	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	0.820%
	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%

REPORT OF THE DIRECTORS

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 which in turn are the registered owner of 82,901,405 and 457,957,500 Shares, respectively. 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 Holdings Limited is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (3) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to 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 ("**Telerich**") and Precious Smart Limited ("**Precious Smart**"), 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.

REPORT OF THE DIRECTORS

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

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

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Xinyi Group (Glass) Company Limited	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Xinyi Automobile Glass (BVI) Company Limited	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Xinyi Glass	Director
Mr. LEE Yau Ching	Xinyi Power (BVI)	Director
Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i> and Mr. LEE Yau Ching	Xinyi Solar	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Copark	Director
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</i>	Sharp Elite	Director
Mr. LEE Yau Ching	Telerich	Director
Mr. LEE Yau Ching	Precious Smart	Director

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2020, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2020, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

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 Covenantors.

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	16.2%
- five largest customers in aggregate	65.1%

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.

REPORT OF THE DIRECTORS

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2020 amounted to HK\$1,863.1 million (2019: HK\$1,953.0 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 at 31 December 2020, the Group had about 224 full-time employees, amongst which, 221 full-time employees were based in the PRC and 3 full-time employees were based in Hong Kong. As of 31 December 2020, 33 of our employees had bachelors' degrees or above. 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 2020 are set out 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 2020, the Group had the following connected transaction and continuing connected transaction, details of which are set out below:

Connected Transaction – Acquisition of 2020 Xinyi Solar Portfolio

The Company was entered a solar farm agreement with Xinyi Solar on 16 March 2020. Pursuant to the agreement, the Company will acquisition of all issued shares of the Hong Kong companies of Max Wisdom Enterprises Limited, Power Sky Development Limited and Sun Harbour International Limited (or their holding company for tax efficiency purpose) ("**2020 Xinyi Solar Portfolio**") which hold the equity interest of the companies in the PRC operating the utility-scale ground-mounted solar farm projects under 2020 Xinyi Solar Potfolio*. The acquisition was completed on 30 September 2020.

* 2020 Xinyi Solar Portfolio means solar farm projects owned by Max Wisdom Enterprises Limited, Power Sky Development Limited and Sun Harbour International Limited comprising three utility-scale ground-mounted solar farm projects, namely Zhanjiang Solar Farm One and Two, Wuwei Solar Farm Three and Laohekou Solar Farm One with an aggregate approved capacity of 230 MW for electricity generation.

REPORT OF THE DIRECTORS

Continuing connected transaction – Solar Farm O&M Agreement

As disclosed in the Company's prospectus dated 15 May 2019, the Company has entered into the 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 2020 are HK\$13,405,000 and HK\$ 8,712,000, 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 transaction and confirmed that the transaction 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 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The 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 2020.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float 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.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the 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 1 March 2021, the Directors have recommended the payment of a final dividend of 8.5 HK cents per Share for the year ended 31 December 2020. 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 Friday, 28 May 2021. If approved by the Shareholders, it is expected that the final dividend will be paid on or about Wednesday, 23 June 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, 7 June 2021.

REPORT OF THE DIRECTORS

The Company's register of members will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the final dividend, all transfers of Shares 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, 2 June 2021.

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 Friday, 28 May 2021, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 9:00 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyienergy.com, and will be despatched to the Shareholders in due course.

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (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 transfers 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 Monday, 24 May 2021 for such purpose.

On Behalf of the Board

LEE Shing Put, B.B.S.

Chairman

Hong Kong, 1 March 2021

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**") set out on pages 50 to 127, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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 is related to recoverability of long-aged trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recoverability of long-aged trade receivables</p> <p>Refer to Notes 2.8, 2.10, 2.11, 3.1(b) and 19 to the consolidated financial statements.</p> <p>Trade receivables amounted to approximately HK\$3,501,306,000 as at 31 December 2020. 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, which is subject to the registration approval of the solar farms to the Renewable Energy Power Generation Project List (the "List") with the respective state grid companies.</p> <p>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.</p> <p>The lifetime expected credit loss allowance is determined based on past settlement history and the observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted with current and forward-looking information on macroeconomic factors that affecting the ability of the customers to settle the receivables.</p> <p>We focus on this area because the carrying values of long-aged trade receivables are significant to the consolidated balance sheet, and the identification of excepted credit loss requires a high degree of judgment and estimates, including assessments on the default rates of customers and the successfulness of the respective solar farm's registration to the List.</p>	<p>We understood and evaluated the controls procedures over management's recoverability assessment on the long-aged trade receivables and assessment on the lifetime expected credit loss allowance.</p> <p>We tested the collectability of the long-aged trade receivables balance such as subsequent settlement after year end date within ordinary settlement cycle of respective customers, credit history, business performance and financial capability of the customers. We assessed management's assessment of the lifetime expected credit loss allowance by comparing to supportable evidence about the past settlement history of customers and the corresponding historical credit losses. We considered the forward-looking information and factors by reference to industry information.</p> <p>In relation to the tariff adjustment receivables, we assessed 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.</p> <p>We also tested, on a sample basis, the accuracy of the ageing profile of the trade receivables.</p> <p>Based on the procedures described above, we considered the key judgement and estimates applied in the management's assessment on recoverability of long-aged trade receivables are supportable by available evidence.</p>



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the corporate information, chairman's statement, management's discussion and analysis, profile of directors and senior management, corporate governance report, report of the directors and financial summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the environmental, social and governance report, which is expected to be made available to us after that date.

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

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

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

When we read the environmental, social and governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

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

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

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

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

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 HKASs 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 HKASs, 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, 1 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	5	1,722,051	1,593,086
Cost of sales	7	(475,343)	(377,590)
Gross profit		1,246,708	1,215,496
Other income	5	8,750	6,132
Other gains, net	6	2,459	432
Administrative expenses	7	(44,716)	(51,294)
Operating profit		1,213,201	1,170,766
Finance income	8	41,086	28,589
Finance costs	8	(165,642)	(177,245)
Profit before income tax		1,088,645	1,022,110
Income tax expense	11	(166,218)	(131,124)
Profit for the year		922,427	890,986
Profit for the year attributable to:			
– Equity holders of the Company		922,007	890,986
– Non-controlling interests		420	–
		922,427	890,986
Basic and diluted earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)	12	13.44	15.03

The notes on pages 57 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	922,427	890,986
Other comprehensive income/(loss) for the year, net of tax:		
Items that may be reclassified to profit or loss		
– Currency translation differences	975,680	(233,550)
Total comprehensive income for the year	1,898,107	657,436
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	1,897,291	657,436
– Non-controlling interests	816	–
	1,898,107	657,436

The notes on pages 57 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	10,998,038	9,495,521
Right-of-use assets	17	507,588	439,016
Prepayments for property, plant and equipment	19	126,649	10,268
Deferred income tax assets	26	10,557	7,634
Goodwill	18	362,058	330,303
Total non-current assets		12,004,890	10,282,742
Current assets			
Trade and other receivables and prepayments	19	3,916,334	3,052,167
Amounts due from fellow subsidiaries	29	199	267
Cash and cash equivalents	20	1,312,419	1,631,244
Total current assets		5,228,952	4,683,678
Total assets		17,233,842	14,966,420
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	71,100	67,525
Other reserves	23	8,232,630	7,224,779
Retained earnings		3,701,550	2,901,435
		12,005,280	10,193,739
Non-controlling interests		5,005	—
Total equity		12,010,285	10,193,739
LIABILITIES			
Non-current liabilities			
Bank borrowings	25	653,293	1,225,580
Lease liabilities	17	500,921	426,527
Other payables	24	60,957	30,446
Deferred income tax liabilities	26	233,282	214,047
Total non-current liabilities		1,448,453	1,896,600

The notes on pages 57 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Current liabilities			
Bank borrowings	25	1,209,809	727,388
Lease liabilities	17	18,803	15,140
Accruals and other payables	24	719,659	387,622
Amount due to immediate holding company	29	1,766,328	1,717,870
Amounts due to fellow subsidiaries	29	625	–
Current income tax liabilities		59,880	28,061
Total current liabilities		3,775,104	2,876,081
Total liabilities		5,223,557	4,772,681
Total equity and liabilities		17,233,842	14,966,420

The consolidated financial statements on page 50 to 127 were approved by the Board of Directors on 1 March 2021 and were signed on its behalf.

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

TUNG Fong Ngai
Executive Director and Chief Executive Officer

The notes on pages 57 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	(Note 21) HK\$'000	(Note 23) HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 (Note 15)	–	–	–	–	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(d))	3,575	889,598	–	893,173	–	893,173
Dividend:						
– 2019 final dividend (Note 13)	–	(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 notes on pages 57 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	(Note 21) HK\$'000	(Note 23) HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	54	4,249,491	2,132,165	6,381,710
Comprehensive income				
Profit for the year	–	–	890,986	890,986
Other comprehensive loss				
Currency translation differences	–	(233,550)	–	(233,550)
Total comprehensive income for the year	–	(233,550)	890,986	657,436
Transactions with the owner of the Company				
Issuance of ordinary shares upon				
– initial public offerings (Note 21(a))	18,826	3,633,436	–	3,652,262
– over-allotment (Note 21(b))	1,252	241,498	–	242,750
– capitalisation issue (Note 21(c))	47,393	(47,393)	–	–
Listing expenses charged to share premium	–	(86,846)	–	(86,846)
Dividend:				
– 2018 final dividend	–	(315,949)	–	(315,949)
– 2019 interim dividend (Note 13)	–	(337,624)	–	(337,624)
Appropriation to statutory reserve	–	121,716	(121,716)	–
Balance at 31 December 2019	<u>67,525</u>	<u>7,224,779</u>	<u>2,901,435</u>	<u>10,193,739</u>

The notes on pages 57 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash generated from operations	27(a)	1,271,999	1,352,662
Interest paid		(56,167)	(100,510)
Income tax paid		(144,952)	(131,661)
Net cash generated from operating activities		1,070,880	1,120,491
Cash flows from investing activities			
Purchases of and prepayments for property, plant and equipment		(467,483)	(166,540)
Proceeds from disposal of property, plant and equipment		36	69
Purchase of right-of-use assets		(1,925)	(638)
Payment for acquisition of subsidiaries, net of cash acquired		(783,172)	(2,015,754)
Settlement of deferred consideration payable for acquisition		(42,148)	(14,794)
Interest received		41,086	28,589
Net cash used in investing activities		(1,253,606)	(2,169,068)
Cash flows from financing activities			
Proceeds from issuance of shares in respect of placing	21(d)	893,800	–
Payments for professional fees in connection with issuance of shares in respect of placing	21(d)	(627)	–
Proceeds from issuance of ordinary shares			
– initial public offerings		–	3,652,262
– over-allotment		–	242,750
Payments for professional fees in connection with the listing of the company		–	(82,193)
Proceeds from bank borrowings		545,000	360,000
Repayments of bank borrowings		(634,866)	(1,229,644)
Principal elements of lease payments		(26,934)	(9,296)
Dividend paid to the Company's shareholders		(979,110)	(653,573)
Net cash (used in)/generated from financing activities		(202,737)	2,280,306
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,631,244	421,263
Effect of foreign exchange rate changes		66,638	(21,748)
Cash and cash equivalents at end of the year	20	1,312,419	1,631,244

The notes on pages 57 to 127 are an integral part of these consolidated financial statements.

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 1 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants 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) New standard, amendments to standards and interpretation adopted by the Group

The Group has applied the following new standard, amendments to standards and interpretation for the first time for their annual reporting period commencing 1 January 2020:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions	1 June 2020
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-Scope Amendments	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	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

The Group will apply the above new and amended standards and revised framework when they become effective. The Group anticipates that the application of the above new and amended standards and revised framework have no material impact on the results and the financial position of the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

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

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) 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.

2.2.2 Separate financial statements

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

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

2.3 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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 gains, net".

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statements during the financial year 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.

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.

- 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 2.7).

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill

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

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

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

2.7 Impairment of non-financial assets

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

2.8 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(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 gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2.9 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.

2.10 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 amounts 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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.

2.12 Cash and cash equivalents

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

2.13 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.

2.14 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.

2.15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 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.

2.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities 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.

(c) Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 subsidy 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. Tariff adjustment is recognised at a point in time at its fair value where there is a reasonable assurance that tariff adjustment will be received and the Group will comply with all attached conditions, if any.

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

(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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.22 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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.

2.24 Dividend distribution

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

2.25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020, 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\$74,000 (2019: HK\$69,000) 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 2020, 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\$1,659,000 (2019: HK\$966,000) lower/higher, mainly as a result of higher/lower net interest income/expense being earned/incurred.

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	2020 HK\$'000	2019 HK\$'000
Trade and bill receivables	19	3,504,880	2,592,459
Deposits and other receivables excluding prepayments and other tax receivables	19	14,379	4,937
Amounts due from fellow subsidiaries	29	199	267
Cash at bank	20	1,312,419	1,631,244
Maximum exposure to credit risk		4,831,877	4,228,907

(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.

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

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;
- amounts due from fellow subsidiaries; and
- cash at bank.

Bill receivables and cash at bank

As at 31 December 2020, 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 2020 (2019: 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 6 solar farms acquired in 2019, a ground-mounted solar farm, located in Anhui Province, with aggregate capacity of 20 MW, has already been 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 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. In January 2021, a ground-mounted solar farm, located in Anhui Province, with aggregate capacity of 200 MW, was also successfully enlisted on the List.

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as at 31 December 2020 (2019: 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 65% of the Group's total revenue of the year ended 31 December 2020 (2019: 65%). They accounted for approximately 64% of the gross trade receivable balances as at 31 December 2020 (2019: 59%).

Other financial assets at amortised costs

Other financial assets at amortised costs include the amounts 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 2020 (2019: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	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
Amounts due to fellow subsidiaries	625	–	–	–	625
Total	3,979,925	444,919	417,607	889,646	5,732,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2019					
Bank borrowings and interest	819,532	1,049,425	221,098	—	2,090,055
Accruals and other payables excluding accruals of staff costs and other taxes payable	383,084	30,446	—	—	413,530
Lease liabilities	34,844	27,456	85,224	800,925	948,449
Amount due to immediate holding company	2,026,703	—	—	—	2,026,703
Total	3,264,163	1,107,327	306,322	800,925	5,478,737

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 capital. Total capital is calculated as "Total equity" as shown in the consolidated balance sheets plus net debt. Net debt is calculated as bank borrowings less cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

As at 31 December 2020 and 2019, the gearing ratio was as follows:

	Note	2020 HK\$'000	2019 HK\$'000
Bank borrowings	25	1,863,102	1,952,968
Less: Cash and cash equivalents	20	(1,312,419)	(1,631,244)
Net debt		550,683	321,724
Total equity		12,010,285	10,193,739
Total capital		12,560,968	10,515,463
Gearing ratio		4.38%	3.06%

The increase in gearing ratio as at 31 December 2020 compared to 31 December 2019 was resulted primarily from usage of cash and cash equivalents for acquisition of solar farms 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 2020 (2019: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Recognised at a point in time:		
– Sales of electricity	685,925	621,449
– Tariff adjustment	1,027,414	966,730
Recognised over time:		
– Solar farm operation and management services	8,712	4,907
	<u>1,722,051</u>	<u>1,593,086</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Government grants (<i>Note</i>)	5,843	2,077
Others	2,907	4,055
	<u>8,750</u>	<u>6,132</u>

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	277,806	232,853
Customer B	231,583	229,503
Customer C	226,481	230,287
Customer D (<i>Note</i>)	218,692	155,991
Customer E (<i>Note</i>)	160,622	176,260
Customer F (<i>Note</i>)	150,395	163,592

Note:

The revenue from Customer E and F for the year ended 31 December 2020, and Customer D for the year ended 31 December 2019 did not exceed 10% of total revenue for the years ended 31 December 2020 and 2019, respectively. The amounts shown above are for the comparative purpose only.

6 OTHER GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Foreign exchange gains, net	2,511	432
Losses on disposal of property, plant and equipment	(52)	–
	<u>2,459</u>	<u>432</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

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

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of property, plant and equipment (<i>Note 16</i>)	408,051	338,092
Depreciation charge of right-of-use assets (<i>Note 17</i>)	18,465	15,589
Employee benefit expenses (including directors' emoluments) (<i>Note 9</i>)	37,657	29,554
Electricity	11,501	7,955
Auditor's remuneration – statutory audits	1,364	1,379
Auditor's remuneration – non-audit services	–	410
Legal and professional fees	3,443	1,249
Listing expenses	–	14,726
Insurance expenses	5,040	3,664
Repair and maintenance	16,891	2,009
Other expenses	17,647	14,257
	520,059	428,884

8 FINANCE INCOME AND COSTS

	2020 HK\$'000	2019 HK\$'000
Finance income		
Interest income from bank deposits	41,086	28,589
Finance costs		
Interest on lease liabilities	28,826	24,047
Interest expense on bank borrowings	54,505	80,834
Interest expense on deferred payment of business combination purchases consideration	82,311	72,364
	165,642	177,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	37,018	29,157
Retirement benefits scheme contribution (Note)	452	397
Share options granted to employees (Note 22)	187	–
	37,657	29,554

There was no fees of a director incurred by Xinyi Solar on behalf of the Solar Farm Business for the year ended 31 December 2020 (2019: HK\$23,000). Details of these related party transactions are stated in Note 29(b)(i).

There was no wages and salaries of a director incurred by Xinyi Solar (HK) Limited ("**Xinyi Solar (HK)**"), a fellow subsidiary, on behalf of the Solar Farm Business for the year ended 31 December 2020 (2019: HK\$1,689,000). Details of these related party transactions are stated in Note 29(b)(ii).

There was no retirement benefits of a director incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business for the year ended 31 December 2020 (2019: HK\$1,000). Details of these related party transactions are stated in Note 29(b)(ii).

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 2020:

Name of directors (Note (i))	Fees HK\$'000	Salary HK\$'000	Allowances		Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
			Discretionary and benefits bonuses (Note (ii)) HK\$'000	in kind (Note (iii)) HK\$'000		
Dr. LEE Yin Yee, B.B.S. (Note (v))	—	—	—	—	—	—
Mr. LEE Shing Put, B.B.S. (Note (v))	—	—	—	—	—	—
Tan Sri Datuk TUNG Ching Sai, P.S.M., D.M.S.M., J.P.	—	—	—	—	—	—
Mr. LEE Yau Ching	—	—	—	—	—	—
Mr. TUNG Fong Ngai	200	1,832	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 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)

For the year ended 31 December 2019:

Name of directors (Note (i))	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses (Note (ii)) HK\$'000	Allowances and benefits in kind (Note (iii)) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Dr. LEE Yin Yee, B.B.S. (Note (v))	–	–	–	–	–	–
Tan Sri Datuk TUNG Ching Sai, P.S.M., D.M.S.M., J.P.	–	–	–	–	–	–
Mr. LEE Yau Ching	–	–	–	–	–	–
Mr. TUNG Fong Ngai	217	1,920	2,590	–	18	4,745
Ms. CHENG Shu E	217	396	484	–	–	1,097
Mr. LEUNG Ting Yuk	249	–	–	–	–	249
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.	217	–	–	–	–	217
Ms. LYU Fang	217	–	–	–	–	217
	<u>1,117</u>	<u>2,316</u>	<u>3,074</u>	<u>–</u>	<u>18</u>	<u>6,525</u>

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:

- (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.
- (iv) For the year ended 31 December 2019, Mr. LEE Yau Ching made available his service as a director of the Company for the Solar Farm Business before the listing of the Company on 28 May 2019.

There was no fees of Mr. LEE Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business for the year ended 31 December 2020 (2019: HK\$23,000). No consideration was provided by the Group to Xinyi Solar. Details of these related party transactions are stated in Note 29(b)(i).

There was no salaries and discretionary bonus of Mr. LEE Yau Ching incurred by Xinyi Solar (HK), a fellow subsidiary, on behalf of the Solar Farm Business for the year ended 31 December 2020 (2019: HK\$1,689,000). No consideration was provided by the Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 29(b)(ii).

There was no retirement benefits of Mr. LEE Yau Ching incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business for the year ended 31 December 2020 (2019: HK\$1,000). Details of these related party transactions are stated in Note 29(b)(ii).

- (v) 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 these, no director of the Company was appointed/resigned during the year ended 31 December 2020 (2019: Nil).
- (vi) Dr. LEE Yin Yee, B.B.S., Mr. LEE Shing Put, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* and Mr. LEE Yau Ching waived emoluments of HK\$117,000 (2019: HK\$217,000), HK\$83,000 (2019: Nil), HK\$200,000 (2019: HK\$217,000) and HK\$200,000 (2019: HK\$217,000), respectively for the year. Except these, no directors waived or agreed to waive any emoluments for the year ended 31 December 2020 and 2019.
- (vii) For the year ended 31 December 2020, no incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors (2019: Nil).
- (viii) 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.
- (ix) Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking is HK\$1,030,000 (2019: HK\$1,117,000).
- (x) Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking is HK\$5,584,000 (2019: HK\$5,408,000).

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)

(b) Directors' termination benefits

For the year ended 31 December 2020, 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 (2019: Nil).

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

There were 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 2020 (2019: Nil).

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

For the year ended 31 December 2020, 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 (2019: Nil).

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

For the year ended 31 December 2020, 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(c) (2019: Nil).

(b) Five highest paid individuals

Two (2019: two) of the five highest paid individuals were a director of the Company for the year ended 31 December 2020.

Details of the remuneration of the remaining three (2019: three) non-director highest paid individuals for the year ended 31 December 2020 are analysed as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	2,332	2,022
Retirement benefit scheme contributions	46	52
Share options granted	50	–
	2,428	2,074

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 three (2019: three) non-director highest paid individuals for the year ended 31 December 2020 fell within the following bands:

	Numbers of individuals	
	2020	2019
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
	3	3

11 INCOME TAX EXPENSE

	2020	2019
	HK\$'000	HK\$'000
Current income tax	172,600	137,308
Deferred income tax (Note 26)	(6,382)	(6,184)
	166,218	131,124

Notes:

- The Company was incorporated in the British Virgin Islands and is exempted from payment of the British Virgin Islands income tax.
- 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.
- Provision made for PRC corporate income tax ("CIT") amounted to approximately HK\$172,600,000 (2019: HK\$137,308,000) for the year ended 31 December 2020. The statutory income tax rate applicable to the PRC subsidiaries of the Group is 25% (2019: 25%). Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Energy Technology (Wuhu) Limited ("**Xinyi Technology (Wuhu)**") and Beihai Intel-Solar Information Technology Limited ("**Beihai Intel-Solar**"), are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants, insurance claim received and interest income are subject to the CIT with the statutory income tax rate of 25%. Xinyi Technology (Wuhu) and Beihai Intel-Solar are subject to the CIT with the statutory income tax rate of 15% and 9%, respectively (2019: 25% and nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of PRC as follows:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	1,088,645	1,022,110
Calculated at tax rate of 25%	272,161	255,527
Preferential tax rates on income of certain PRC subsidiaries	(145,684)	(170,420)
Effect of different tax rates in other country	8,449	13,915
Under-provision in prior year	—	2,028
Expenses not deductible for tax purposes	31,292	30,074
	166,218	131,124

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.

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	922,007	890,986
Weighted average number of ordinary shares in issue (thousands)	6,860,224	5,929,468
Basic earnings per share (HK cents)	13.44	15.03

(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 year ended 31 December 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)

For the year ended 31 December 2019, the Company has one category of potentially dilutive shares, the Over-allotment Option (“**Over-allotment Option**”). Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company’s shares for the period from the listing date (28 May 2019) to lapse date of the lapsed option (19 June 2019) and exercise date of the exercised option (19 June 2019), respectively) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option.

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	922,007	890,986
Weighted average number of ordinary shares in issue (thousands)	6,860,224	5,929,468
Effect of potentially dilutive shares from Over-allotment		
Option granted (thousands)	–	438
Adjustment for share options (thousands)	287	–
	6,860,511	5,929,906
Diluted earnings per share (HK cents)	13.44	15.03

13 DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Interim dividend of 6.0 HK cents (2019: 5.0 HK cents) per share (Note (a))	405,149	337,624
Proposed final dividend of 8.5 HK cents (2019: final dividend of 8.5 HK cents) per share (Note (b))	604,350	573,961

Notes:

- (a) An interim dividend of 6.0 HK cents per share (2019: 5.0 HK cents per share) was paid in cash to shareholders for whose names appeared on the Register of Members of the Company on 20 August 2020 (2019: 29 August 2019).
- (b) A final dividend in respect of the financial year ended 31 December 2020 of 8.5 HK cents per share (2019: 8.5 HK cents per share), amounting to approximately total dividend of HK\$604,350,000 (2019: HK\$573,961,000), is to be proposed at the forthcoming annual general meeting. The amount of 2020 proposed final dividend is based on 7,109,998,471 shares in issue as at 31 December 2020 (2019: 6,752,478,471 shares in issue as at 31 December 2019). These consolidated financial statements do not reflect this proposed dividend payable for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2020 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
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 ("Xinyi Solar Farm (Group 3)")	The BVI, limited liability company	Investment holding	200 ordinary shares of US\$1 each	100%	–
Indirectly held by the Company					
Cheer King Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Mega Gain Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Wise Regal Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Eagle Luck International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Glory City International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Full Wisdom Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Xinyi Energy (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding	1 ordinary shares	100%	–
New Wisdom International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Perfect Alliance Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Sky Falcon Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2020 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Indirectly held by the Company (Continued)					
Sky Cheer Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Profit Noble Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Max Wisdom Enterprises Limited ("Max Wisdom")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Sun Harbour International Limited ("Sun Harbour")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Power Sky Development Limited ("Power Sky")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Nanping Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD18,000,000	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 (Fanchang) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB75,000,000	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 2020 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
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%	–
Xinyi Energy Technology (Wuhu) Co., Ltd.	The PRC, limited liability company	Provision of operation and management services in the PRC	Registered and paid up capital of RMB6,800,000	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%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2020 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Indirectly held by the Company (Continued)					
Guangdong Jike Renewable Energy Development Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB120,000,000	95%	5%
Guangdong Shenke Renewable Energy Limited ("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%
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%	–
Xinyi Renewable Energy (Xiangyang) Limited ("Xiangyang")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of RMB12,000,000 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 capital of USD16,000,000 and nil paid up	100%	–
Beihai Intel-Solar Information Technology Limited	The PRC, limited liability company	Provision of operation and management services in the PRC	Registered capital of USD1,000,000 and nil paid up	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION

It is the Group's strategy to continue to acquire solar farm projects for the purpose of enhancing the solar farm investment portfolio. During the year ended 31 December 2020, the Group acquired several solar farm projects in the PRC (the "**2020 Xinyi Solar Acquisition**") from Xinyi Solar and independent Third Parties (the "**2020 Other Acquisition**"). The Group also acquired solar farm projects from Xinyi Solar in 2019, further information on which is set forth in the annual report of the Company dated 16 March 2020. Information of each of the business combinations for the year ended 31 December 2020 are set forth below:

(a) Acquisition from Xinyi Solar

On 30 September 2020, the Group completed the acquisition of the entire equity interest in Xinyi Solar Farm (Group 3) which, through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 230MW in the PRC from Xinyi Power (BVI) Limited ("**Xinyi Power (BVI)**"), the immediate holding company of the Company, at a gross agreed purchase price of approximately HK\$82,948,000 which was determined in compliance with the terms and conditions of the sale and purchase agreement dated 16 March 2020 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 30 September 2021.

The table below summarises the details of the solar farm projects acquired.

Name of the company	Equity interest acquired	Solar farm projects acquired		
		Location	Number of solar farms	Approved capacity (MW)
Max Wisdom and its subsidiaries, Guangdong Jike Renewable Energy Development Limited and Guangdong Shenke	90%	Guangdong Province, PRC	1	100
Sun Harbour and its subsidiary, Wuwei Xinchuang	100%	Anhui Province, PRC	1	30
Power Sky and its subsidiary, Xiangyang	100%	Hubei Province, PRC	1	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(a) Acquisition from Xinyi Solar (Continued)

The above business combinations are individually immaterial to the Group. Aggregate financial information as at acquisition date is presented as follows:

	Total HK\$'000
Purchases consideration	
Fair value of cash consideration	82,948
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	930,910
Right-of-use assets	49,347
Trade and other receivables and prepayments (<i>Note (d)</i>)	141,318
Cash and cash equivalents	4,282
Accruals and other payables	(1,004,913)
Lease liabilities	(38,856)
Deferred income tax liabilities (<i>Note (e)</i>)	(8,532)
Total identifiable net assets	73,556
Less: Non-controlling interests (<i>Note (g)</i>)	(4,189)
	69,367
Goodwill (<i>Note (f)</i>)	13,581
	<u>82,948</u>
Net cash outflow arising from 2020 Xinyi Solar Acquisition	
Cash consideration	82,948
Settlement to Xinyi Power (BVI) (<i>Note (h)</i>)	712,737
Less: Cash and cash equivalents acquired	(4,282)
Less: Deferred cash consideration payable	(8,295)
	<u>783,108</u>
Cash consideration represents	
Upfront payment upon completion of 2020 Xinyi Solar Acquisition (<i>Note (a)</i>)	74,653
Deferred cash consideration (<i>Note (b)</i>)	8,295
	<u>82,948</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(a) Acquisition from Xinyi Solar (Continued)

Notes:

- (a) Upfront payment upon completion of 2020 Xinyi Solar Acquisition

Upfront payment represents 90% of the gross agreed purchase price of approximately HK\$74,653,000.

- (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 2020 Xinyi Solar Acquisition.

	Total HK\$'000
Revenue	28,244
Profits contributed to the Group	<u>16,768</u>

If 2020 Xinyi Solar Acquisition had occurred on 1 January 2020, the consolidated income statement would show pro-forma revenue of approximately HK\$1,772,406,000 and pro-forma profit of approximately HK\$957,475,000.

- (d) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately HK\$141,318,000 and included trade and tariff adjustment receivables with fair values as below:

	Total HK\$'000
Trade and tariff adjustment receivables	<u>45,066</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$45,066,000.

- (e) Provisional fair value of acquired identifiable assets

Deferred tax liabilities of approximately HK\$8,532,000 have been provided for in relation to these fair value adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(a) Acquisition from Xinyi Solar (Continued)

Notes: (Continued)

(f) Goodwill

The Group recognised goodwill of approximately HK\$13,581,000 in the consolidated balance sheet in connection with 2020 Xinyi Solar Acquisition which was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of 2020 Xinyi Solar Acquisition, the Group benefits through the synergies expected to arise after 2020 Xinyi Solar Acquisition 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) Accounting policy choice for non-controlling interests

The Group recognised non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Max Wisdom and its subsidiaries, Guangdong Jike Renewable Energy Development Limited and Guangdong Shenke, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2.2.1(a) for the Group's accounting policies for business combinations.

(h) Settlement to Xinyi Power (BVI)

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

(b) Acquisitions from independent third parties

During the year ended 31 December 2020, the following projects were acquired from independent third parties and have achieved on-grid connection. The table below summarised the details of the other projects acquired.

Name of the company	Consideration HK\$'000	Month of acquisition in 2020	Equity interest acquired	Solar farm projects acquired		
				Location	Number of solar farms	Approved capacity (MW)
Wuwei Rihao	109	March	100%	Anhui Province, PRC	1	20
Anlu Jingshun	1,191	December	100%	Hubei Province, PRC	1	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 BUSINESS COMBINATION (Continued)

(b) Acquisitions from independent third parties (Continued)

The above business combination is immaterial to the Group. Details of the financial information as at acquisition date is presented as follows:

	Total HK\$'000
Purchases consideration	
Fair value of cash consideration	1,300
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	289,892
Right-of-use assets	4,347
Trade and other receivables and prepayments (<i>Note (b)</i>)	33,395
Deferred tax assets (<i>Note 26</i>)	74
Cash and cash equivalents	45
Accruals and other payables	(322,136)
Lease liabilities	(4,714)
Deferred tax liabilities	(182)
Total identifiable net assets	721
Goodwill (<i>Note (c)</i>)	579
	<u>1,300</u>
Net cash outflow arising from 2020 Other Acquisition	
Cash consideration	1,300
Less: Cash and cash equivalents acquired	(45)
Less: Cash consideration payable	(1,191)
	<u>64</u>

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 2020 Other Acquisition.

	Total HK\$'000
Revenue	7,077
Profits contributed to the Group	<u>4,405</u>

If 2020 Other Acquisition had occurred on 1 January 2020, the consolidated income statement would show pro-forma revenue of approximately HK\$1,724,155,000 and pro-forma profit of approximately HK\$924,277,000.

(b) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately HK\$33,395,000 and included trade and tariff adjustment receivables with fair values as below:

	Total HK\$'000
Trade and tariff adjustment receivables	<u>555</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$555,000.

(c) Goodwill

The Group recognised goodwill of approximately HK\$579,000 in the consolidated balance sheet in connection with 2020 Other Acquisition. The goodwill is attributable to the synergies expected to arise after 2020 Other Acquisition because of the close proximity of this project to other solar farms currently operated by the Group as well as the potential of repowering to increase the electricity generation efficiency in future. The goodwill will not be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Solar Farms <i>HK\$000</i>	Buildings <i>HK\$000</i>	Motor vehicles, furniture and fixtures, equipment and others <i>HK\$000</i>	Total <i>HK\$000</i>
At 1 January 2019				
Cost	6,664,495	176,964	8,518	6,849,977
Accumulated depreciation	(763,314)	(15,150)	(1,340)	(779,804)
Net book amount	<u>5,901,181</u>	<u>161,814</u>	<u>7,178</u>	<u>6,070,173</u>
Year ended 31 December 2019				
Opening net book amount	5,901,181	161,814	7,178	6,070,173
Additions	43,225	—	2,256	45,481
Acquisition of subsidiaries	3,876,371	17,980	156	3,894,507
Disposal	—	—	(69)	(69)
Depreciation charge	(330,540)	(6,566)	(986)	(338,092)
Currency translation differences	(172,895)	(3,419)	(165)	(176,479)
Closing net book amount	<u>9,317,342</u>	<u>169,809</u>	<u>8,370</u>	<u>9,495,521</u>
At 31 December 2019				
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	<u>9,317,342</u>	<u>169,809</u>	<u>8,370</u>	<u>9,495,521</u>

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 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	<u>10,813,323</u>	<u>174,203</u>	<u>10,512</u>	<u>10,998,038</u>
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	<u>10,813,323</u>	<u>174,203</u>	<u>10,512</u>	<u>10,998,038</u>

	2020 HK\$'000	2019 HK\$'000
Depreciation charged in consolidated income statement:		
- Cost of sales	407,401	337,524
- Administrative expenses	650	568
	<u>408,051</u>	<u>338,092</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2019			
Opening net book amount	306,918	762	307,680
Additions	638	–	638
Acquisition of subsidiaries	154,501	–	154,501
Depreciation charge	(15,153)	(436)	(15,589)
Reassessment	(67)	–	(67)
Currency translation differences	(8,141)	(6)	(8,147)
Closing net book amount	<u>438,696</u>	<u>320</u>	<u>439,016</u>
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)
Reassessment	(176)	2	(174)
Currency translation differences	31,592	–	31,592
Closing net book amount	<u>507,360</u>	<u>228</u>	<u>507,588</u>

	2020 HK\$'000	2019 HK\$'000
Lease liabilities		
Non-current	500,921	426,527
Current	18,803	15,140
	<u>519,724</u>	<u>441,667</u>

Additions to the right-of-use assets during the year ended 31 December 2020 were HK\$1,925,000 (2019: HK\$638,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 LEASES (Continued)

(b) Amounts recognised in the consolidated income statement

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets		
Leasehold land	18,033	15,153
Office	432	436
	<u>18,465</u>	<u>15,589</u>
Interest expense (included in finance cost)		
Leasehold land	28,804	24,011
Office	22	36
	<u>28,826</u>	<u>24,047</u>

The total cash outflow for leases during the year ended 31 December 2020 was HK\$26,934,000 (2019: HK\$35,905,000).

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

The Group leases offices and lands. 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, intended to be imposed on the Group for the use of the land under the current PRC tax laws and regulations, for which the Group may be liable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 GOODWILL

	Total HK\$'000
At 1 January 2019	–
Additions	330,303
At 31 December 2019 and 1 January 2020	330,303
Additions	14,160
Currency translation difference	17,595
At 31 December 2020	362,058

For the purpose of impairment assessment, goodwill arising from:

- (a) Acquisition related to six utility-scale ground-mounted solar farm projects in 2019 (the "**2019 Acquisition**") is allocated to five CGUs under Xiaochang, Suiping, Shouxian, Huainan and Wuwei, respectively;
- (b) The 2020 Xinyi Solar Acquisition are allocated to three CGUs under Gunagdong Shenke, Wuwei Xinchuang and Xiangyang, respectively; and
- (c) The 2020 Other Acquisition are allocated to two CGUs under Wuwei Rihao and Anlu Jingshun, respectively.

The recoverable amounts of each CGU are determined based on fair value less cost of sales ("**FVLCOS**") calculations covering a period of the useful lives of the solar farms.

The key assumptions and estimates used in determining the FVLCOS as at 31 December 2020 are as follows:

Capacity	20MW to 200MW
Annual utilisation hours	1,100MWh/MWp to 1,483MWh/MWp
Degradation factor	0.6%per annum
Feed-in-tariff	RMB 0.03/kWh to RMB0.62/kWh
Discount rate	7.1% to 8.7%

The recoverable amounts would equal carrying amounts if the key assumptions at 31 December 2020 were to change as follows:

Annual utilisation hours decrease by	17 MWh/MWp to 86 MWh/MWp
Discount rate increases by	0.18% to 0.94%

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade receivables (<i>Note (a)</i>)	3,501,306	2,582,554
Bills receivables (<i>Note (a)</i>)	3,574	9,905
Trade and bills receivables	3,504,880	2,592,459
Deposits and other receivables (<i>Note (c)</i>)	14,379	4,937
Other tax receivables (<i>Note (d)</i>)	382,754	453,610
Prepayments for property, plant and equipment	126,649	10,268
Other prepayments	14,321	1,161
	4,042,983	3,062,435
Less: Non-current portion		
Prepayments for property, plant and equipment	(126,649)	(10,268)
Current portion	3,916,334	3,052,167

(a) Trade and bills receivables

As at 31 December 2020, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables is set out below:

	2020 HK\$'000	2019 HK\$'000
Receivables from sales of electricity	75,507	60,143
Tariff adjustment receivables	3,425,799	2,522,411
	3,501,306	2,582,554

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 is as follows:

	2020 HK\$'000	2019 HK\$'000
0 to 90 days	338,788	308,102
91 days to 180 days	353,257	402,183
181 days to 365 days	635,729	572,959
Over 365 days	2,173,532	1,299,310
	3,501,306	2,582,554

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 and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables 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 fourteen ground-mounted solar farms with aggregate capacity of 1,184MW successfully enlisted on the List.

During the year ended 31 December 2020, the Group received aggregate payment of RMB435,007,000 (equivalent to HK\$497,242,000) for the subsidies 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 were expected to be recoverable. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2020 (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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

	2020 HK\$'000	2019 HK\$'000
Cash at bank	1,312,419	1,231,244
Short-term bank deposits (<i>Note</i>)	—	400,000
	<u>1,312,419</u>	<u>1,631,244</u>
Maximum exposure of credit risk	<u>1,312,419</u>	<u>1,631,244</u>

As at 31 December 2020, funds of the Group amounting to HK\$1,039,235,000 (2019: HK\$1,134,833,000) 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\$273,184,000 (2019: HK\$496,411,000) as at 31 December 2020 were deposited in reputable banks in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
RMB	1,040,721	1,135,064
HK\$	268,137	491,818
US\$	3,561	4,362
	<u>1,312,419</u>	<u>1,631,244</u>

Note:

As at 31 December 2019, the Group placed time deposits with certain major licensed banks in Hong Kong, with fixed maturities, fixed interest rates and principal guarantee. HK\$400,000,000 of the Group's bank time deposits have a maturity ranging 15 days to 34 days and was qualified as cash and cash equivalents. These balances are denominated in HK\$. The effective interest rate on short-term bank deposits was 3.05% per annum.

21 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares of HK\$0.01 each <i>HK\$</i>	Total <i>HK\$'000</i>
Authorised:			
At 1 January 2019, 31 December 2019 and 2020	<u>800,000,000,000</u>	<u>8,000,000,000</u>	<u>8,000,000</u>
Issued and fully paid:			
At 1 January 2019	5,422,560	54,226	54
Issuance of ordinary shares upon			
- initial public offerings (<i>Note (a)</i>)	1,882,609,471	18,826,095	18,826
- over-allotment (<i>Note (b)</i>)	125,129,000	1,251,290	1,252
- capitalisation issue (<i>Note (c)</i>)	<u>4,739,317,440</u>	<u>47,393,174</u>	<u>47,393</u>
At 31 December 2019 and 1 January 2020	<u>6,752,478,471</u>	<u>67,524,785</u>	<u>67,525</u>
Issuance of shares by the way of placing (<i>Note (d)</i>)	<u>357,520,000</u>	<u>3,575,200</u>	<u>3,575</u>
At 31 December 2020	<u>7,109,998,471</u>	<u>71,099,985</u>	<u>71,100</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 SHARE CAPITAL (Continued)

Notes:

- (a) On 28 May 2019, 1,882,609,471 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$1.94 per share upon the listing of the Company's shares on the Stock Exchange. Gross proceeds from the issuance of these shares in May 2019 amounted to HK\$3,652,262,000 with HK\$3,633,436,000 being credited to the share premium account of the Company, which is after netting off with the share issuance cost.
- (b) On 24 June 2019, an over-allotment option was exercised with 125,129,000 ordinary shares of HK\$0.01 each issued at an offer price of HK\$1.94 per share. Gross proceeds from the issuance of these shares in June 2019 amounted to HK\$242,750,000 with HK\$241,498,000 being credited to the share premium account of the Company, which is after netting off with the share issuance cost.
- (c) Pursuant to shareholders' resolutions passed on 10 May 2019, the Company allotted and issued a total of 4,739,317,440 shares by way of capitalisation of the sum of HK\$47,393,174 standing to the credit of the share premium account of the Company before the listing.
- (d) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE OPTIONS (Continued)

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

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	–	–	–	–
Granted	HK\$2.18	1,902,500	–	–
Forfeited	HK\$2.18	(73,000)	–	–
As at 31 December	HK\$2.18	1,829,500	–	–
Vested and exercisable at 31 December	HK\$2.18	609,833	–	–

During the year ended 31 December 2020, 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	Share options 31 December 2020
31 March 2020	31 March 2024	HK\$2.18	1,829,500
Remaining contractual life of options outstanding at end of period			3.25 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)

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\$0.39 (2019: Nil) per option. The significant inputs into the model are as follows:

	2020
Weighted average share price, at the grant date (HK\$)	2.12
Exercise price (HK\$)	2.18
Volatility (%)	41.47
Dividend yield (%)	6.37
Expected share option life (years)	3.5
Annual risk-free interest rate (%)	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 expense 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	–	–	–	–	187	187
Issuance of shares in respect of placing, net of transaction cost (Note 21(d))	889,598	–	–	–	–	889,598
Dividend:						
- 2019 final dividend (Note 13)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RESERVES (Continued)

	Share premium HK\$'000	Statutory reserve (Note (a)) HK\$'000	Capital reserve (Note (b)) HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 January 2019	4,592,644	266,168	(166,207)	(443,114)	4,249,491
Currency translation differences	–	–	–	(233,550)	(233,550)
Appropriation to statutory reserve	–	121,716	–	–	121,716
Issuance of ordinary shares upon					
- initial public offerings (Note 21(a))	3,633,436	–	–	–	3,633,436
- over-allotment (Note 21(b))	241,498	–	–	–	241,498
- capitalisation issue (Note 21(c))	(47,393)	–	–	–	(47,393)
Listing expenses charged to share premium	(86,846)	–	–	–	(86,846)
Dividend:					
- 2018 final dividend	(315,949)	–	–	–	(315,949)
- 2019 interim dividend (Note 13)	(337,624)	–	–	–	(337,624)
At 31 December 2019	<u>7,679,766</u>	<u>387,884</u>	<u>(166,207)</u>	<u>(676,664)</u>	<u>7,224,779</u>

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 2020, the boards of directors of the Company's PRC subsidiaries resolved to appropriate approximately HK\$121,892,000 (2019: HK\$121,716,000) 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) is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Payables for property, plant and equipment	757,885	404,131
Accrued listing expenses	1,516	1,516
Others (Note (b))	21,215	12,421
	780,616	418,068
Less: Non-current portion		
Retention payables for property, plant and equipment	(60,957)	(30,446)
Current portion	719,659	387,622

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:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	1,209,809	727,388
Between 1 and 2 years	344,781	1,009,580
Between 2 and 5 years	308,512	216,000
	1,863,102	1,952,968
Less: Non-current portion	(653,293)	(1,225,580)
Current portion	1,209,809	727,388

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BANK BORROWINGS (Continued)

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

	2020	2019
Bank borrowings	1.52%	4.15%

All bank borrowings were exposed to interest rate changes.

Before 28 May 2019, bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company, and Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)"), a fellow subsidiary. Upon separate listing of the Company on 28 May 2019, the corporate guarantees were released and replaced by corporate guarantees provided by the Company and its subsidiaries.

26 DEFERRED INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	10,557	7,634
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(233,282)	(214,047)
Deferred income tax liabilities, net	(222,725)	(206,413)

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

	2020 HK\$'000	2019 HK\$'000
At 1 January	(206,413)	3,065
Acquisition of subsidiaries	(8,640)	(218,725)
Credited to the consolidated income statement (Note 11)	6,382	6,184
Currency translation difference	(14,054)	3,063
At 31 December	(222,725)	(206,413)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEFERRED INCOME TAX (Continued)

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	
	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets		
At 1 January	7,634	3,370
Acquisition of subsidiaries (Note 15)	74	69
Credited to the consolidated income statement	2,182	4,340
Currency translation difference	667	(145)
At 31 December	<u>10,557</u>	<u>7,634</u>

	Fair value gains		Leases		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Deferred income tax liabilities						
At 1 January	213,610	–	437	305	214,047	305
Acquisition of subsidiaries (Credited)/charged to the consolidated income statement	8,714 (4,258)	218,794 (1,984)	– 58	– 140	8,714 (4,200)	218,794 (1,844)
Currency translation difference	14,688	(3,200)	33	(8)	14,721	(3,208)
At 31 December	<u>232,754</u>	<u>213,610</u>	<u>528</u>	<u>437</u>	<u>233,282</u>	<u>214,047</u>

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 2020, deferred income tax liabilities of approximately HK\$261,942,000 (2019: HK\$210,619,000) were not recognised for withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% (2019: 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 2020, the related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK\$5,238,849,000 (2019: HK\$4,212,379,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CASH FLOW INFORMATION

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

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	1,088,645	1,022,110
Adjustments for:		
Interest income (Note 8)	(41,086)	(28,589)
Interest expense (Note 8)	165,642	177,245
Depreciation of property, plant and equipment (Note 16)	408,051	338,092
Depreciation of right-of-use assets (Note 17)	18,465	15,589
Share option granted to employees (Note 9)	187	–
Loss on disposal of property, plant and equipment (Note 6)	52	–
	1,639,956	1,524,447
Changes in working capital:		
Trade and other receivables	(416,945)	(179,162)
Accruals and other payables	48,295	7,644
Amounts due from fellow subsidiaries	68	(267)
Amounts due to fellow subsidiaries	625	–
Cash generated from operations	1,271,999	1,352,662

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

	2020 HK\$'000	2019 HK\$'000
Net book amount (Note 16)	88	69
Loss on disposal of property, plant and equipment (Note 6)	(52)	–
Proceeds from disposal of property, plant and equipment	36	69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CASH FLOW INFORMATION (Continued)

(c) Major non-cash transactions

- (i) During the year ended 31 December 2020, additions of plant and equipment amounting to HK\$353,957,000 (2019: HK\$136,346,000) were purchased through increase in other payables without any cash paid.
- (ii) On 10 May 2019, the Company allotted and issued a total of 4,739,317,440 shares by way of capitalisation of the sum of HK\$47,393,174 standing to the credit of the share premium account of the Company before the listing.

(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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash and cash equivalents	1,312,419	1,631,244
Bank borrowings – repayable within one year	(1,209,809)	(727,388)
Bank borrowings – repayable after one year	(653,293)	(1,225,580)
Lease liabilities	(519,724)	(441,667)
Net debt	(1,070,407)	(763,391)
Cash and cash equivalents	1,312,419	1,631,244
Gross debt – fixed interest rates	(519,724)	(441,667)
Gross debt – variable interest rates	(1,863,102)	(1,952,968)
Net debt	(1,070,407)	(763,391)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CASH FLOW INFORMATION (Continued)

	Other assets Cash and cash equivalents HK\$'000	Liabilities from financing activities			Total 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	
Net debt as at 1 January 2019	421,263	(652,578)	(1,034,622)	(294,394)	(1,560,331)
Acquisition of subsidiaries	69	(439,787)	(695,625)	(158,356)	(1,293,699)
Cash flows	1,231,660	364,977	504,667	27,708	2,129,012
Foreign exchange adjustments	(21,748)	–	–	7,355	(14,393)
Other changes (<i>Note</i>)	–	–	–	(23,980)	(23,980)
Net debt as at 31 December 2019	<u>1,631,244</u>	<u>(727,388)</u>	<u>(1,225,580)</u>	<u>(441,667)</u>	<u>(763,391)</u>
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
Other changes (<i>Note</i>)	–	–	–	(28,652)	(28,652)
Net debt as at 31 December 2020	<u>1,312,419</u>	<u>(1,209,809)</u>	<u>(653,293)</u>	<u>(519,724)</u>	<u>(1,070,407)</u>

Note:

Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the consolidated statement of cash flows when paid.

28 BANKING FACILITIES

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

	2020 HK\$'000	2019 HK\$'000
Banking facilities granted to subsidiaries of the Company without securities:		
– Available facilities	2,871,240	2,777,629
– Facilities utilised	(1,871,240)	(1,962,629)
Unutilised facilities	<u>1,000,000</u>	<u>815,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS

As at 31 December 2020, 50.05% (2019: 52.70%) 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, P.S.M, D.M.S.M, J.P., Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "Equity investors") in aggregate owns 20.62% (2019: 21.60%) of the Company's shares. 6.03% (2019: 6.03%) of the shares are held by Xinyi Glass Holdings Limited ("Xinyi Glass") and its subsidiary, and the remaining 23.30% (2019: 19.67%) 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 25.96% (2019: 32.05%) of the shares of Xinyi Solar in issue as at 31 December 2020.

(a) Name and relationship with related parties

The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name of related parties	Relationship
Xinyi Solar	Ultimate holding company
Xinyi Solar (HK)	Fellow subsidiary
Xinyi Power (BVI)	Immediate holding company
Xinyi Solar (BVI)	Fellow subsidiary
Chaohu Jindao Photovoltaic Power Generation Company Limited (" Chaohu Jindao ")	Fellow subsidiary
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited (" Taonan Runhe ")	Fellow subsidiary
Xinyi Solar (Bozhou) Limited (" Xinyi Solar (Bozhou) ")	Fellow subsidiary
Xinyi Solar (Jinzhai) Limited (" Xinyi Solar (Jinzhai) ")	Fellow subsidiary
Xinyi Renewable Energy (Huaibei) Limited (" Xinyi Renewable Energy (Huaibei) ")	Fellow subsidiary
Guangdong Shenke	Fellow subsidiary before acquisition (<i>Note 15</i>)
Xinyi Solar (Wangjiang) Limited (" Xinyi Solar (Wangjiang) ")	Fellow subsidiary
Xinyi Solar (Haikou) Limited (" Xinyi Solar (Haikou) ")	Fellow subsidiary
Huainan Xinyi Renewable Energy Limited (" Huainan Xinyi Renewable Energy ")	Fellow subsidiary
Qingyang County Hewu Renewable Energy Technology Limited (" Qingyang Renewable Energy ")	Fellow subsidiary
Xinyi Glass	<i>Note (i)</i>
Cheer Wise Investment Limited (" Cheer Wise ")	<i>Note (ii)</i>
Xinyi Energy Smart (Wuhu) Company Limited (" Xinyi Energy Smart ")	<i>Note (ii)</i>

Notes:

- (i) A shareholder of Xinyi Solar.
- (ii) Companies under control of Xinyi Glass, a major shareholder of Xinyi Solar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)

(b) 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	2020 HK\$'000	2019 HK\$'000
Discontinued transactions			
Employee benefits paid by the ultimate holding company			
– Xinyi Solar	(i)	–	23
Employee benefits paid by a fellow subsidiary			
– Xinyi Solar (HK)	(ii)	–	1,690
One-off transaction			
Acquisition of subsidiaries from immediate holding company			
– Xinyi Power (BVI)	(iii)	82,948	4,083,256
Continuing transactions			
Solar farm operation and management services fees receivable from fellow subsidiaries	(iv)		
– Chaoju Jindao		201	129
– Taonan Runhe		1,136	595
– Xinyi Solar (Bozhou)		598	398
– Xinyi Solar (Jinzhai)		1,342	692
– Xinyi Renewable Energy (Huaibei)		1,442	872
– Guangdong Shenke		619	380
– Xinyi Solar (Wangjiang)		1,387	910
– Xinyi Solar (Haikou)		1,207	455
– Huainan Xinyi Renewable Energy		737	376
– Qingyang Renewable Energy		43	–
		8,712	4,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Notes:

- (i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business during the year. These employee benefit expenses were excluded from the consolidated financial statements.
- (ii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business include compensation for a director and certain senior management, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the year. These employee benefit expenses were excluded from the consolidated financial statements.
- (iii) The acquisition of subsidiaries was transacted at mutually agreed prices and terms. Details of the acquisition are disclosed in Note 15.
- (iv) The transactions were conducted at mutually agreed prices and terms.

(c) Balances with related parties

	2020 HK\$'000	2019 HK\$'000
Due from fellow subsidiaries:		
– Chaohu Jindao	10	8
– Taonan Runhe	4	32
– Xinyi Solar (Bozhou)	–	24
– Xinyi Solar (Jinzhai)	–	25
– Xinyi Renewable Energy (Huaibei)	–	15
– Guangdong Shenke	–	19
– Xinyi Solar (Wangjiang)	–	23
– Xinyi Solar (Haikou)	21	25
– Huainan Xinyi Renewable Energy	139	96
– Qingyang Renewable Energy	25	–
	199	267
Due to immediate holding company:		
– Xinyi Power (BVI)	(1,766,328)	(1,717,870)
Due to fellow subsidiaries:		
– Xinyi Solar (Bozhou)	(125)	–
– Xinyi Solar (Jinzhai)	(96)	–
– Xinyi Renewable Energy (Huaibei)	(255)	–
– Xinyi Solar (Wangjiang)	(149)	–
	(625)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

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% (2019: 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 adjustments of the solar power plants acquired, whichever is earlier. The amount approximates its fair value and is denominated in HK\$.

(d) Leases

	Note	2020 HK\$'000	2019 HK\$'000
Interest expense on lease liabilities in relation to office area recognised by the Group as a lessee to related parties:			
- Cheer Wise	(i)	13	10
- Xinyi Energy Smart	(ii)	9	23
		22	33

Notes:

- (i) 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.
- (ii) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart, a related company owned as to 100% by Xinyi Glass, for the Group's occupations with rental mutually agreed.

(e) 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. The compensation of certain senior management incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 29(b)(i) and (ii), respectively.

(f) Guarantee of bank borrowings

Before 28 May 2019, bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company, and Xinyi Solar (BVI), a fellow subsidiary. Upon separate listing of the Company on 28 May 2019, the corporate guarantees were released and replaced by corporate guarantees provided by the Company and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets at amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	3,519,259	2,597,396
Amounts due from fellow subsidiaries	199	267
Cash and cash equivalents	1,312,419	1,631,244
	4,831,877	4,228,907
Financial liabilities at amortised cost		
Accruals and other payables excluding accruals of staff costs and other taxes payables	770,415	413,530
Bank borrowings	1,863,102	1,952,968
Amount due to immediate holding company	1,766,328	1,717,870
Amounts due to fellow subsidiaries	625	–
Lease liabilities	519,724	441,667
	4,920,194	4,526,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Investment in subsidiaries		3,987,610	3,868,137
Current assets			
Prepayment		541	–
Amounts due from subsidiaries		6,276,119	5,773,143
Cash and bank equivalents		4,891	3,312
Total current assets		6,281,551	5,776,455
Total assets		10,269,161	9,644,592
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	71,100	67,525
Share premium	(a)	7,590,254	7,679,766
Share option reserve	(a)	187	–
Accumulated losses	(a)	(205,174)	(119,055)
Total equity		7,456,367	7,628,236
LIABILITIES			
Current liabilities			
Accruals and other payables		3,344	2,785
Amount due to immediate holding company		1,766,328	1,717,870
Amounts due to subsidiaries		1,043,122	295,701
Total current liabilities		2,812,794	2,016,356
Total equity and liabilities		10,269,161	9,644,592

The balance sheet of the Company was approved by the Board of Directors on 1 March 2021 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 and accumulated losses of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000
At 1 January 2019	4,592,644	–	(32,752)
Loss for the year	–	–	(86,303)
Issuance of ordinary shares upon			
– initial public offerings (<i>Note 21(a)</i>)	3,633,436	–	–
– over-allotment (<i>Note 21(b)</i>)	241,498	–	–
– capitalisation issue (<i>Note 21(c)</i>)	(47,393)	–	–
Listing expenses charged to share premium	(86,846)	–	–
Dividend:			
– 2018 final dividend	(315,949)	–	–
– 2019 interim dividend (<i>Note 13</i>)	(337,624)	–	–
At 31 December 2019	7,679,766	–	(119,055)
At 1 January 2020	7,679,766	–	(119,055)
Loss for the year	–	–	(86,119)
Employees' share option scheme:			
– value of employee services (<i>Note 9</i>)	–	187	–
Issuance of shares in respect of placing, net of transaction cost (<i>Note 21(d)</i>)	889,598	–	–
Dividend:			
– 2019 final dividend (<i>Note 13</i>)	(573,961)	–	–
– 2020 interim dividend (<i>Note 13</i>)	(405,149)	–	–
At 31 December 2020	7,590,254	187	(205,174)

32 CONTINGENCIES

The Company and the Group did not have any significant contingent liabilities as at 31 December 2020 (2019: Nil).

33 SUBSEQUENT EVENT

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

FINANCIAL SUMMARY

Year ended 31 December

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000 (restated)	2017 HK\$'000 (restated)	2016 HK\$'000 (restated)
Result					
Revenue	1,722,051	1,593,086	1,200,556	1,116,044	968,291
Cost of sales	(475,343)	(377,590)	(289,055)	(278,367)	(239,006)
Gross profit	1,246,708	1,215,496	911,501	837,677	729,285
Profit before income tax	1,088,645	1,022,110	785,252	726,125	651,105
Income tax expense	(166,218)	(131,124)	(44,439)	(15,170)	(62)
Profit for the year	922,427	890,986	740,813	710,955	651,043
Profit attributable to:					
– Equity holders of the Company	922,007	890,986	740,813	710,955	651,043
– Non-controlling interests	420	–	–	–	–
	922,427	890,986	740,813	710,955	651,043

As at 31 December

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000 (restated)	2017 HK\$'000 (restated)	2016 HK\$'000 (restated)
Assets and Liabilities					
Total assets	17,233,842	14,966,420	8,656,386	9,494,436	8,603,643
Total liabilities	5,223,557	4,772,681	2,274,676	3,409,150	3,824,573
	12,010,285	10,193,739	6,381,710	6,085,286	4,779,070
Equity attributable to equity holders of the Company	12,005,280	10,193,739	6,381,710	6,085,286	4,779,070
Non-controlling interests	5,005	–	–	–	–
	12,010,285	10,193,739	6,381,710	6,085,286	4,779,070