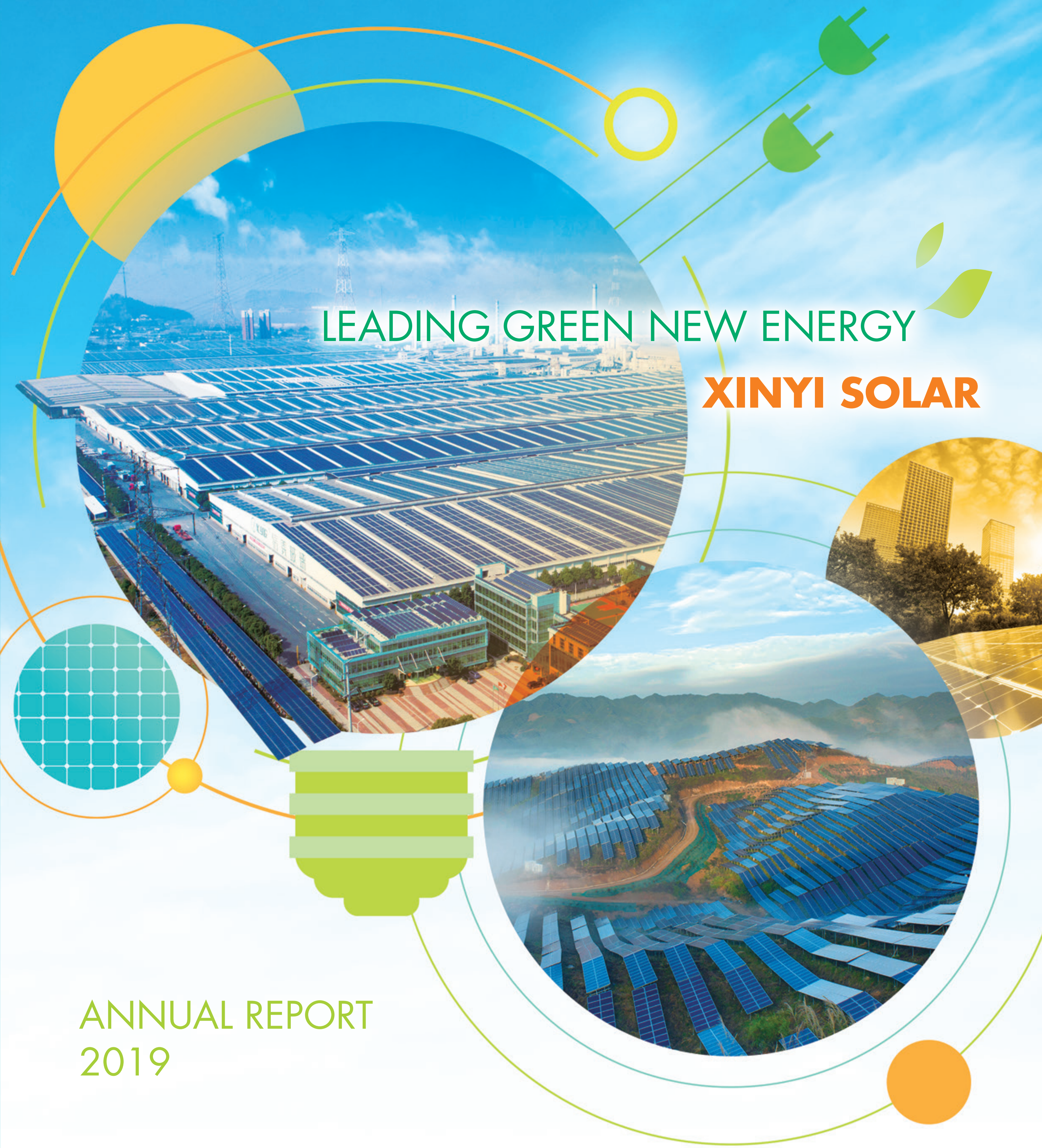

ANNUAL REPORT 2019

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00968

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

COMPANY SECRETARY

Mr. CHU Charn Fai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Rykadan Capital Tower
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AUDITOR

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

http://www.xinyisolar.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$4.72
Market capitalisation as of the date of this annual report: Approximately HK$38.1 billion

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting:
Tuesday, 12 May 2020 to Friday, 15 May 2020 (both days inclusive)
Date of Annual General Meeting:
Friday, 15 May 2020
Closure of register of members for the purpose of entitlements to the final dividend:
Thursday, 21 May 2020 to Monday, 25 May 2020 (both days inclusive)
Proposed final dividend payable date:
On or about Wednesday, 24 June 2020

Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**"), I announce herewith the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**" or "**Xinyi Solar**") for the year ended 31 December 2019.

In 2019, the domestic photovoltaic ("**PV**") installations in China declined year-on-year, mainly due to the belated release of policies and approval of projects, together with the postponement of the intstallations by solar farm developers, amid the continuous decreases in the component costs. Despite the decrease in China, the global PV demand remained bullish and grew at a faster rate than expected in overseas markets, such as the Netherlands, Spain, Germany, Italy, Turkey and Ukraine.

With both price and sales volume up, the profit contributions from the Group's solar glass business improved significantly during the year, driving the Group's profit to a historic high. During the year, the Group achieved consolidated revenue of HK$9,096.1 million, representing a 18.6% increase as compared to 2018. Profit attributable to the equity holders of the Company increased by 29.7% to HK$2,416.5 million. Basic earnings per share were 30.28 HK cents for 2019, as compared to 24.87 HK cents for 2018. A final dividend of 8.5 HK cents per share has been proposed, which is subject to approval by the shareholders of the Company ("**Shareholders**") at the forthcoming annual general meeting ("**AGM**").

SLOWDOWN OF PV INSTALLATIONS IN CHINA DURING THE TRANSITIONAL PERIOD

The year was a transitional period for the Chinese PV market. PV projects evolved from solely subsidy-driven to a mix of both "subsidy-free" and "FiT-supported". Subsequent to the "2018 Photovoltaic Power Generation Notice (二零一八年光伏發電有關事項的通知)" ("**531 Policy**"), the Chinese government rolled out a series of new PV policies and measures in 2019, with the main purpose of reducing pressure on the China Renewable Energy Development Fund ("**Renewable Energy Fund**") by shifting the development focus to non-subsidised (grid parity) projects. Subsidies would continue for some time, but at a lower level and decline gradually. In addition, the competitive bidding mechanism and quota allocation method have also changed.

The belated release of policies and approval of projects has dampened PV installation sentiment in China during the year. China only installed 11.4 gigawatt ("**GW**") of solar PV capacity in the first half of 2019, representing a year-on-year decline of about 53%. The decrease is quite substantial because new additions primarily related to the Top Runner Programme, Poverty Alleviation Programme and incomplete projects brought forward from last year. Newly started utility scale projects, including both subsidised and non-subsidised, were very few. With the release of the first batch of approved grid-parity projects and the first national unified bidding results for subsidised projects in May and July 2019 respectively, market participants generally expected that the demand would recover in the third and fourth quarters of 2019. However, as some developers had halted construction amid declining installation cost, new additions were still lower than expected in the second half of the year. According to National Energy Administration (the "**NEA**") data, new PV installations in China reached 30.11GW in 2019, representing a year-on-year decline of about 31.6%. The robust global PV demand during the year was mainly driven by countries other than China.

MORE DIVERSIFIED GLOBAL PV INSTALLATION

Despite the slowdown in China, the global PV installation rate achieved double-digit growth in 2019. The increase was attributed to the steep drop in solar system costs, growing energy demand and the emission reduction policies of different governments. Market diversification has also continued in 2019. The pursuit of PV deployment has spread from the top three markets (China, United States ("**US**") and India) to emerging and re-awakening markets, including the Netherlands, Spain, Germany, Italy, Turkey and Ukraine. According to SolarPower Europe, 11 countries installed more than 1 GW of solar panel systems in 2018 and the number of GW-scale solar markets was expected to increase to 16 in 2019.

More diversified global PV installations means less dependence on the incentive regime and related policies of a single country, hence lower risk of PV demand fluctuation, which is beneficial to the Group in planning capacity expansion.

INCREASED CAPACITY AND NEW PRODUCT DEVELOPMENT TO ALIGN WITH MARKET GROWTH

The high rate of PV installations in 2019 has stimulated the demand for different components in the solar value chain, including solar glass. In light of the quick and strong recovery of the solar glass market, the Group has strived to increase its production capacity as much as possible. Before the end of 2018, the Group added a new 1,000-tonne/day solar glass production line in Malaysia and resumed the operation of a 500-tonne/day solar glass production line after cold repair in Tianjin, which together increased its aggregate daily melting capacity from 5,200 tonnes to 6,700 tonnes. In the second half of 2019, the Group further increased its capacity from 6,700-tonne/day to 7,800-tonne/day by resuming the operation of two solar glass production lines after cold repair in Anhui. This timely expansion has helped the Group to capture market growth opportunities and better satisfy its customers' orders.

To further expand the application of solar glass in the niche market, the Group has spared no effort in the research and development of new products. Given that bifacial and double-glass solar modules are becoming increasingly popular, the Group has modified and upgraded its production facilities so as to produce thinner glass products – 2.5mm and 2.0mm solar glass – to meet different application requirements. With the commencement of mass production in the fourth quarter of 2019, sales of thinner solar glass products have increased quickly since then.

QUICK AND STRONG RECOVERY OF SOLAR GLASS MARKET

After the setbacks in 2018, the solar glass market got back on track with a quick and strong recovery in 2019. Because of tight industrial supply and rising raw material costs, solar glass prices have kept an upward trend during the year. Although there were some new or resumed capacities that entered the market during the year, supply still lagged far behind demand. After the price hike in March, product prices rebounded to the pre-531 Policy level. Prices continued to rise further in the third and fourth quarters of the year amid growing demand. Revenue and profit contributions from the Group's solar glass segment thus improved significantly, particularly in the second half of the year.

DEVELOPMENT FOCUS SHIFTED TO NON-SUBSIDISED PV POWER PROJECTS

Starting from 2019, China's PV development has shifted from solely subsidy-driven to a mix of both "subsidy-free" and "FiT-supported".

Chairman's Statement

In respect of non-subsidised PV power projects, no quota restriction will apply in 2019 and 2020. However, projects can only go ahead after obtaining approval from relevant provincial governments and in regions with no power consumption (curtailment) issue. Purchase of power from grid parity projects at a fixed price (i.e. the prevailing feed-in-tariff ("**FiT**") at the grid-connection date) is guaranteed. An offtake agreement of at least 20 years will be signed with the grid companies and priority dispatch against subsidised projects is assured. In May 2019, China's National Development and Reform Commission and NEA jointly released the first batch of grid parity projects for 2019, which the Group was successful in securing three projects, specifically, 300 megawatt ("**MW**") in Guangxi, 100MW in Hubei and 70MW in Guangdong. To take full advantage of declining PV system costs and the two-year policy window (i.e. developers can still enjoy this policy if the construction of their projects can start before the end of 2020), most of the construction work for these projects will commence in 2020.

With reference to subsidised PV power projects, China launched a new competitive bidding mechanism during the year, which was more market-oriented. A budget of RMB3 billion was set aside to subsidise new projects in 2019. Under this new mechanism, the lowest bidders of projects tendered at the national level would receive subsidies until the funds are depleted. To receive the subsidy, the project must be grid-connected with full capacity no more than six months after the agreed completion date. Every quarter of delay in the completion will cause a reduction of the FiT price by RMB0.01 per kilowatt-hour ("**kWh**"). According to the first national bidding results released by NEA in July 2019, subsidised projects with total capacity of 22.78 GW had been approved, and among them the Group secured two projects, with 30MW in Anhui and 40MW in Guangxi.

Due to the declining proportion of subsidies and simplified application procedures employed under the grid parity policy, the Group will gradually shift its development focus towards non-subsidised (grid parity) projects. In order to boost its project pipeline, the Group has been proactively exploring development opportunities in different regions of China. Priority will be given to projects that are in areas with high sunlight utilisation hours and high electricity cost.

SUCCESSFUL SPIN-OFF OF XINYI ENERGY TO ENHANCE FINANCIAL CAPABILITY

The successful spin-off (the "**Spin-off**") of Xinyi Energy Holdings Limited ("**Xinyi Energy**", together with its subsidiaries, the "**Xinyi Energy Group**") in May 2019 not only helped the Group expand its investor base, but also strengthened its financial capability.

After the Spin-off, Xinyi Energy will focus on the operation and management of solar farm projects, while the remaining group (**the "Remaining Group**"), which comprises Xinyi Solar and its member companies other than Xinyi Energy Group, will focus on the solar glass business, the development and construction of solar farms, and the engineering, procurement and construction ("**EPC**") business. Xinyi Energy is positioned as a dividend-oriented company that can attract investors seeking investment opportunities in the renewable energy sector, where well-defined and predictable amounts of revenue and relatively high dividend payout ratio can be found.

With separate fund-raising platforms, the Remaining Group and Xinyi Energy Group can obtain the required funding independently from the equity and debt capital markets. This can enhance the financial flexibility of both groups. Besides, investors can appraise and assess the value and performance of the two groups separately.

Following completion of the Spin-off, the Company's interest in Xinyi Energy has been reduced from 75% to 53.7% (or from 75% to 52.7% after taking into account the impact of the over-allotment issue). Xinyi Energy Group therefore continues to be a subsidiary of Xinyi Solar and its financial results will continue to be consolidated into the accounts of the Group. The disposal of solar farm projects to Xinyi Energy can help the Remaining Group to speed up cash inflow, enabling it to have more financial resources for new project development. The disposal gain, though cannot be reflected through profit and loss, will be recorded as an equity transaction and can enhance shareholders' equity in the Group. During the year, Xinyi Solar recorded an increase in shareholders' equity of approximately HK$960.2 million in relation to the Spin-off, over-allotment issue and the disposal of 540MW solar farm projects to Xinyi Energy. Net gearing of the Group improved substantially from 66.2% as at 31 December 2018 to 24.0% as at 31 December 2019.

The optimised financing model can enable the Group to pursue more new solar farm projects and achieve a sustainable and holistic business model.

STABLE CONTRIBUTIONS FROM SOLAR POWER ELECTRICITY GENERATION

The Group's electricity sales grew steadily in 2019, primarily due to the capacities added last year. Revenue and gross profit increased by 16.0% and 18.3% year-on-year respectively. During the year, the Group had three solar farms with aggregate capacity of 130MW newly connected to the grid. As at 31 December 2019, the accumulated approved grid-connected capacity of the Group's solar farm projects was 2,630MW, of which 2,474MW was utility-scale ground-mounted projects and 156MW was rooftop distributed generation projects (with electricity generated for self-consumption and for sale to the grid). In terms of ownership, 1,494MW projects were held through Xinyi Energy, 52.7% owned by Xinyi Solar; 936MW projects were held through wholly-owned subsidiaries; 100MW projects were held through non-wholly owned subsidiaries (90%-owned by the Group); and 100MW project held by a joint-venture owned as to 50% by the Group.

Other than capacity expansion, the Group has also strived to enhance the operational efficiency of its solar farms by monitoring the operating statistics on a real-time basis, performing regular cleaning and implementing timely preventive maintenance to minimise the risk of failure.

EPC SERVICES – AN ADDITIONAL INCOME SOURCE

As in previous years, the Group has engaged in EPC services in order to broaden its experience and enhance its knowledge of different types of solar farm projects and their development. During the year, the Group's EPC business derived revenue primarily from residential and commercial distributed generation projects carried out in Canada by a non-wholly owned subsidiary. Because of the one-off and ad-hoc nature of such projects, the Group considers EPC revenue as an additional source of income, instead of a key growth driver.

BUSINESS OUTLOOK

China aims to develop a subsidy-free solar market in the coming years and has entered a transitional period. Although the country's new PV installation declined in 2019, it has made several important changes to its PV policies, including the grid parity policy for non-subsidised projects and the migration from fixed FiT programme to the competitive bidding allocation mechanism for subsidised projects. This could encourage enterprises to pursue improvements in technological innovation and efficiency, mitigate the burden of subsidies and lay the foundation for the long-term growth of its solar industry.

Chairman's Statement

China's PV installation rate is poised to achieve a rebound in 2020. Pursuant to the grid parity policy, projects are required to start construction before the end of 2020. Therefore, many grid parity projects brought forward from 2019 are set to begin installation in 2020. Besides, subsidised projects granted under the competitive bidding mechanism in 2019 also need to complete their installation work before the first half of 2020.

According to NEA statistics, solar power electricity generation in 2019 amounted to 224.3 billion kWh, which only accounted for about 3.1% of total electricity generated in China, hence, there is still tremendous room for solar power to develop in the future. On 1 January 2020, China undertook electricity market reforms. It has changed from a benchmark on-grid electricity price regime to a market price mechanism with "benchmark price plus up-and-down adjustment". Based on the new mechanism, prices are negotiated and determined by power plant operators, electricity sales companies and power users, ranging from 15% below the benchmark price to 10% above it. As FiTs are linked to the benchmark price, which will not be adjusted frequently, it is expected that this policy change will not have a material impact on renewable energy subsidies in the short term. What really matters is the oversupply of electricity in some areas and whether this would affect the priority dispatch of renewable energy. Liberalisation of the electricity market may drive down the price of electricity, hence increase the difficulty to achieve solar power grid parity. However, with system costs falling sharply in recent years, solar power is now capable of competing with traditional energy sources in many cities in China. Further marketisation can provide more opportunities for its development in the long run.

Diversification and expansion of solar installation demand across the globe is expected to continue in 2020, amid the continuous decline in PV system costs. More and more countries and emerging markets will include solar power in their energy mix. The change in demand in a single country or region will have less bearing on overall global PV demand.

To capture market growth and enlarge its market share, the Group has proactively accelerated capacity expansion and is preparing to add four new solar glass production lines with an aggregate capacity of 4,000-tonne/day in 2020, thereby increasing the total daily melting capacity from 7,800 tonnes to 11,800 tonnes. The two new production lines in Guangxi, with daily melting capacity of 1,000-tonne/day each, are expected to commence operation in June 2020 and the third quarter of 2020, respectively. Another two new production lines in Anhui, with daily melting capacity of 1,000-tonne/day each, are expected to start running in the fourth quarter and the year end of 2020, respectively. Depending on the development and impact of the novel coronavirus (COVID-19), the actual commencement dates of the new production lines are subject to change. Besides, the Group is also aiming to add two new solar glass production lines with daily melting capacity 1,000 tonnes each in the first half of 2021.

In addition to capacity expansion, the Group will continue to optimise its scale and technical advantages, streamline and automate production processes, and develop new products so as to sharpen its competitive edge. As a measure to mitigate rising raw material costs, the Group has been developing a low-iron silicon sand mine in Guangxi. The mine is expected to begin operation in the third quarter of 2020, which can help the Group further enhance its cost competitiveness and ensure long-term stable supply of the raw material. Recently, double-glass and bifacial solar modules have been gaining wider acceptance and their market penetration is expected to further accelerate in the coming years. The Group will step up efforts on research and development, enhance product quality and enrich its product range to fulfil different customer needs.

As for the solar farm business, the successful Spin-off of Xinyi Energy has optimised the Group's financing model and strengthened its financial capability, both developments will be conducive to the long-term advancement of the business. Subject to the development and impact of the novel coronavirus (COVID-19), the Group aims to meet the installation target of 600MW in 2020. With China aiming for grid parity, the number of subsidised PV projects will gradually decrease. Therefore, the Group will progressively shift its development focus from subsidised projects to subsidy-free projects and explore development opportunities in more different locations.

In January 2020, China issued new provisions in relation to administrative measures for the renewable energy subsidy payment. According to the new provisions, the country will no longer publish the renewable energy tariff subsidy catalogue (the "**Subsidy Catalogue**") from time to time. Instead, all renewable energy projects must submit subsidy applications through the national renewable energy information management platform. Grid companies will observe the principles set out by the Ministry of Finance and other departments that determine and regularly announce a list of renewable energy power generation projects that are eligible for subsidy (the "**Renewable Energy Power Generation Project List**") in accordance with the project type, grid connection time, and technical level. Projects listed in the first to seventh batches of the Subsidy Catalogue will be included in the Renewable Energy Power Generation Project List directly. For subsidy payment, priority will be given to projects such as PV poverty alleviation, distributed generation owned by natural persons, green certificate trading participants, and projects that are willing to be classified as grid parity (unsubsidised) projects. Subsidies for all other projects will be paid at the same percentage on a unified basis. Having considered the limited funding of the Renewable Energy Fund, the new measures may benefit projects that have not been included in the first seven batches of the Subsidy Catalogue, but may extend the subsidy payback period for the projects in the first seven batches. With no payment delay for the forthcoming newly-added subsidised projects and with subsidies distributed to all eligible existing projects on a pro-rata basis, the new measures can help solar power projects achieve more predictable and stable cash flows.

The spreading coronavirus outbreak to different countries around the world may add challenges to the global solar installation in 2020 and thereby change the demand dynamics and cause price fluctuation to the solar glass market. Despite these uncertainties, the Directors remain cautiously optimistic about the growth potential of the Group's solar glass and solar farm businesses amid rapid development of solar technology and increased penetration of solar energy in different countries, and may adjust the Group's solar glass capacity expansion plan and solar farm installation target where necessary.

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

Hong Kong, 16 March 2020

Management's Discussion and Analysis

OVERVIEW

In 2019, the dramatic drop in the cost of PV systems stimulated solar installations in different countries. However, as China's PV industry has been transitioning from being solely subsidy-driven to a mix of "subsidy-free" and "FiT-supported", new installations were led by countries other than China. The revived overseas demand has driven solar glass sales growth, contributing to a remarkable increase in revenue and profit contributions from the Group's solar glass segment.

For the year ended 31 December 2019, the Group achieved consolidated revenue of HK$9,096.1 million, representing a 18.6% increase when compared to 2018. Profit attributable to equity holders of the Company increased by 29.7% to HK$2,416.5 million. Basic earnings per share were 30.28 HK cents for 2019, as compared to 24.87 HK cents for 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2019 was mainly derived from two core business segments, namely (a) sale and manufacturing of solar glass and (b) solar farm business. Both segments recorded notable revenue growth in 2019.

Revenue – By Product

	Year Ended 31 December					
	2019		2018		Increase/(Decrease)	
	HK$ million	**% of revenue**	HK$ million	% of revenue	HK$ million	%
Sales of solar glass	**6,767.4**	**74.4**	5,562.3	72.5	1,205.1	21.7
Solar farm business	**2,227.6**	**24.5**	1,920.5	25.0	307.1	16.0
EPC services	**101.1**	**1.1**	188.9	2.5	(87.8)	(46.5)
Total external revenue*	**9,096.1**	**100.0**	7,671.6	100.0	1,424.5	18.6

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

Solar Glass Revenue – By geographical market

	Year Ended 31 December					
	2019		2018		Increase/(Decrease)	
	HK$ million	**% of revenue**	HK$ million	% of revenue	HK$ million	%
The People's Republic of China ("**PRC**")	**4,906.5**	**72.5**	4,170.2	75.0	736.3	17.7
Other countries	**1,860.9**	**27.5**	1,392.1	25.0	468.8	33.7
	6,767.4	**100.0**	5,562.3	100.0	1,205.1	21.7

For the year ended 31 December 2019, the Group's solar glass sales revenue increased by 21.7% to HK$6,767.4 million. The increase was primarily due to higher sales volume and increased average selling price ("**ASP**") of solar glass, though partially offset by the impact of depreciation of the Renminbi ("**RMB**") and Malaysian Ringgit ("**MYR**") against the Hong Kong dollar ("**HKD**").

PV demand in 2019 was primarily fuelled by the burgeoning overseas market. The sharp decline of Chinese solar module prices that started from mid-2018 has substantially reduced installation costs for new PV projects, hence, has stimulated demand for different PV products. The new capacity added around the year-end of 2018 (1,000-tonne/day in Malaysia) and the resumption of suspended capacity after cold repair in 2019 (1,100-tonne/day in Anhui province) have helped the Group to capture growth opportunities. In 2019, the sales volume of the Group's solar glass grew 21.7% year-on-year.

With reviving downstream demand, the price of solar glass maintained an upward trajectory throughout 2019. In the second quarter, the price of solar glass had already returned to the pre-531 policy level. Because of surging demand and limited increase in supply, price continued to climb in the second half year. The mainstream product price at the end of 2019 was about 20% higher than the price at the beginning of the year, and the annual average price was about 4% to 5% higher than last year.

The increase in revenue resulting from volume growth and higher selling price was partially offset by the unfavourable impact of foreign exchange rates. The RMB/HKD and MYR/HKD exchange rates used for converting RMB-denominated and MYR-denominated revenue for the different months of 2019 into HKD were relatively lower – roughly by 4% and 3% year-on-year respectively – than those applied in the corresponding months of 2018, hence impacted negatively on the Group's revenue.

The Group recorded year-on-year revenue growth of 17.7% and 33.7% in the PRC domestic market and overseas market, respectively. Overseas sales accounted for 27.5% (2018: 25.0%) of the Group's total solar glass sales in 2019. The capacity expansion of the Malaysia production plant – from 900-tonne/day to 1,900-tonne/day near year-end 2018 – has enabled the Group to fulfil overseas orders more flexibly and efficiently.

Revenue from electricity generation for the year ended 31 December 2019 was derived from the Group's solar farms in the PRC as set forth below:

	As at 31 December 2019 *MW*	As at 30 June 2019 MW	As at 31 December 2018 MW
Utility-scale ground-mounted solar farms			
Anhui province	**1,370**	1,340	1,340
Others (Hubei, Tianjin, Henan, Fujian, etc.)	**1,004**	934	904
Sub-total	**2,374**	2,274	2,244
Commercial distributed generation projects	**38**	38	38
Total	**2,412**	2,312	2,282
Utility-scale ground-mounted solar farms listed in the Subsidy Catalogue			
– The 6th batch	**250**	250	250
– The 7th batch	**724**	724	724
Total	**974**	974	974
Total number of solar farms	**32**	30	29
Weighted average FiT * (RMB/kWh)	**0.88**	0.90	0.90

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

After the Spin-off, Xinyi Energy and its subsidiaries continue to be non-wholly owned subsidiaries of Xinyi Solar. Their financial results will therefore continue to be consolidated into the accounts of the Group; hence, their electricity generation revenues will continue to be recorded as part of the Group's total revenue.

Revenue from the solar farm segment increased by 16.0% from HK$1,920.5 million in 2018 to HK$2,227.6 million in 2019. Given the fixed FiT after grid-connection and the relatively stable sunlight irradiation, the increase in revenue from the solar farm segment was mainly attributable to the first full-year of contributions from new capacities added in 2018, as well as electricity generation from new additions in 2019.

Like other solar farm operators in China, the Group has also experienced delay in receiving subsidy payments in relation to electricity generation of its solar farms. As at 31 December 2019, the outstanding tariff adjustment (subsidy) receivable of the Group amounted to HK$2,862.5 million, of which HK$1,537.4 million is related to solar farm projects listed in the sixth and seventh batches of the Subsidy Catalogue respectively. The receivables from sales of electricity are generally settled on a monthly basis by state grid companies, while the tariff adjustment (subsidy) receivables are settled by state grid companies in accordance with the prevailing government policies. In 2019, the Group received tariff adjustment (subsidy) payments of RMB624.1 million (equivalent to approximately HK$706.2 million), which were mainly related to the electricity generation during April 2017 to February 2018 by the Group's solar farms listed in the sixth and seventh batches of the Subsidy Catalogue.

EPC revenue of the Group for 2019 was mainly derived from residential and commercial distributed generation projects carried out by a non-wholly owned subsidiary, Polaron Solartech Corp ("**PSC**"), in Canada. As compared to 2018, revenue of this segment was down by 46.5% year-on-year to HK$101.1 million. The subsidy programme of the province where PSC previously operated was terminated, hence, the company has been developing new projects in other provinces. As PSC required time to adjust to this territorial shift, fewer projects were completed in 2019.

Gross profit

The Group's gross profit increased by HK$951.1 million, or 32.1%, from HK$2,960.4 million in 2018 to HK$3,911.5 million in 2019. The increase was mainly due to greater contributions from the solar glass and solar farm businesses, though was partly offset by a decline in profit from the EPC service segment. Overall gross profit margin of the Group rose to 43.0% (2018: 38.6%), primarily due to the enhanced gross profit margins of both the solar glass and solar farm businesses.

During the year, gross profit margin of the Group's solar glass segment increased by 5.9 percentage points to 32.1% (2018: 26.2%). The increase was mainly attributable to the net impact of: (i) higher ASP when compared to last year; (ii) improved production efficiency because of new capacities added and the completion of cold repairs at certain production facilities; (iii) higher energy costs as a result of the price hike of natural gas in China and Malaysia; and (iv) higher cost pressure on raw materials such as soda ash and silica sands.

Gross profit contribution from the Group's solar farm segment increased by 18.3% in 2019 to HK$1,704.6 million (2018: HK$1,441.0 million) and accounted for 43.6% (2018: 48.7%) of the total gross profit of the Group. Gross profit margin of the segment increased from 75.0% in 2018 to 76.5% in 2019, mainly due to the streamlining of operations and the adoption of various efficiency enhancement measures during the year, as well as certain savings in fixed cost resulting from the scaling up of business.

With fewer EPC projects undertaken, gross profit contribution of the EPC service segment decreased by HK$30.2 million from HK$63.6 million in 2018 to HK$33.4 million in 2019.

Other income

During the year, the Group's other income decreased by HK$45.8 million to HK$130.6 million, as compared to HK$176.4 million recorded in 2018. The decline was principally due to less government grants received, though partially offset by the increase in scrap sales and tariff adjustments in relation to electricity generated by the solar power system installed on the rooftops of the Group's production complex.

Management's Discussion and Analysis

Other losses, net

Other losses, net decreased by HK$2.6 million to HK$5.4 million in 2019 from HK$8.0 million in 2018. For the year, foreign exchange losses of HK$1.3 million and losses on disposal of property, plant and machinery of HK$4.1 million were recorded.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 3.8% from HK$271.2 million in 2018 to HK$281.5 million in 2019. The increase stemmed primarily from additional transportation costs alongside the rise in overseas solar glass sales. Selling and marketing expenses to revenue ratio dropped from 3.5% in 2018 to 3.1% in 2019 as expanded capacity at the Malaysia production plant has helped the Group to fulfil more overseas orders at lower logistics costs.

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK$14.5 million, or 3.5%, from HK$412.7 million in 2018 to HK$427.2 million in 2019. The increase was mainly attributable to the increase in research and development expenses of HK$25.4 million, though partially offset by the net impact of: (i) listing fee charged to profit and loss for the Spin-off of Xinyi Energy amounted to HK$14.7 million in 2019, compared to HK$31.2 million in 2018; and (ii) decrease in miscellaneous operating expenses. Because of the increased revenue and certain expenses being relatively fixed, the ratio of administrative and other operating expenses to revenue decreased from 5.4% in 2018 to 4.7% in 2019.

Finance costs

The Group's finance costs increased from HK$256.0 million (or HK$291.8 million before capitalisation) in 2018 to HK$303.5 million (or HK$341.5 million before capitalisation) in 2019. The increase was mainly attributable to the recognition of interest on lease liabilities as a result of the adoption of HKFRS16 "Leases" from 1 January 2019 and rising interest rates, which were partially offset by the decrease in average bank borrowings of the Group. During the year, interest expense of HK$38.0 million (2018: HK$35.8 million) was capitalised into the construction costs of different solar farm projects and solar glass production facilities. The capitalised amounts will depreciate together with relevant assets over their estimated useful lives.

Share of profit in joint venture

For the year, the Group recorded a share of profit in a joint venture of HK$39.4 million (2018: HK$33.6 million), attributable to contributions from Xinyi Solar (Lu'an) Company Limited, a 50%-owned joint venture that engages in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, China.

Income tax expense

The Group's income tax expense increased from HK$204.7 million in 2018 to HK$294.1 million in 2019. The increase was primarily attributable to the net impact of: (i) increase in profit of the solar glass business; (ii) increase in income tax expenses of the Group's solar farm business on expiry of the three-year full-exemption period of corporate income tax ("**CIT**") for certain solar farms during the year; and (iii) recognition of deferred tax assets in relation to the investment tax allowance on qualifying capital expenditure of a subsidiary of the Group in Malaysia.

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

EBITDA and net profit

In 2019, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK$4,231.6 million, representing an increase of 31.8% as compared to HK$3,209.5 million in 2018. The Company's EBITDA margin (calculated based on total revenue for the year) was 46.5% in 2019 as compared to 41.8% in 2018.

Net profit attributable to equity holders of the Company in 2019 was HK$2,416.5 million, representing an increase of 29.7%, as compared to HK$1,863.1 million in 2018. Net profit margin increased to 26.6% in 2019 from 24.3% in 2018, mainly due to the improved profit margin of the solar glass business, which was partially offset by the reduced share of profit from Xinyi Energy Group (from 75% to 52.7%) after the Spin-off.

Financial resources and liquidity

For the year, total assets of the Group increased by 18.9% to HK$28,397.0 million and shareholders' equity increased by 35.9% to HK$14,176.8 million. The Group's current ratio as at 31 December 2019 was 1.8, compared to 1.0 as at 31 December 2018. The improvement in current ratio was primarily due to: (i) increase in cash and cash equivalents from fund raising activities, including the placing in March 2019 and the Spin-off of Xinyi Energy in May 2019; and (ii) decrease in bank borrowings.

The confluence of the cash flow generated from the Group's business operations and equity fund raising has substantially strengthened the Group's financial resources. As at 31 December 2019, total cash and bank balances of the Group stood at HK$2,221.1 million, 183.3% higher than the corresponding figure at 31 December 2018. For the year ended 31 December 2019, net cash inflow from operating activities amounted to HK$1,582.8 million (2018: HK$2,310.4 million). The decrease was primarily attributable to: (i) increase in tariff adjustments receivables in relation to the solar farm business; and (ii) increase in trade receivables of the solar glass business resulting from the expansion of business operation. Net cash used for investing activities amounted to HK$2,262.4 million in 2019 (2018: HK$3,035.2 million). The decline was primarily due to lower capital expenditures as fewer solar farm projects were under construction during the year. Net cash generated from financing activities amounted to HK$2,126.8 million in 2019 (2018: HK$174.0 million). During the year, the Group secured new bank borrowings of HK$1,709.0 million, repaid bank borrowings of HK$3,818.4 million and raised net proceeds of HK$1,305.5 million from the placing in March 2019 and HK$3,808.1 million from the Spin-off of Xinyi Energy in May 2019.

The Group's net debt gearing ratio, which is bank borrowings less cash and cash equivalents divided by total equity, as at 31 December 2019 was 24.0% (31 December 2018: 66.2%). The gearing level of the Group decreased during the year primarily due to: (i) increase in cash and cash equivalents; (ii) decrease in bank borrowings; and (iii) increase in shareholders' equity of approximately HK$960.2 million in relation to the Spin-off, over-allotment issue and the disposal of 540MW solar farm projects to Xinyi Energy.

Management's Discussion and Analysis

Capital Expenditures and Commitments

The Group incurred capital expenditures of HK$2,351.5 million for the year ended 31 December 2019 which was primarily used in the development of the solar farm projects as well as the expansion of solar glass production capacities. Capital commitments contracted for but not incurred by the Group as at 31 December 2019 amounted to HK$1,292.1 million, which were mainly related to the development and construction of the solar farm projects and the addition of new solar glass production facilities.

Pledge of Assets

No assets of the Group were pledged as security for bank borrowings as of 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries

Save as disclosed in notes 14 and 17 to the consolidated financial statements, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2019.

Use of Proceeds of Placing

In March 2019, the Company raised net proceeds of approximately HK$1,305.5 million by the issuance of 380,000,000 shares. The table below sets out the proposed application of the net proceeds and actual utilisation up to 31 December 2019.

Capital expenditure	Proposed application of the net proceeds HK$ million	Amount utilised up to 31 December 2019 HK$ million	Unutilised balance up to 31 December 2019 HK$ million
Solar glass production capacity expansion	587.5	587.5	—
Development and construction of solar farm projects	587.5	587.5	—
General working capital	130.5	130.5	—
Total	1,305.5	1,305.5	—

Treasury Policies and Exposure to Fluctuation in Foreign Exchange Rates

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

Because of the depreciation of RMB against HKD in 2019, the Group reported non-cash translation losses — a decline in the reserve of consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2019, exchanges losses of HK$330.5 million were recorded as the exchange reserve movement. As a result, the debit balance in the consolidated exchange reserve account increased from HK$827.8 million as of 31 December 2018 to HK$1,158.3 million as of 31 December 2019.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst its bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance to minimise the risk of currency mismatch between the source of revenue with bank borrowings and the advantage of the lower borrowing rates of HKD as compared to those of the RMB. As at 31 December 2019, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2019, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 31 December 2019, the Group had about 3,713 full-time employees of whom 3,069 were based in Mainland China and 644 were based in Hong Kong, Malaysia and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$374.6 million for the year ended 31 December 2019.

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

Profile of Directors and Senior Management

CHAIRMAN AND EXECUTIVE DIRECTOR

Dr. LEE Yin Yee, B.B.S. (李賢義), aged 67, is an executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Dr. LEE Yin Yee, B.B.S. was appointed as non-executive Director of the Company on 5 June 2011 and re-designated as executive Director on 28 May 2019. Dr. LEE Yin Yee, B.B.S. joined our Group in July 2006. Dr. LEE Yin Yee, B.B.S. has more than 30 years experience in the glass industry. Dr. LEE Yin Yee, B.B.S. is the founder of Xinyi Glass Holdings Limited ("**Xinyi Glass**") (stock code: 00868), a company listed on the The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), and its subsidiaries ("**Xinyi Glass Group**") and is currently an executive director and the chairman of Xinyi Glass. Prior to establishing the Xinyi Glass Group, Dr. LEE Yin Yee, B.B.S. engaged in the trading of automobile parts. Dr. LEE Yin Yee, B.B.S. obtained an honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, B.B.S. is a committee member of the 10th-13th Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Fu Jian Chamber of Commerce in Shenzhen (formerly known as "Shenzhen Fujian Corporate Association"). Dr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Dr. LEE Yin Yee, B.B.S. is the brother-in-law of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, a non-executive Director, and an uncle of Mr. LEE Yau Ching, our Chief Executive Officer and an executive Director. Dr. LEE Yin Yee, B.B.S. is the father of Dr. LEE Shing Put, B.B.S., a non-executive Director. Dr. LEE Yin Yee, B.B.S. has also been the chairman and non-executive director of Xinyi Energy Holdings Limited ("**Xinyi Energy**") since May 2018. Xinyi Energy (stock code: 03868) was spun off from our Group and became separately listed on the main board of the Hong Kong Stock Exchange since May 2019.

EXECUTIVE DIRECTOR

Mr. LEE Yau Ching (李友情), aged 44, is an executive Director and our Chief Executive Officer. Mr. LEE Yau Ching is responsible for the daily operation of our business operations. Upon graduating from The Hong Kong University of Science and Technology in 1999 with a bachelor's degree in business administration majoring in finance. Mr. LEE Yau Ching joined the Xinyi Glass Group in June 1999. From June 1999 until February 2004, Mr. LEE Yau Ching worked in various functions within Xinyi Glass Group, including overseas sales, finance, production and sales of construction glass and production and sales of automobile OEM glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass Group responsible for planning the overall marketing strategy and overseeing the marketing department. From February 2006 to February 2011, Mr. LEE Yau Ching was the chief operations officer of Xinyi Glass Group. Mr. LEE Yau Ching has since 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013. Mr. LEE Yau Ching started to involve in our business in mid-2006 and has since November 2010 been the Chief Executive Officer overseeing our business. Mr. LEE Yau Ching was awarded the "Young Industrialist Awards of Hong Kong 2014". Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, B.B.S., our Chairman and an executive Director, and a cousin of Mr. LEE Shing Put, B.B.S. our non-executive Director. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling shareholders of Xinyi Glass, Xinyi Solar and Xinyi Energy. Mr. LEE Yau Ching has also been an executive director of Xinyi Energy since June 2015. Xinyi Energy (stock code: 03868) was spun off from our Group and became separately listed on the main board of the Hong Kong Stock Exchange since May 2019.

Mr. LI Man Yin (李文演), aged 65, is an executive Director and is responsible for overseeing the purchase and procurement functions of our business since December 2011. Mr. LI Man Yin was appointed as our executive Director on 20 September 2013. Mr. LI Man Yin has since June 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013.

Mr. CHEN Xi (陳曦), aged 62, is an executive Director and is responsible for overseeing the new energy business. Mr. CHEN joined our Company in November 2010 as vice president of our TCO glass business. Mr. CHEN was appointed as our executive Director on 20 September 2013. Mr. CHEN obtained a bachelor's degree in machinery manufacturing technology, equipment and automation from Sichuan Industrial Institute (四川工業學院) in 1983. From December 1989 to February 1994, Mr. CHEN was an assistant engineer and engineer of Zhongshan Tractor Factory (中山市拖拉機廠), responsible for machinery design and manufacture. From February 1994, Mr. CHEN started to work for Grand Engineering Glass Co., Ltd. (格蘭特工程玻璃(中山)有限公司) as production equipment manager. From September 1997 to April 2003, Mr. CHEN was the general manager of this company, overseeing its operation. Mr. CHEN joined Xinyi Glass Group in June 2003. From June 2003 to mid-2010, Mr. CHEN was principally responsible for the construction and operation of the construction glass production lines of Xinyi Glass Group in Dongguan.

NON-EXECUTIVE DIRECTOR

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* **(董清世)**, aged 54, is a non-executive Director and our Vice Chairman and is responsible for the formulation of our Group's overall business strategy and overseeing the implementation of the business strategies. Tan Sri Datuk TUNG was appointed as executive Director of the Company on 5 June 2011 and re-designated as non-executive Director on 28 May 2019. Tan Sri Datuk TUNG joined our Group in July 2006. Tan Sri Datuk TUNG has been working in Xinyi Glass Group for more than 30 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣西壯族自治區委員會常委), vice chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), a member of the executive committee of the twelve session of the All-China Federation of Industry and Commerce (第十二屆全國工商聯執行委員會委員), chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association. Tan Sri Datuk TUNG obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hongkong 2006". Tan Sri Datuk TUNG graduated from the Sun Yat-Sen University with a senior executive master degree in business administration in 2007. Tan Sri Datuk TUNG is the brother-in-law of Dr. LEE Yin Yee, B.B.S., our Chairman and an executive Director. Tan Sri Datuk TUNG has also been the chairman and non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited, a company listed on the GEM of the Hong Kong Stock Exchange (stock code: 08328). Tan Sri Datuk TUNG has also been an executive director and vice chairman of Xinyi Energy since May 2018. Xinyi Energy (stock code: 03868) was spun off from our Group and became separately listed on the main board of the Stock Exchange since May 2019.

Profile of Directors and Senior Management

Mr. LEE Shing Put, B.B.S. (李聖潑), aged 42, is our non-executive Director. Mr. LEE Shing Put, B.B.S. joined our Company in September 2013 and was appointed as our non-executive Director on 20 September 2013. Prior to joining us, Mr. LEE Shing Put, B.B.S. had been engaged in information technology and investment businesses in Hong Kong and China since 2001. Mr. LEE Shing Put, B.B.S. graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics; and graduated from the Peking University in 2016 with a master degree in business administration. Mr. LEE Shing Put, B.B.S. was the executive director of Xinyi Glass from June 2004 to October 2008. Mr. LEE Shing Put is currently a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (政協廣東省第十二屆委員會常委) and the 6th Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference (政協深圳市第六屆委員會常委). Mr. LEE Shing Put, B.B.S. is the son of Dr. LEE Yin Yee, B.S.S., our Chairman and an executive Director, a cousin of Mr. LEE Yau Ching, and a nephew of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHENG Kwok Kin Paul (鄭國乾), aged 68, has been an independent non-executive Director since 19 November 2013. Mr. Cheng has over 30 years of experience in the accounting and finance disciplines. Mr. CHENG joined Leach & Co., Chartered Accountants, of London, United Kingdom in 1972, and qualified as a Chartered Accountant in 1976. Mr. CHENG became a partner of the firm in 1978 and retired from the partnership in 1992. Mr. CHENG was with Mitsubishi UFJ Securities (HK) Holdings, Limited between April 2006 and December 2012. Mr. CHENG joined the company initially as a managing director, head of legal, compliance and company secretary. Mr. CHENG was appointed as a board director and deputy president of the company in November 2007 and held these positions until his retirement in December 2012. Mr. CHENG was admitted as an Associate of the Institute of Chartered Accountants in England and Wales ("**ICAEW**") and of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") in 1976 and 1982, respectively. He was made Fellow of ICAEW in 1982 and Fellow of HKICPA in 1990. Mr. CHENG was a member of Corporate Finance Committee of the HKICPA from 2006 to 2012. Currently, Mr. CHENG is a member of the Audit Profession Reform Working Group and the Professional Conduct Committee of HKICPA. Mr. Cheng was also an independent non-executive director of RM Group Holdings Limited (stock code: 00932) (now known as Shunten International (Holdings) Limited), a company listed on the Main Board of The Hong Kong Stock Exchange, from September 2013 to December 2016. Mr. CHENG serves as an independent non-executive director of Kin Yat Holdings Limited (stock code: 00638), a company listed on the Main Board of The Hong Kong Stock Exchange. Mr. Cheng has been appointed as an independent non-executive director of Bank of Shanghai (Hong Kong) Limited, a restricted licence bank in Hong Kong, since 29 June 2017.

Mr. KAN E-ting, Martin (簡亦霆), aged 37, has been an independent non-executive Director since 19 November 2013. Mr. KAN graduated from the University of Sydney with a bachelor's degree in engineering majoring in software engineering in 2005 and a bachelor's degree in laws in 2007. Mr. KAN joined Mallesons Stephen Jaques (now known as King & Wood Mallesons) in August 2008 as a trainee solicitor and left the firm as a solicitor in corporate finance and capital markets practice in February 2013. Mr. KAN was admitted as a lawyer of the Supreme Court of New South Wales, Australia, in July 2008. Mr. KAN was admitted as a solicitor of the High Court of Hong Kong in April 2011. From April 2013 to December 2016, he was the deputy general manager and general manager of Ming Hong Technology (Shenzhen) Limited and Shenzhen Ming Hong Technology Limited respectively, which are primarily engaged in the business relating to the design and production of consumer electronics products.

Mr. LO Wan Sing, Vincent (盧溫勝), aged 72, has been an independent non-executive Director since 19 November 2013. Mr. LO is a member of the Chinese People's Political Consultative Conference, with a Silver Bauhinia Star (S.B.S.) awarded on 1 July 2017 by the Hong Kong Special Administrative Region Government. Mr. LO serves as a non-executive director of Good Resources Holdings Limited (Stock code: 00109) and an independent non-executive director of Ever Harvest Group Holdings Limited (Stock code: 01549), both companies listed on the Main Board of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. CHU Charn Fai (朱燦輝), aged 50, is our Financial Controller and our Company Secretary. Mr. CHU joined us in April 2011. Prior to joining us, Mr. CHU was the financial controller of Minmetals Resources Limited (a company listed on the Hong Kong Stock Exchange, now known as MMG Limited) (stock code: 01208) during the period between August 2002 and August 2010. Mr. CHU started working with Minmetals Resources Limited in February 1998 and held various positions in the finance department during the period up to July 2002. Before joining Minmetals Resources Limited, Mr. CHU worked in an international accounting firm for more than four years. Mr. CHU obtained a higher diploma in business studies from City Polytechnic of Hong Kong in 1992, a bachelor's degree in applied computing from The Open University of Hong Kong in 2001 and a master's degree in corporate finance from The Hong Kong Polytechnic University in 2006. Mr. CHU is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. LIU Xiao Rong (劉笑榮), aged 40, is our Vice President, responsible for overseeing our ultra-clear photovoltaic glass business. Mr. LIU obtained a bachelor's degree in inorganic non-metal materials from Northwest Institute of Light Industry (西北輕工業學院) (now known as Shanxi University of Science & Technology (陝西科技大學)) in July 2002. Mr. LIU joined Xinyi Glass Group in July 2007 as a raw material engineer of our solar glass business. From February to June 2009, Mr. LIU was transferred to the group management office of Xinyi Glass as an assistant of the chief executive officer, focusing on the development of our solar glass business. Since October 2008, Mr. LIU has been working for us and worked as our vice general manager of production from October 2010 to December 2013. In December 2013, Mr. LIU was appointed as general manager of our ultra-clear photovoltaic glass business.

Mr. WEN Jie (文杰), aged 58, is our General Manager of Sales, responsible for overseeing the sales function of our photovoltaic glass business. Mr. WEN studied chemical technology at Tianjin Chemical Vocational University (天津市化工職業大學) from 1980 to 1983. From 1997 to 2004, Mr. WEN worked in Tianjin Nippon Sheet Glass Co. Ltd. (天津日板浮法玻璃有限公司) as a sales manager. From 2004 to 2009, Mr. WEN worked for Tianjin NFG Glass Fibre Co., Ltd. (天津日硝玻璃纖維有限公司). Mr. WEN joined us in May 2009 as the vice general manager of sales.

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 and Corporate Governance Report (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 2019.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2019.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 18 to 21 of this annual report.

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

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

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

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

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

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

The two non-executive Directors and the three independent non-executive Directors have been appointed for an initial term of three years commenced from 19 November 2013 and such terms of appointment have been renewed for three years on 18 November 2016 and further renewed for three years on 18 November 2019. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

Attendance records of the Directors at board meetings and general meetings in 2019 are as follows:

	Meetings attended/held	
Directors	General meeting	Board meetings
Executive Directors		
LEE Yin Yee *(Redesignated from non-executive director on 28 May 2019)*	1/1	4/4
LEE Yau Ching	1/1	4/4
LI Man Yin	1/1	4/4
CHEN Xi	0/1	4/4
Non-executive Directors		
TUNG Ching Sai *(Redesignated from executive director on 28 May 2019)*	1/1	4/4
LEE Shing Put	1/1	4/4
Independent non-executive Directors		
CHENG Kwok Kin, Paul	1/1	4/4
LO Wan Sing, Vincent	1/1	4/4
KAN E-ting, Martin	1/1	4/4

At least four Board meetings are scheduled to be held during the year ending 31 December 2020.

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

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

BOARD DIVERSITY

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2019 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin. The chairman of the Remuneration Committee is Mr. LO Wan Sing, Vincent.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2019, one meeting of the Remuneration Committee was held on 25 February 2019 and all the committee members attended this meeting.

Pursuant to code provision B1.5 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 2019 is set forth below:

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

Details of the Directors' remuneration is set out in Note 40 to the consolidated financial statements of the Group on pages 160 to 163 in this annual report.

AUDIT COMMITTEE

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

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control and risk management systems and oversee the auditing processes of the Group. The Audit Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2019 on 25 February 2019, 7 August 2019 and 24 September 2019, 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, and all the committee members attended these meetings.

NOMINATION COMMITTEE

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

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2019, one meeting of the Nomination Committee was held on 25 February 2019 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.

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 the director's reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 53 to 57 of this annual report.

AUDITORS' REMUNERATION

For the year under review, the professional fees charged by the external auditors of the Company, PricewaterhouseCoopers, in respect of the auditing services is disclosed in the notes to the financial statements of the Group during the year, which are as follows:

Auditors remuneration	HK$'000
– Audit services	3,210
– Non-audit services	2,011

The non-audit services are mainly related to the spin-off, separate listing and interim review of Xinyi Energy Holdings Limited, a non-wholly owned subsidiary of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

– Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;

– Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

– Important business functions or activities are managed by experienced, qualified and suitably trained staff;

– Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and

– Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2019.

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 2019 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 2019.

INSIDE INFORMATION POLICY

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

In compliance with the code provision A.6.5 of the CG Code, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Company Secretary is Mr. CHU Charn Fai, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. CHU is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2019, Mr. CHU has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

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

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

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Hong Kong Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2019.

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 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The activities of the subsidiaries are mainly production and sale of solar glass products, development and operation of solar farms and the provision of engineering, procurement and construction ("**EPC**") services. Particulars of the subsidiaries are set forth in Note 13 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 2019 and the future development are set out in the Chairman's Statement from pages 4 to 9 and Management Discussion and Analysis from pages 10 to 17 of this annual report. These discussions form part of this Report of Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 58 in this annual report. During the year, an interim dividend of 5.5 HK cents per share, amounting to a total of approximately HK$443.2 million, was paid to shareholders in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend on 15 October 2019.

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, 25 May 2020. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or about Wednesday, 24 June 2020.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Tuesday, 12 May 2020 to Friday, 15 May 2020, 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, 11 May 2020.

The register of members will be closed from Thursday, 21 May 2020 to Monday, 25 May 2020, both days inclusive, during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar 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, 20 May 2020 for such purpose.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

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

In March 2019, the Group passed the Green Finance Certification of the Hong Kong Quality Assurance Agency and was awarded the Pre-issuance Stage Certificate for Green Finance, confirming that the Group's solar glass production base projects and solar farm projects meet the requirements of green projects. The Group will actively promote financial innovation, increase the exploration of green finance, expand the Group's funding channels through green financing, and ensure our sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance ("**ESG**") Report 2018 of the Group was published on 8 July 2019, which is available for download at the website of the Hong Kong Stock Exchange and the website of the Company. The Group is in the process of preparing the ESG report for the year ended 31 December 2019 and will publish it on the Stock Exchange's website and the Company's website on or before 13 July 2020.

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.

Report of the Directors

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and has been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2019, there were no material dispute between the Group and its customers, suppliers and employees.

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

DONATIONS

Donations by the Group for charitable and other purposes during the year ended 31 December 2019 amounted to HK$984,000 (2018: HK$4,935,000).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Solar glass business

– The levels of demand and supply of solar glass are not entirely within the Group's control and are generally affected by the solar energy industry, the overall macroeconomic factors in the principal solar energy markets, and the production capacity of other solar glass manufacturers.

– The Group may not be able to adjust its production levels promptly in response to the changing market environment and as a result, any unbalance between the demand and supply of solar glass could create significant pressure on the selling prices.

– As a solar glass manufacturer, the Group follows the technology development which may cause demand for its solar products to be reduced significantly.

– The Group also relies on a constant supply of energy and raw materials for its production requirement.

Solar farm business

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

All of the above factors 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 Foreign Exchange Rates" in the Management's Discussion and Analysis on page 17 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 87 to 95 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 27 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2019 and without taking into account the proposed final dividend of 8.5 HK cents per Share for the year then ended, share premium amounting to approximately HK$2,956.3 million (2018: HK$1,856.6 million) and retained earnings of HK$192.6 million (2018: HK$641.9 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

Save for disclosed above, the Company had no distributable reserve available for distribution to Shareholders at 31 December 2019 and 2018.

DIVIDEND POLICY

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

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

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

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

* Redesignated from non-executive director on 28 May 2019

NON-EXECUTIVE DIRECTORS

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

Redesignated from executive director on 28 May 2019

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

In accordance with article 84 of the Company's articles of association, Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* and Mr. LEE Yau Ching will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"). The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

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

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

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

Chairman of the Audit Committee	:	HK$300,000 per annum for the year ended 31 December 2019 and HK$300,000 per annum for the year ending 31 December 2020.
All other Directors	:	HK$250,000 per annum for the year ended 31 December 2019 and HK$250,000 per annum for the year ending 31 December 2020.

During the year ended 31 December 2019, two Directors waived the director's fees of aggregate amount of HK$500,000 to be received by them from the Company. Details of the remuneration of the Directors are set out in note 40 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 transactions disclosed on pages 48 to 50 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

SHARE OPTION SCHEME

In June 2014, the Company adopted a share option scheme (the "**Share Option Schemes**"). The following table sets forth movements in the share options of the Company for the year ended 31 December 2019:

		Exercise price		Number of share options					
	Grant date	(HK$)	Exercisable period	At 1/1/2019	Granted	Exercised	Lapsed	Expired	At 31/12/2019
Executive director									
– Mr. CHEN Xi	12/5/2015	2.84#	1/4/2018-31/3/2019	377,559	—	(377,559)	—	—	—
	23/3/2016	2.78#	1/4/2019-31/3/2020	377,559	—	(377,559)	—	—	—
	31/3/2017	2.48#	1/4/2020-31/3/2021	377,559	—	—	—	—	377,559
	29/3/2018	3.18	1/4/2021-31/3/2022	375,000	—	—	—	—	375,000
	28/3/2019	3.76	1/4/2022-31/3/2023	—	375,000	—	—	—	375,000
Continuous contract employees	12/5/2015	2.84#	1/4/2018-31/3/2019	3,506,765	—	(3,487,554)	(9,061)	(10,150)	—
	23/3/2016	2.78#	1/4/2019-31/3/2020	5,198,169	—	(4,952,294)	(86,920)	—	158,955
	31/3/2017	2.48#	1/4/2020-31/3/2021	6,008,147	—	—	(422,863)	—	5,585,284
	29/3/2018	3.18	1/4/2021-31/3/2022	7,430,000	—	—	(354,000)	—	7,076,000
	28/3/2019	3.76	1/4/2022-31/3/2023	—	8,490,000	—	(265,000)	—	8,225,000
Total				23,650,758	8,865,000	(9,194,966)	(1,137,844)	(10,150)	22,172,798

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

During the year ended 31 December 2019, 9,194,966 options (2018: 3,739,757 options) were exercised. Taking into account the share options exercised or lapsed subsequent to 31 December 2019, as at 16 March 2020, a total of 22,025,328 options were still outstanding under the Share Option Scheme which represents approximately 0.27% of the issued ordinary shares of the Company.

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

(i) Purpose

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

(ii) Participants

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

(iii) Maximum number of shares

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

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

(iv) Maximum entitlement of each eligible participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(vii) Option price for subscription of shares

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

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

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

(c) the nominal value of a Share.

(viii) Remaining life of the Option Share Option Scheme

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 18 to 21 of this annual report.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

THE COMPANY AND ASSOCIATED CORPORATIONS

(i) Long position in the Shares of the Company

Name of Director	Capacity	Name of the controlled corporations	Number of Shares held	Approximate percentage of the Company's issued share
Dr. LEE Yin Yee, B.B.S.[1]	Interest in a controlled corporation[1]	Realbest (as defined below)	829,014,056	10.258%
	Interest in a controlled corporation[2]	Full Guang (as defined below)	35,572,196	0.440%
	Joint interest[1]		30,076,564	0.372%
	Family interest[1]		49,054,305	0.607%
	Interest in persons acting in concert[3]		1,647,027,639	20.379%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*[4]	Interest in a controlled corporation[4]	Copark (as defined below)	282,277,830	3.493%
	Personal interest[4]		15,754,717	0.195%
	Family interest[4]		80,300,403	0.994%
	Interest in persons acting in concert[3]		2,212,411,810	27.375%
Mr. LI Man Yin[5]	Interest in a controlled corporation[5]	Perfect All (as defined below)	91,394,968	1.131%
	Personal interest[5]		3,325,490	0.041%
	Family interest[5]		2,240,549	0.028%
	Interest in persons acting in concert[3]		2,493,783,753	30.857%
Mr. LEE Yau Ching[6]	Interest in a controlled corporation[6]	Telerich (as defined below)	291,146,515	3.602%
Mr. CHEN Xi[7]	Personal interest		230,476	0.003%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") which in turn is the registered owner of 829,014,056 Shares. Dr. LEE Yin Yee, B.B.S. also has 30,076,564 Shares through a joint account with and 49,054,305 Shares through his spouse, Madam TUNG Hai Chi.

(2) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"). Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* 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 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*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013.

(4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") which is the registered owner of 282,277,830 Shares. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* also has 15,754,717 Shares held in his own name and 80,300,403 Shares through his spouse, Madam SZE Tan Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited ("**Perfect All**") which is the registered owner of 91,394,968 Shares. Mr. LI Man Yin also has 3,325,490 Shares in his own name and 2,240,549 Shares through his spouse, Madam LI Sau Suet.

(6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 291,146,515 Shares.

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

(ii) Share options of the Company

As at 31 December 2019, there were a total of 1,127,559 outstanding share options of the Company granted to an executive director of the Company under the Share Option Scheme of the Company. Details of which are summarised as follows:

Name of Director	:	Mr. CHEN Xi	Mr. CHEN Xi	Mr. CHEN Xi
Date of grant	:	28 March 2019	29 March 2018	31 March 2017
Number of share options granted	:	375,000	375,000	375,000
Number of share options outstanding at 31 December 2019	:	375,000	375,000	377,559#
Exercise period	:	1 April 2022 to 31 March 2023	1 April 2021 to 31 March 2022	1 April 2020 to 31 March 2021
Exercise price per Share	:	HK$3.76	HK$3.18	HK$2.48#
Capacity in which interest is held	:	Beneficial owner	Beneficial owner	Beneficial owner
Approximate percentage of the Company's issued share capital at 31 December 2019	:	0.005%	0.005%	0.005%

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

(iii) Long positions in an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a non-wholly owned subsidiary of the Company, as at 31 December 2019:

Name of Director	Capacity	Name of the controlled corporations	Number of shares held in Xinyi Energy	Approximate percentage of Xinyi Energy's issued shares
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation(1)	Charm Dazzle (as defined below)	457,957,500	6.782%
	Interest in a controlled corporation(1)	Realbest	82,901,405	1.228%
	Interest in a controlled corporation(2)	Full Guang	7,606,019	0.113%
	Joint interest(1)		3,575,733	0.053%
	Family interest(1)		4,337,354	0.064%
	Interest in persons acting in concert(3)		909,783,718	13.473%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Interest in a controlled corporation(4)	Sharp Elite (as defined below)	187,687,500	2.780%
	Interest in a controlled corporation(4)	Copark	29,803,255	0.441%
	Family interest(4)		14,544,041	0.215%
	Interest in persons acting in concert(3)		1,234,126,933	18.276%
Mr. LI Man Yin	Interest in a controlled corporation(5)	Will Sail (as defined below)	45,045,000	0.667%
	Interest in a controlled corporation(5)	Perfect All	9,139,496	0.135%
	Personal interest(5)		394,278	0.006%
	Family interest(5)		162,325	0.002%
	Interest in persons acting in concert(3)		1,411,420,630	20.902%

Notes:

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

(2) The interest in the XYE shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* 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*, 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 the XYE shares they received pursuant to the equity investment agreement dated 18 October 2015 and the capitalisation issue on 21 May 2018.

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

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

Save as disclosed above, as at 31 December 2019, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, 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:

THE COMPANY

Long position in the Shares

Name of substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	1,963,982,867	24.301%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	1,963,982,867	24.301%
Xinyi Glass Holdings Limited	Beneficial owner	811	0.00001%
	Interest in a controlled corporation	1,963,982,867	24.301%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	304,950,673	3.773%
	Personal interest(1)	48,265,333	0.597%
	Interest in persons acting in concert(2)	2,237,528,754	27.686%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	291,146,515	3.602%
	Personal interest(3)	2,314,405	0.029%
	Joint interest(3)	70,047,584	0.867%
	Interest in persons acting in concert(2)	2,227,236,256	27.558%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	133,267,932	1.649%
	Personal interest	3,595,686	0.044%
	Interest in persons acting in concert(2)	2,453,881,142	30.363%
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	126,561,775	1.566%
	Personal interest	2,510,329	0.031%
	Interest in persons acting in concert(2)	2,461,672,656	30.459%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	89,351,040	1.106%
	Personal interest	2,514,901	0.031%
	Interest in persons acting in concert(2)	2,498,878,819	30.920%
Mr. LI Ching Leung	Interest in a controlled corporation(7)	88,997,706	1.101%
	Personal interest(7)	7,752,549	0.096%
	Family interest(7)	457,254	0.006%
	Interest in persons acting in concert(2)	2,493,537,251	30.853%

Notes:

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

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

(3) Mr. LEE Sing Din's interests in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 2,314,405 Shares held in his own name and 70,047,584 Shares through a joint account with his spouse, Madam LI Kam Ha.

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

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

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

(7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 7,752,549 Shares held in his own name and 457,254 Shares through his spouse, Madam DY Maria Lumin.

DETAILS OF DIRECTORSHIPS OF THE DIRECTORS IN EACH OF THOSE COMPANIES WHICH HAS AN INTEREST OR SHORT POSITION IN SHARES AND UNDERLYING SHARES WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as is known to the Directors and the chief executive, as at 31 December 2019, 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 companies which had such discloseable interest or short positions	Position within such companies
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Xinyi Group (Glass) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Xinyi Automobile Glass (BVI) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Xinyi Glass Holdings Limited	Director
Dr. LEE Yin Yee, B.B.S.	Realbest Investment Limited	Director
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Copark Investment Limited	Director
Mr. LI Man Yin	Perfect All Investments Limited	Director
Mr. LEE Yau Ching	Telerich Investment Limited	Director

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2019, 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 2019, 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 19 November 2013 entered by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Convenantors.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
– the largest customer	16.1%
– five largest customers in aggregate	44.9%
Purchases	
– the largest supplier	9.5%
– five largest suppliers in aggregate	30.4%

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

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2019 amounted to HK$6,683.1 million (2018: HK$8,769.5 million). Particulars of the bank borrowings are set out in Note 31 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2019, the Group had about 3,713 full-time employees of whom 3,069 were based in Mainland China and 644 were based in Hong Kong, Malaysia and other countries. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes.

Report of the Directors

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 are set out in Note 37 to the consolidated financial statements. Some of these transactions also constitute "Connected Transactions" or "Continuing Connected Transactions" under the Listing Rules, as identified below.

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

On 3 June 2019, the Group completed the disposal (the "**Disposal**") of all issued shares of Xinyi Solar Farm (Group 1) Limited ("**Xinyi Solar Farm (1)**") to Xinyi Energy at a cash consideration of HK$4,083.3 million. Xinyi Solar Farm (1), through its subsidiaries, owns and operates 540MW solar farm projects in the PRC. Upon completion of the Disposal, the Company's indirect interest in Xinyi Solar Farm (1) was reduced from 100% to 53.7%.

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For further details about the Disposal, please refer to the Company's announcements dated 2 November 2018, 15 May 2019 and 3 June 2019 and the Company's circulars dated 2 November 2018 and 15 May 2019.

Continuing connected transactions

During the year ended 31 December 2019, the Group engaged in certain continuing connected transactions as set out below, which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement.

1) *Purchase of glass products*

   As disclosed in the Company's announcement dated 20 December 2018, the Group entered into glass supply framework agreement ("**Glass Supply Framework Agreement**") with Xinyi Group (Glass) Company Limited ("**Xinyi Glass Hong Kong**") (for and on behalf of itself and its subsidiaries) in relation to the purchase of float glass and architectural glass products by the Group from Xinyi Glass Hong Kong or its subsidiaries for the year ended 31 December 2019. The purpose of the Glass Supply Framework Agreement was to secure a stable and reliable supply source of float glass and architectural glass products with savings in transportation and handling costs.

   The annual cap and the actual transaction amount of the transactions contemplated under the Glass Supply Framework Agreements for the year ended 31 December 2019 is HK$221,800,000 and HK$62,283,000 respectively.

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

2) Purchase of machineries

As disclosed in the Company's announcements dated 20 December 2018 and 7 August 2019, the Group entered into equipment purchase framework agreement ("**Equipment Purchase Framework Agreement**") with Wuhu Jinsanshi Numerical Control Technology Company Limited ("**Wuhu Jinsanshi**") in relation to the purchase of production equipment and auxiliary facilities from Wuhu Jinsanshi by the Group for the year ended 31 December 2019. The purpose of entering into the Equipment Purchase Framework Agreement was to enable the Group to continue to purchase from Wuhu Jinsanshi the required equipment and facilities for production purpose.

The annual cap and the actual transaction amount of the transactions contemplated under the Equipment Purchase Framework Agreement for the year ended 31 December 2019 are HK$126,600,000 and HK$75,415,000 respectively.

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

3) Processing of lithium battery energy storage equipment

As disclosed in the Company's announcement dated 26 February 2018, Xinyi Solar (Hong Kong) Limited entered into processing framework agreement ("**Processing Framework Agreement**") with Xinyi Automobile Glass Hong Kong Enterprises Limited ("**Xinyi Hong Kong**") in relation to the processing of lithium battery energy storage equipment by Xinyi Hong Kong for the year ended 31 December 2019. The purpose of entering into the Processing Framework Agreement was to enable the Group to maintain lithium battery energy storage equipment which can reduce electricity costs attribute to the load shifting in power grid and ensure stability in power supply.

The annual cap and the actual transaction amount of the transactions contemplated under the Processing Framework Agreement for the year ended 31 December 2019 are HK$12,300,000 and HK$2,251,000 respectively.

Directors of Xinyi Solar, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* and Mr. LI Man Yin and their respective associates are interested in more than 30% in aggregate of the issued share capital of Xinyi Hong Kong, and therefore Xinyi Hong Kong is a connected person of the Company under the Listing Rules. Accordingly, the Processing Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

4) *Solar Farm operation and management services*

Pursuant to the solar farm operation and management agreement ("**Solar Farm O&M Agreement**") dated 5 December 2018, Xinyi Energy and its subsidiaries ("**Xinyi Energy Group**") have agreed to provide solar farm operation and management services to all connection-ready utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar and its subsidiaries but excluding Xinyi Energy Group (the "**Remaining Group**") from the listing date of Xinyi Energy to 31 December 2021. The provision of operation and management services is to facilitate clear business delineation between Xinyi Energy Group and the Remaining Group.

The annual cap and the actual transaction amount of the transactions contemplated under the Solar Farm O&M Agreement for the year ended 31 December 2019 are RMB7,200,000 and RMB4,306,000 (equivalent to approximately HK$4,806,000) respectively.

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

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

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

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

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

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

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 48 to 50 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2019.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

Particulars of the subsequent events are set out in Note 41 to the consolidated financial statements in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

Report of the Directors

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 15 May 2020 at 10:00 a.m., at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. 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.xinyisolar.com, and will be dispatched to the Shareholders in due course.

On Behalf of the Board
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 16 March 2020

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 163, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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.

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Independent Auditor's Report

KEY AUDIT MATTER

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of overdue and long-aged trade receivables	
Refer to Notes 2.12, 2.14, 2.16, 23 to the consolidated financial statements. Trade receivables amounted to HK$4,257,049,000 as at 31 December 2019. The Group had certain amounts of overdue and long-aged trade receivables which were exposed to a higher risk of collectability issue. In particular, the collection of tariff adjustment receivables, being the subsidy receivable in respect of the sales of renewable energy, is subject to the registration approval of the solar farms to the Renewable Energy Power Generation Project List (the "Project List") with the respective state grid companies. The Group grouped trade receivables based on shared credit risk characteristics and ageing profiles and made provisions for loss allowance on trade receivables based on an assessment of the recoverability of overdue and long-aged trade receivables on individual customer basis and the lifetime expected credit loss allowance on each group of trade receivables. The lifetime expected credit loss allowance is measured based on past settlement profiles of sales over a period of 24 months and the corresponding historical credit losses experience within this period adjusted with current and forward-looking information on macroeconomic factors that affects the ability of the customers to settle the receivables. We focus on this area because the carrying values of the overdue and long-aged trade receivables are significant to the consolidated balance sheet, and the identification of doubtful debts and the measurement of lifetime expected credit loss allowance require a high degree of judgment and estimates, including assessments on the default rates of customers and the successfulness of the respective solar farm's registration to the Project List.	We understood and evaluated the controls procedures over management's recoverability assessment on the overdue and long-aged trade receivables and assessment on the lifetime expected credit loss allowance. We tested the collectability of the overdue and long-aged trade receivables balance such as subsequent settlement after year end date within ordinary settlement cycle of respective customers, credit history, business performance and financial capability of the customers. We also assessed management's assessment of the lifetime expected credit loss allowance by comparing to supportable evidence about the past settlement profiles of sales and the corresponding historical credit losses. We considered the forward-looking information and factors by reference to industry information. 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, inspected all the registration documents, checked the government publications and industry news and performing research on the settlement pattern of tariff adjustment receivables for other market participants. We also tested, on a sample basis, the accuracy of the ageing profile of the trade receivables. Based on the procedures described, we consider management's assessment on recoverability of overdue and long-aged trade receivables is supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Corporate Information, Chairman's Statement, Management's Discussion and Analysis, Profile of Directors and Senior Management, Report of the Directors, Corporate Governance Report and Financial Summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Environmental, Social and Governance Report, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**9,096,101**	7,671,632
Cost of sales	7	**(5,184,554)**	(4,711,194)
Gross profit		**3,911,547**	2,960,438
Other income	5	**130,593**	176,433
Other losses, net	6	**(5,434)**	(7,952)
Selling and marketing expenses	7	**(281,533)**	(271,169)
Administrative and other operating expenses	7	**(427,156)**	(412,690)
Impairment losses on trade receivables	7, 23(b)	**(14,429)**	(1,584)
Operating profit		**3,313,588**	2,443,476
Finance income	9	**49,088**	9,567
Finance costs	9	**(303,507)**	(255,959)
Share of profits of a joint venture	15	**39,371**	33,613
Share of (losses)/profits of associates		**(5,886)**	9,804
Bargain purchase arising from business combinations		**—**	5,839
Profit before income tax		**3,092,654**	2,246,340
Income tax expense	10	**(294,059)**	(204,662)
Profit for the year		**2,798,595**	2,041,678
Profit for the year attributable to:			
– the equity holders of the Company		**2,416,462**	1,863,146
– non-controlling interests		**382,133**	178,532
		2,798,595	2,041,678
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	11	**30.28**	24.87
– Diluted	11	**30.27**	24.86

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**2,798,595**	2,041,678
Other comprehensive loss for the year, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(427,391)**	(1,012,101)
Share of other comprehensive loss of a joint venture accounted for under equity method			
– Share of currency translation differences	15	**(9,292)**	(23,435)
Total comprehensive income for the year		**2,361,912**	1,006,142
Total comprehensive income for the year attributable to:			
– the equity holders of the Company		**2,086,000**	940,262
– non-controlling interests		**275,912**	65,880
		2,361,912	1,006,142

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**16,710,968**	15,804,382
Right-of-use assets	19	**1,249,116**	—
Land use rights	20	**—**	319,877
Prepayments for property, plant and equipment, land use rights and operating leases	24	**319,143**	335,224
Finance lease receivables	25	**189,944**	187,806
Interests in a joint venture	15	**334,860**	358,296
Investments in associates	16	**69,237**	75,123
Deferred income tax assets	32	**46,091**	4,107
Goodwill		**10,471**	4,485
Total non-current assets		**18,929,830**	17,089,300
Current assets			
Inventories	21	**410,480**	429,576
Contract assets	22	**39,620**	56,122
Trade and bills receivables	23	**5,436,503**	4,153,804
Prepayments, deposits and other receivables	24	**1,347,567**	1,370,339
Finance lease receivables	25	**6,335**	5,355
Amount due from a joint venture	15	**5,630**	4,131
Cash and cash equivalents	26	**2,221,055**	783,873
Total current assets		**9,467,190**	6,803,200
Total assets		**28,397,020**	23,892,500
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	**808,186**	765,969
Reserves	29	**4,217,941**	2,232,726
Retained earnings		**9,150,719**	7,435,114
		14,176,846	10,433,809
Non-controlling interests		**4,396,283**	1,625,109
Total equity		**18,573,129**	12,058,918

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	32	**11,533**	10,608
Bank borrowings	31	**3,879,527**	4,996,500
Lease liabilities	19	**585,442**	—
Other payables	30	**57,337**	89,125
Total non-current liabilities		**4,533,839**	5,096,233
Current liabilities			
Bank borrowings	31	**2,803,618**	3,773,009
Trade and other payables	30	**2,220,441**	2,780,434
Contract liabilities	22	**31,889**	33,978
Lease liabilities	19	**41,053**	—
Amounts due to related companies	37	**90,732**	101,687
Current income tax liabilities		**102,319**	48,241
Total current liabilities		**5,290,052**	6,737,349
Total liabilities		**9,823,891**	11,833,582
Total equity and liabilities		**28,397,020**	23,892,500

The consolidated financial statements on page 58 to 163 were approved by the Board of Directors on 16 March 2020 and were signed on its behalf.

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

LEE Yau Ching
Executive Director and Chief Executive Officer

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital (Note 27) HK$'000	Share premium (Note 29) HK$'000	Other reserves (Note 29) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	For the year ended 31 December 2019						
	Attributable to equity holders of the Company						
Balance at 1 January 2019	765,969	1,856,628	376,098	7,435,114	10,433,809	1,625,109	12,058,918
Comprehensive income							
Profit for the year	—	—	—	2,416,462	2,416,462	382,133	2,798,595
Other comprehensive loss							
Currency translation differences	—	—	(321,170)	—	(321,170)	(106,221)	(427,391)
Share of other comprehensive loss of a joint venture accounted for under equity method	—	—	(9,292)	—	(9,292)	—	(9,292)
Total comprehensive income for the year	—	—	(330,462)	2,416,462	2,086,000	275,912	2,361,912
Transactions with owners							
Acquisition of a subsidiary (Note 17)	—	—	—	—	—	1,439	1,439
Employees' share option scheme:							
– exercise of employees' share options	919	31,760	(6,885)	—	25,794	—	25,794
– value of employee services	—	—	5,057	—	5,057	—	5,057
– release of share option reserve for share options lapsed	—	—	(9)	9	—	—	—
Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend	3,298	138,337	—	—	141,635	—	141,635
Issuance of shares in respect of placing, net of transaction cost (Note 27)	38,000	1,267,542	—	—	1,305,542	—	1,305,542
Dividend:							
– 2018 final dividend	—	(337,989)	—	—	(337,989)	—	(337,989)
– 2019 interim dividend	—	—	—	(443,183)	(443,183)	—	(443,183)
Dividend paid to non-controlling interests (Note 14)	—	—	—	—	—	(238,683)	(238,683)
Appropriation to statutory reserve	—	—	257,683	(257,683)	—	—	—
Changes in ownership interest in subsidiaries without loss of control (Note 14(a))	—	—	960,181	—	960,181	2,732,506	3,692,687
Balance at 31 December 2019	808,186	2,956,278	1,261,663	9,150,719	14,176,846	4,396,283	18,573,129

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

	For the year ended 31 December 2018						
	Attributable to equity holders of the Company						
	Share capital (Note 27) HK$'000	Share premium (Note 29) HK$'000	Other reserves (Note 29) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	742,396	2,509,611	1,081,521	5,787,599	10,121,127	1,559,229	11,680,356
Comprehensive income							
Profit for the year	—	—	—	1,863,146	1,863,146	178,532	2,041,678
Other comprehensive loss							
Currency translation differences	—	—	(899,449)	—	(899,449)	(112,652)	(1,012,101)
Share of other comprehensive loss of a joint venture accounted for under equity method	—	—	(23,435)	—	(23,435)	—	(23,435)
Total comprehensive income for the year	—	—	(922,884)	1,863,146	940,262	65,880	1,006,142
Transactions with owners							
Employees' share option scheme:							
– exercise of employees' share options	374	11,056	(2,628)	—	8,802	—	8,802
– value of employee services	—	—	4,458	—	4,458	—	4,458
– release of share option reserve for share options lapsed	—	—	(48)	48	—	—	—
Issuance of shares in respect of scrip dividend of 2018 interim dividend	23,199	450,064	—	—	473,263	—	473,263
Dividend:							
– 2017 final dividend	—	(519,898)	—	—	(519,898)	—	(519,898)
– 2018 interim dividend	—	(594,205)	—	—	(594,205)	—	(594,205)
Appropriation to statutory reserve	—	—	215,679	(215,679)	—	—	—
Balance at 31 December 2018	765,969	1,856,628	376,098	7,435,114	10,433,809	1,625,109	12,058,918

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	2,168,512	2,800,824
Interest paid		(309,762)	(257,161)
Income tax paid		(275,916)	(233,306)
Net cash generated from operating activities		1,582,834	2,310,357
Cash flows from investing activities			
Prepayment for acquisition of right-of-use assets		(217,697)	(24,701)
Purchases of and prepayment for purchase of property, plant and equipment		(2,133,762)	(3,033,882)
Acquisition of subsidiaries, net of cash acquired	17	(17,542)	(14,854)
Repayment from a joint venture	15	52,872	27,829
Proceeds from disposal of property, plant and equipment	33(b)	4,618	888
Interest received		49,088	9,567
Net cash used in investing activities		(2,262,423)	(3,035,153)
Cash flows from financing activities			
Proceeds from changes in ownership interest in subsidiaries without loss of control		3,895,012	—
Payment for professional fee in connection with changes in ownership interest in subsidiaries without loss of control		(86,867)	—
Proceeds from issuance of shares in respect of placing	27(b)	1,318,600	—
Payment for professional fee in connection with issuance of shares in respect of placing	27(b)	(13,058)	—
Proceeds from exercise of employees option		25,794	8,802
Proceeds from bank borrowings		1,708,975	4,961,636
Repayment of bank borrowings		(3,818,379)	(4,155,576)
Principal element of lease payments	19	(25,069)	—
Dividend paid to Company's shareholders		(639,534)	(640,840)
Dividend paid to non-controlling interests	14	(238,683)	—
Net cash generated from financing activities		2,126,791	174,022
Net increase/(decrease) in cash and cash equivalents		1,447,202	(550,774)
Cash and cash equivalents at beginning of year		783,873	1,380,587
Effect of foreign exchange rate changes		(10,020)	(45,940)
Cash and cash equivalents at end of year	26	2,221,055	783,873

The notes on pages 65 to 163 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollar, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2020.

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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS 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 2019:

- HKFRS 16, "Leases"
- Amendments to HKFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to HKAS 28, "Long-term Interests in Associates and Joint Ventures"
- Annual Improvements Project, "Annual Improvements 2015 – 2017 Cycle"
- Amendments to HKAS 19, "Plan Amendment, Curtailment or Settlement"
- HK (IFRIC) 23, "Uncertainty over Income Tax Treatments"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) *New standard, amendments to standards and interpretation adopted by the Group* (Continued)

The Group had to change its accounting policies as a result of adopting HKFRS 16. In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application. This is disclosed in Note 2.2.

Most of the other 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.

(b) *New standard and amendments to standards have been issued but are not effective for the accounting period beginning on 1 January 2019 and have not been early adopted:*

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

HKFRS 16 "Leases"

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.30.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.25%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- relying on previous assessments on whether leases are onerous.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	1,199,862
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(650,956)
Lease liabilities recognised as at 1 January 2019	548,906
Of which are:	
Current lease liabilities	29,284
Non-current lease liabilities	519,622
	548,906

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

HKFRS 16 "Leases" (Continued)

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets as at 1 January 2019 are reconciled as follows:

	2019 HK$'000
Lease liabilities recognised as at 1 January 2019 (Note 2.2 (ii))	548,906
Rental prepayments recognised as at 31 December 2018	66,573
Rental accruals recognised as at 31 December 2018	(5,488)
Land use rights recognised as at 31 December 2018	319,877
Right-of-use assets recognised as at 1 January 2019	929,868

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Land use rights – decrease by HK$319,877,000
- Prepayments, deposits and other receivables – decrease by HK$66,573,000
- Right-of-use assets – increase by HK$929,868,000
- Lease liabilities – increase by HK$548,906,000
- Other payables – decrease by HK$5,488,000

There was no impact on retained earnings at 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

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

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

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

(a) Business combinations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the:

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

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

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

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

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or an associate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

2.3.2 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.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

2.6 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 entities now comprising the Group that make strategic decisions.

2.7 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment

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

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Dividend distribution

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

2.10 Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to 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.

2.11 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

(a) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Offsetting financial instruments

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

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

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

2.15 Inventories

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

2.16 Trade and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in Note 2.14. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2.18 Cash and cash equivalents

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

2.19 Trade and other payables

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

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

2.20 Share capital

Ordinary shares are classified as equity.

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

2.21 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Borrowing costs

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

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

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

2.23 Government grant

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

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

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

2.24 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. 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 are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a joint venture and associates, including the taxable temporary differences arising from undistributed profits, as the timing of the reversal of the temporary difference is not controlled by the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(c) Offsetting

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

2.26 Revenue recognition

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

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

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

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

(a) Sales of goods

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(a) Sales of goods (Continued)

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

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

(b) Sales of electricity

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

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

(c) Tariff adjustment

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

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

(d) Revenue from construction contracts (EPC services)

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

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

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

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, details are disclosed in Note 9.

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

2.28 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.28 Employee benefits (Continued)

(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.

2.29 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 for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

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

2.29 Share-based payments (Continued)

(b) Share-based payment transaction among group entities

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

2.30 Leases

2.30.1 Accounting policies applied from 1 January 2019

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 34). Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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 reasonable certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Leases (Continued)

2.30.1 Accounting policies applied from 1 January 2019 (Continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30.2 Accounting policies applied until 1 January 2019

(a) Where the Group is the lessor

Finance lease

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivables by the Group as a finance lease receivables and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the balance sheet as finance lease receivables - net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivables and reduce the amount of income recognised over the lease term. See Notes 2.12 and 2.14 for accounting policies for derecognition and impairment of finance lease receivables.

(b) Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Financial guarantee

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2019, if US$ had strengthened/weakened by 5% (2018: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$488,000 (2018: HK$1,069,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2019, if HK$ had strengthened/weakened by 5% (2018: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$62,000 (2018: HK$2,380,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents.

As at 31 December 2019, if US$ had strengthened/weakened by 5% (2018: 5%) against the MYR, which is the functional currency of a Malaysia subsidiary, with all other variables held constant, profit after income tax for the year would have been approximately HK$10,605,000 (2018: HK$6,527,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables and cash and cash equivalents.

Details of the Group's trade receivables and cash and cash equivalents are disclosed in Note 23 and Note 26.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash at bank and short-term deposit and bank borrowings. Except for cash at bank and short-term deposit and bank borrowings with variable interest, the Group has no other significant interest-bearing assets or liabilities. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Other financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash at bank and short-term deposit and bank borrowings have been disclosed in Note 26 and Note 31 to the consolidated financial statements.

As at 31 December 2019, if interest rates on cash at bank and short-term deposit and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$9,602,000 (2018: HK$20,097,000) lower/higher mainly as a result of higher/lower net interest expense being incurred.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

	2019 HK$'000	2018 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	**4,381,809**	3,649,964
Bills receivables (Note 23)	**1,194,111**	701,254
Contract assets (Note 22)	**39,620**	56,122
Finance lease receivables (Note 25)	**196,279**	193,161
Amount due from a joint venture (Note 15)	**5,630**	4,131
Cash at bank and short-term deposit (Note 26)	**2,220,999**	778,639
Maximum exposure to credit risk	**8,038,448**	5,383,271

(i) Risk management

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(i) Risk management (Continued)

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

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

(ii) Impairment of financial assets

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

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

Bills receivables and cash at bank

As at 31 December 2019 and 2018, most of the bank deposits are deposited with reputable banks in the PRC and Hong Kong. Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of cash at bank and bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank and bills receivables are assessed to be close to zero and no provision was made as at 31 December 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

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

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

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

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

As at 31 December 2019 and 2018, the loss allowances for trade receivables were HK$14,657,000, and HK$355,000, respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"). In June 2018, the Group has another eight ground-mounted solar farms, located in Nanping in Fujian Province, Huainan, Bozhou, Wuhu, Fanchang and Shouxian in Anhui Province, Hong'an in Hubei Province, and Binhai in Tianjin Municipality with an aggregate capacity of 724 MW, successfully enlisted on the seventh batch of the Catalogue. The Group has another fourteen ground-mounted solar farms with aggregate approved grid connection capacity of 1,380 MW ready for applying the Catalogue when the registration period open. On 20 January 2020, the PRC government announced the Catalogue will be replaced by the Project List. All solar farm projects listed in the Catalogue will be enlisted in the Project List automatically, and all of the eligible solar farm projects which are outside the Catalogue previously will be also enlisted once completed the submission and application in the National Renewable Energy Information Management Platform. 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 2019 and 2018.

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 45% (2018: 39%) of the Group's total sales. They accounted for approximately 57% (2018: 50%) of the gross trade receivables balances as at 31 December 2019.

Other financial assets at amortised costs

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

The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the other financial assets at amortised cost is assessed to be close to zero and no provision was made as at 31 December 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Finance lease receivables

The Group applies the simplified approach to recognise lifetime expected credit loss for finance lease receivables that results from transactions that are within the scope of HKFRS 16. Given the track record of regular cash flow received by the Group, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the finance lease receivables is assessed to be close to zero and no provision was made as at 31 December 2019 and 2018.

Net impairment losses on trade receivables recognised in profit or loss

Of the net impairment losses on financial assets recognised in profit or loss, HK$14,429,000 (2018: HK$1,584,000) relate to receivables arising from contracts with customers.

(c) *Liquidity risk*

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

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

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2019					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	1,960,639	57,337	—	—	2,017,976
Bank borrowings	3,034,643	3,095,293	911,873	—	7,041,809
Lease liabilities	52,994	45,766	141,904	1,045,213	1,285,877
Amount due to related companies	90,732	—	—	—	90,732
Total	5,139,008	3,198,396	1,053,777	1,045,213	10,436,394
At 31 December 2018					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	2,683,615	89,125	—	—	2,772,740
Bank borrowings	3,983,907	2,512,217	2,773,430	—	9,269,554
Amount due to related companies	101,687	—	—	—	101,687
Total	6,769,209	2,601,342	2,773,430	—	12,143,981

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

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

The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Total borrowings (Note 31)	**6,683,145**	8,769,509
Less: Cash and cash equivalents (Note 26)	**(2,221,055)**	(783,873)
Net debt	**4,462,090**	7,985,636
Total equity	**18,573,129**	12,058,918
Gearing ratio	**24.0%**	66.2%

The decrease in the gearing ratio during 2019 resulted primarily from the fund raised in relation to the spin-off (the "Spin-off") and separate listing of Xinyi Energy Holdings Limited ("Xinyi Energy"), its solar farm operation arm, on the Stock Exchange during the year.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as of 31 December 2019 and 2018. 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 receivables, other receivables and contract assets

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

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled and that is probable that the temporary differences will not reverse in the foreseeable future (Note 32).

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

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

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

Notes to the Consolidated Financial Statements

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2019 HK$'000	2018 HK$'000
Revenue		
Sales of solar glass	6,767,427	5,562,253
Solar farm business		
– Sales of electricity	929,726	763,763
– Tariff adjustment	1,297,845	1,156,712
	2,227,571	1,920,475
Construction contracts revenue		
– EPC services	101,103	188,904
Total revenue	9,096,101	7,671,632
Other income		
Rental income	2,970	3,449
Government grants (Note (a))	70,434	115,037
Others (Note (b))	57,189	57,947
	130,593	176,433

Notes:

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

(b) It mainly represents scrap sales, compensation of insurance claims and tariff adjustments in relation to the electricity generated by the solar power system installed on the roof-top at the Group's production complex.

Segment information

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

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

For the year ended 31 December 2019, there are three operating segments based on business type: (1) sales of solar glass; (2) solar farm business, which includes solar farm development and solar power generation; and (3) EPC services.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

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

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

	Year ended 31 December 2019			
	Sales of solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Total HK$'000
Segment revenue				
Recognised at a point in time	6,767,427	2,227,571	—	8,994,998
Recognised over time	—	—	101,103	101,103
Revenue from external customers	6,767,427	2,227,571	101,103	9,096,101
Cost of sales	(4,593,921)	(522,937)	(67,696)	(5,184,554)
Gross profit	2,173,506	1,704,634	33,407	3,911,547

	Year ended 31 December 2018			
	Sales of solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Total HK$'000
Segment revenue				
Recognised at a point in time	5,562,253	1,920,475	—	7,482,728
Recognised over time	—	—	188,904	188,904
Revenue from external customers	5,562,253	1,920,475	188,904	7,671,632
Cost of sales	(4,106,449)	(479,455)	(125,290)	(4,711,194)
Gross profit	1,455,804	1,441,020	63,614	2,960,438

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment Information (Continued)

	Other segment information			
	Solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Total HK$'000
Year ended 31 December 2019				
Depreciation charge of property, plant and equipment	334,606	460,001	720	795,327
Depreciation charge of right-of-use assets	13,192	26,288	625	40,105
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	1,147,342	1,772,056	2,133	2,921,531

	Other segment information			
	Solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Total HK$'000
Year ended 31 December 2018				
Depreciation charge of property, plant and equipment	283,030	415,978	689	699,697
Amortisation charge of land use rights	7,519	—	—	7,519
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	991,239	2,099,248	4,525	3,095,012

	Assets and liabilities				
	Solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Unallocated HK$'000	Total HK$'000
At 31 December 2019					
Total assets	9,550,312	17,941,676	485,023	420,009	28,397,020
Total liabilities	1,156,483	3,620,257	315,056	4,732,095	9,823,891
At 31 December 2018					
Total assets	7,831,812	15,193,002	420,029	447,657	23,892,500
Total liabilities	1,439,032	4,172,562	355,747	5,866,241	11,833,582

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment Information (Continued)

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

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Segment assets/(liabilities)	27,977,011	23,444,843	(5,091,796)	(5,967,341)
Unallocated:				
Property, plant and equipment	1,333	396	—	—
Interests in a joint venture	334,860	358,296	—	—
Investments in associates	69,237	75,123	—	—
Prepayments, deposits and other receivables	1,000	13,265	—	—
Cash and cash equivalents	3,372	577	—	—
Deferred income tax assets	10,207	—	—	—
Other payables	—	—	(1,918)	(1,351)
Bank borrowings	—	—	(4,730,177)	(5,864,890)
Total assets/(liabilities)	28,397,020	23,892,500	(9,823,891)	(11,833,582)

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

	2019 HK$'000	2018 HK$'000
Segment gross profit	3,911,547	2,960,438
Unallocated:		
Other income	130,593	176,433
Other losses, net	(5,434)	(7,952)
Selling and marketing expenses	(281,533)	(271,169)
Administrative and other operating expenses	(427,156)	(412,690)
Impairment losses on trade receivables	(14,429)	(1,584)
Bargain purchase arising from business combinations	—	5,839
Finance income	49,088	9,567
Finance costs	(303,507)	(255,959)
Share of profits of a joint venture	39,371	33,613
Share of (losses)/profits of associates	(5,886)	9,804
Profit before income tax	3,092,654	2,246,340

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment Information (Continued)

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

	2019 HK$'000	2018 HK$'000
Revenue from sales of solar glasses		
The PRC	4,906,517	4,170,198
Other countries	1,860,910	1,392,055
	6,767,427	5,562,253
Revenue from solar farm business in the PRC		
Sales of electricity	929,726	763,763
Tariff adjustment	1,297,845	1,156,712
	2,227,571	1,920,475
Revenue from construction contracts in respect of EPC services		
The PRC	16,198	52,194
Other countries	84,905	136,710
	101,103	188,904
	9,096,101	7,671,632

For the year ended 31 December 2019, revenue of approximately HK$1,460,322,000 (2018: HK$1,220,267,000) were derived from customer A from solar farm business, which accounted for more than 10% of the Group's revenue for the year.

Revenue of approximately HK$1,080,258,000 were derived from customer B from solar glass business, which accounted for more than 10% of the Group's revenue for the year (2018: None of the customer from solar glass business accounted for more than 10% of the Group's revenue).

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

	2019 HK$'000	2018 HK$'000
The PRC	17,157,609	15,486,410
Other countries	1,536,186	1,410,977
	18,693,795	16,897,387

6 OTHER LOSSES, NET

	2019 HK$'000	2018 HK$'000
Foreign exchange losses, net	**(1,329)**	(5,896)
Losses on disposal of property, plant and equipment	**(4,105)**	(2,056)
	(5,434)	(7,952)

7 EXPENSES BY NATURE

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

	2019 HK$'000	2018 HK$'000
Auditors' remuneration		
– Audit services	**3,210**	1,980
– Non-audit services	**2,011**	5,701
Depreciation charge of property, plant and equipment (Note 18)	**795,327**	699,697
Depreciation charge of right-of-use assets (Note 19)	**40,105**	—
Amortisation charge of land use rights (Note 20)	**—**	7,519
Employee benefit expenses (including directors' emoluments) (Note 8)	**374,620**	337,823
Raw material and consumables used	**4,018,420**	3,676,962
Changes in inventories	**19,096**	(55,634)
Cost of inventories sold (Note 21)	**4,037,516**	3,621,328
Construction contracts costs	**67,696**	125,290
Impairment losses on trade receivables (Note 23(b))	**14,429**	1,584
Impairment on inventories (Note 21)	**9,109**	2,837
Operating lease payments in respect of land and buildings	**—**	47,677
Transportation costs	**259,356**	238,525
Research and development expenditures	**194,946**	169,587
Other expenses	**109,347**	137,089
	5,907,672	5,396,637

8 EMPLOYEE BENEFIT EXPENSES

	2019 HK$'000	2018 HK$'000
Wages and salaries	339,843	300,868
Retirement benefit - defined contribution plans (Note (i))	29,720	32,497
Share options granted to employees (Note 28)	5,057	4,458
	374,620	337,823

Note (i):

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

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

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2018: three) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two (2018: two) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, bonus, other allowances and benefits	7,221	4,650
Retirement benefits - defined contribution scheme	36	36
Share options granted	114	123
	7,371	4,809

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$1,500,001 - HK$2,000,000	—	1
HK$2,500,001 - HK$3,000,000	1	1
HK$4,500,001 - HK$5,000,000	1	—
	2	2

9 FINANCE INCOME AND COSTS

	2019 HK$'000	2018 HK$'000
Finance income		
Interest income from bank deposits	49,088	9,567
Finance costs		
Interest for lease liabilities (Note 19)	38,509	—
Interest on bank borrowings	303,020	291,785
Less: Amounts capitalised on qualifying assets (Note 18)	(38,022)	(35,826)
	303,507	255,959

10 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax (Note (ii))	184	667
– PRC corporate income tax ("CIT") (Note (iii))	334,265	196,081
– Overseas income tax (Note (iv))	150	532
	334,599	197,280
Deferred income tax (Note 32)	(40,540)	7,382
Income tax expense	294,059	204,662

Notes:

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

(ii) Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the year (2018: same).

(iii) The Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate is 25% (2018:25%). The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2018: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. Solar farm companies of the Group in the PRC enjoyed tax holiday and the profits are fully exempted from CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, the government grants and insurance claims received during the year are subject to the CIT with the statutory income tax rate of 25%.

10 INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(iv) Taxation on overseas profits mainly include Malaysia income tax which has been calculated on the estimated assessable profits for the year at the standard Malaysia corporate income tax rates of 24% (2018: 24%). Subsidiary of the Group in Malaysia is entitled to ITA on its qualifying capital expenditure incurred during the eligible period to be utilised against its assessable profit.

(v) 5%-10% withholding income tax is imposed on dividends relating to profits remitted from the PRC subsidiaries to the Hong Kong intermediate holding companies.

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**3,092,654**	2,246,340
Calculated at weighted average tax rate of 22.0% (2018: 23.1%)	**680,343**	518,455
Tax impact on share of a joint venture's and associates' profits	**(8,872)**	(10,021)
Preferential tax rates on income of certain PRC subsidiaries	**(245,613)**	(320,722)
Effect of additional tax deduction enacted by tax authorities (Note a)	**(177,050)**	(55,190)
Income not subject to tax	**(4,290)**	(4,894)
Expenses not deductible for tax purposes	**49,541**	77,034
Income tax expense	**294,059**	204,662

Note:

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

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year and considering for scrip dividend issued in July and October 2019.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	2,416,462	1,863,146
Weighted average number of ordinary shares in issue (thousands)	7,981,305	7,492,798
Basic earnings per share (HK cents)	30.28	24.87

(b) Diluted

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

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	2,416,462	1,863,146
Weighted average number of ordinary shares in issue (thousands)	7,981,305	7,492,798
Adjustment for share options (thousands)	2,750	646
	7,984,055	7,493,444
Diluted earnings per share (HK cents)	30.27	24.86

12 DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim dividend of 5.5 HK cents (2018: 8.0 HK cents) per share (Note (a))	**443,183**	594,205
Proposed final dividend of 8.5 HK cents (2018: final dividend of 4.2 HK cents) per share (Note (b))	**686,958**	337,989

Notes:

(a) An interim dividend of 5.5 HK cents per share (2018: 8.0 HK cents) was partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend for 2019 interim dividend (2018 interim dividend: same) whose names appeared on the Register of Members of the Company on 26 August 2019 (2018: 17 August 2018). Shares issued during the year on the shareholders' election to receive shares are set out in Note 27.

(b) A final dividend in respect of the year ended 31 December 2019 of 8.5 HK cents per share (2018: 4.2 HK cents), amounting to a total dividend of HK$686,958,000 (2018: HK$337,989,000) is to be proposed at the forthcoming annual general meeting. The amount of 2019 proposed final dividend is based on 8,081,863,343 shares in issue as at 31 December 2019. These financial statements do not reflect the proposed final dividend for the year ended 31 December 2019. The amount of 2018 final dividend represents the aggregated dividend partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend based on 8,047,365,833 shares in issue as at the record date for the dividend entitlement.

Subject to the approval by the shareholders at the forthcoming annual general meeting, the proposed final dividend of 8.5 HK cents per share will be payable on or about 24 June 2020 to the shareholders whose names appear on the register of members of the Company on 25 May 2020. The register of members of the Company will be closed from 21 May 2020 to 25 May 2020, both days inclusive, during which period no transfer of shares will be registered.

Shareholder will be given an option to receive the 2019 final dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the shares to be allotted and issued under the Scrip Dividend Scheme (2018: same).

For the purpose of calculating the number of the scrip shares (the "Scrip Shares") under the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at 95% of the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on 19 May 2020 until 25 May 2020 (both days inclusive) rounded down to two decimal places.

13 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2019 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Solar (Hong Kong) Limited	Hong Kong, limited liability company	Trading of solar glass products	200 ordinary shares of HK$1 each	100.0%	—
Xinyi PV Products (Anhui) Holdings Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid up capital of US$438,000,000	100.0%	—
Xinyi Solar (Malaysia) Sdn Bhd	Malaysia, limited liability company	Manufacturing of solar glass in Malaysia	Authorised and paid up capital of 20,000,000 ordinary shares of MYR1 each	100.0%	—
Tianjin Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB10,000,000	100.0%	—
Xinyi Solar (Wangjiang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB75,000,000	100.0%	—
Xinyi Solar (Jinzhai) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of US$35,000,000 and paid up capital of US$641,000	100.0%	—
Xinyi Solar (Bozhou) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of US$35,000,000 and paid up capital of US$1,923,000	100.0%	—

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2019 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Renewable Energy (Huaibei) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of US$25,000,000 and paid up capital of US$5,897,000	100.0%	—
Huainan Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$13,000,000	100.0%	—
Wuhu Baote Hongfeng Renewable Energy Company Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB8,000,000 and nil paid up	100.0%	—
Hefei Tongsheng Solar Technology Company Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB1,000,000 and nil paid up	100.0%	—
Zhanjiang Guandian New Energy Company Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB3,000,000 and nil paid up	100.0%	—
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB27,000,000	100.0%	—

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2019 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 sharesheld by non-controlling interest (%)
Chaohu Jindao Photovoltaic Power Generation Company Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB10,000,000	100.0%	—
Guangdong Shenke Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB30,000,000 and paid up capital of RMB18,000,000	90.0%	10.0%
Guangdong Jike Renewable Energy Development Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB60,000,000 and paid up capital of RMB18,000,000	90.0%	10.0%
Xinyi Energy	The British Virgin Islands, limited liability company	Investment holding	6,752,478,000 ordinary shares of HK$0.01 each	52.7%	47.3%
Xinyi Energy (BVI) Limited	The British Virgin Islands, limited liability company	Investment holding	200 ordinary shares of US$1 each	52.7%	47.3%
Wise Regal Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	52.7%	47.3%
Wuhu Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	52.7%	47.3%
Lu'an Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	52.7%	47.3%

Notes to the Consolidated Financial Statements

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2019 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 sharesheld by non-controlling interest (%)
Nanping Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$18,000,000	52.7%	47.3%
Hongan Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	52.7%	47.3%
Xinyi Solar (Wuhu) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	52.7%	47.3%
Xinyi Renewable Energy (Bozhou) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	52.7%	47.3%
Xinyi Solar (Fanchang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB75,000,000	52.7%	47.3%
Xinyi Solar (Tianjin) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$48,000,000	52.7%	47.3%
Xinyi Solar (Shouxian) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB215,000,000	52.7%	47.3%
Xinyi Solar Farm (Group 1) Limited ("Xinyi Solar Farm (1)")	The British Virgin Islands, limited liability company	Investment holding	Registered and paid up capital of US$200	52.7%	47.3%

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2019 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 sharesheld by non-controlling interest (%)
Xinyi Solar (Xiaochang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of US$32,700,000 and paid up capital of US$32,600,000	52.7%	47.3%
Xinyi Solar (Suiping) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB210,000,000	52.7%	47.3%
Xinyi Renewable Energy (Shouxian) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$35,000,000	52.7%	47.3%
Xinyi Solar (Huainan) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of US$12,000,000	52.7%	47.3%
Xinyi Solar (Wuwei) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of US$9,000,000 paid up capital of US$8,950,000	52.7%	47.3%

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2019 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 sharesheld by non-controlling interest (%)
New Wisdom International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	52.7%	47.3%
Perfect Alliance Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	52.7%	47.3%
Sky Falcon Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	52.7%	47.3%
Sky Cheer Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	52.7%	47.3%
Profit Noble Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	52.7%	47.3%
Polaron Solartech Corporation	Canada, limited liability company	Provision of solar power systems in Canada	353,000 common shares	60.0%	40.0%

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:

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

14 MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2019 is HK$4,396,283,000 (2018: HK$1,625,109,000), which is mainly attributable to Xinyi Energy Group of HK$4,377,429,000 (2018: HK$1,613,921,000).

Significant restrictions

Cash and short-term deposits of HK$1,134,833,000 (2018: HK$394,269,000) are held by Xinyi Energy Group in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Significant restrictions

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised balance sheet

	2019 HK$'000	2018 HK$'000
Current		
Assets	4,686,548	2,315,900
Liabilities	(2,889,899)	(933,095)
Total current net assets	1,796,649	1,382,805
Non-current		
Assets	10,316,524	6,126,609
Liabilities	(1,882,260)	(1,053,729)
Total non-current net assets	8,434,264	5,072,880
Net assets	10,230,913	6,455,685

14 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised income statement

	2019 HK$'000	2018 HK$'000
Revenue	1,593,086	1,200,556
Profit before income tax	1,018,597	793,260
Income tax expense	(132,102)	(47,629)
Profit after income tax	886,495	745,631
Currency translation difference	(265,839)	(446,007)
Total comprehensive income for the year	620,656	299,624
Profit or loss allocated to non-controlling interests	376,176	186,408
Dividends paid to non-controlling interests	238,683	—

Summarised cash flow statement

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Cash generated from operations	1,352,662	1,220,551
Interest paid	(103,806)	(87,784)
Income tax paid	(131,661)	(37,409)
Net cash generated from operating activities	1,117,195	1,095,358
Net cash used in investing activities	(2,169,068)	(98,539)
Net cash generated from/(used in) financing activities	2,283,602	(1,027,637)
Net increase/(decrease) in cash and cash equivalents	1,231,729	(30,818)
Cash and cash equivalents at beginning of year	421,263	472,243
Effect of foreign exchange rate changes	(21,748)	(20,162)
Cash and cash equivalents at end of year	1,631,244	421,263

The information above is the amount before intercompany eliminations.

14 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Reconciliation of summarised financial information

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

	2019 HK$'000	2018 HK$'000
Net assets at 1 January	6,455,685	6,156,061
Total comprehensive income for the year	620,656	299,624
Issuance of shares upon Spin-off and over-allotment (note (a))	3,808,145	—
Dividend		
– 2018 final dividend	(315,949)	—
– 2019 interim dividend	(337,624)	—
Net assets at 31 December	10,230,913	6,455,685
Non-controlling interests	47.3%	25%
Carrying value before elimination of unrealised profit	4,839,222	—
Elimination of the fair value adjustment attributable to non-controlling interests	(461,793)	—
Carrying value	4,377,429	1,613,921

(a) Transaction with non-controlling interests

The Company provided corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries.

	2019 HK$'000	2018 HK$'000
Corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries:		
– Wise Regal Investments Limited	—	457,143
– Xinyi Energy (BVI) Limited	—	1,535,000
	—	1,992,143

14 MATERIAL NON-CONTROLLING INTERESTS (Continued)

(a) Transaction with non-controlling interests (Continued)

On 28 May 2019, the Group completed the spin-off and separate listing of Xinyi Energy, its solar farm operation arm, on the Main Board of the Stock Exchange. By way of global offering, Xinyi Energy issued and allotted 1,882,609,471 shares at an offer price of HK$1.94 each. The gross proceeds was approximately HK$3,652.3 million. Immediately after the spin-off, the Company's indirect interest in Xinyi Energy had been reduced from 75% to 53.7%. The Group recognised an increase in non-controlling interests of HK$3,003.7 million and an increase in equity attributable to owners of the Company of HK$451.2 million.

On 3 June 2019, the Group completed the disposal (the "Disposal") of all issued shares of Xinyi Solar Farm (1) to Xinyi Energy at a cash consideration of HK$4,083.3 million. Xinyi Solar Farm (1), through its subsidiaries, owns and operates 540MW solar farm projects in the PRC. Upon completion of the Disposal, the Company's indirect equity interest in Xinyi Solar Farm (1) had been reduced from 100% to 53.7% without loss of control. Hence, the Group recognised a transaction with non-controlling interests of HK$473.3 million in relation to the fair value adjustment of the Disposal attributable to the non-controlling interests.

On 24 June 2019, Xinyi Energy issued and allotted an aggregate of 125,129,000 shares (the "Over- allotment Issue") at an offer price of HK$1.94 each in relation to the partial exercise of the over-allotment option under its global offering. The gross proceeds was approximately HK$242.8 million. Immediately after the Over-allotment Issue, the Company's indirect interest in Xinyi Energy had been reduced from 53.7% to 52.7%. The Group recognised an increase in non-controlling interests of HK$202.1 million and an increase in equity attributable to owners of the Company of HK$35.7 million.

The effect of changes in the ownership interest of Xinyi Energy and Xinyi Solar Farm (1) on the equity attributable to equity holders of the Company during the year ended 31 December 2019 is summarised as follows:

	Spin-off HK$'000	Disposal HK$'000	Over-allotment Issue HK$'000	Total HK$'000
Increase in equity attributable to equity holders of the Company	451,198	473,315	35,668	960,181
Increase/(decrease) in non-controlling interests	3,003,701	(473,315)	202,120	2,732,506
Increase in total equity	3,454,899	—	237,788	3,692,687

15 INTERESTS IN A JOINT VENTURE AND BALANCES WITH A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Interests in a joint venture		
At 1 January	358,296	387,842
Repayment from a joint venture	(52,872)	(27,829)
Share of profits of a joint venture	39,371	33,613
Currency translation differences	(9,292)	(23,435)
Elimination of unrealised profit	(643)	(11,895)
At 31 December	334,860	358,296
Balance with a joint venture		
Amount due from a joint venture (Note (ii))	5,630	4,131

Notes:

(i) Interests in a joint venture

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

The following is the joint venture at 31 December 2019 and 2018:

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

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

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

During the year ended 31 December 2019, the Group received cash of RMB47,500,000 (equivalent to HK$52,872,000) (2018: RMB25,000,000 (equivalent to HK$27,829,000)) from the joint venture as repayment of investment to finance its construction of a solar farm.

(ii) Amount due from a joint venture

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

The balance approximates its fair value and is denominated in RMB.

15 INTERESTS IN A JOINT VENTURE AND BALANCES WITH A JOINT VENTURE (Continued)

Summarised financial information for the joint venture

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

Summarised balance sheet

	2019 HK$'000	2018 HK$'000
Current		
Cash and cash equivalents	12,835	22,996
Other current assets (excluding cash and cash equivalents)	172,384	176,756
Total current assets	185,219	199,752
Financial liabilities	(10,288)	(6,206)
Non-current		
Assets	643,318	640,615
Financial liabilities	(46,466)	—
Net assets	771,783	834,161

Summarised statement of comprehensive income

	2019 HK$'000	2018 HK$'000
Revenue	115,978	110,043
Depreciation	(35,599)	(31,061)
Interest income	68	53
Interest expense	(3,007)	—
Profit before income tax	72,673	67,225
Income tax expense	(10,726)	—
Profit after income tax	61,947	67,225
Currency translation differences	(18,581)	(46,870)
Total comprehensive income for the year	43,366	20,355
Dividends received from the joint venture	—	—

15 INTERESTS IN A JOINT VENTURE AND BALANCES WITH A JOINT VENTURE (Continued)

Summarised financial information for the joint venture (Continued)

Summarised statement of comprehensive income (Continued)

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

Reconciliation of summarised financial information

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

	2019 HK$'000	2018 HK$'000
Net assets at 1 January	**834,161**	869,464
Repayment to shareholders	**(105,744)**	(55,658)
Total comprehensive income for the year	**43,366**	20,355
Net assets at 31 December	**771,783**	834,161
The Group's ownership interest	**50%**	50%
Carrying value before elimination of unrealised profit	**385,892**	417,081
Elimination of unrealised profit	**(51,032)**	(58,785)
Carrying value	**334,860**	358,296

16 INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
At 31 December	**69,237**	75,123

16 INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(i) Interests in associates

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

The following are the associates as at 31 December 2019 and 2018:

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

Summarised financial information for the associates

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

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

There are no contingent liabilities relating to the Group's interest in the associates.

16 INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information for the associates (Continued)

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

Summarised balance sheet

	2019 HK$'000	2018 HK$'000
Current		
Cash and cash equivalents	580	340
Other current assets (excluding cash and cash equivalents)	150	150
Total current assets	730	490
Financial liabilities	(4,392)	(4,514)
Total current liabilities	(4,392)	(4,514)
Non-current		
Assets	176,754	191,832
Net assets	173,092	187,808

Summarised statement of comprehensive income

	2019 HK$'000	2018 HK$'000
Gross rental income from an investment property	360	180
Valuation (loss)/gain on an investment property	(14,300)	25,100
Depreciation	(776)	(769)
(Loss)/profit before income tax	(14,716)	24,511
Income tax expense	—	—
(Loss)/profit after income tax	(14,716)	24,511
Other comprehensive income	—	—
Total comprehensive (loss)/income for the year	(14,716)	24,511
Dividends received from the associates	—	—

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

16 INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information for the associates (Continued)

Reconciliation of summarised financial information

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

	2019 HK$'000	2018 HK$'000
Net assets at 1 January	**187,808**	163,297
Total comprehensive (loss)/income for the year	**(14,716)**	24,511
Net assets at 31 December	**173,092**	187,808
The Group's ownership interest	**40%**	40%
Carrying value	**69,237**	75,123

17 BUSINESS COMBINATION

To speed up its development pace and build up a more diversified solar farm investment portfolio, the Group has acquired a solar farm project in the PRC from an independent third party during the year ended 31 December 2019.

In February 2019, the Group completed the acquisition of 90% equity interest of Guangdong Jike Renewable Energy Development Limited ("Guangdong Jike") which owns a grid-connected solar farm with aggregate approved capacity of approximately 30MW in the PRC at a consideration of RMB16,200,000 (equivalent to HK$18,939,000).

17 BUSINESS COMBINATION (Continued)

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

	HK$'000
Purchases consideration	
Cash consideration	18,939
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	270,618
Right-of-use assets	38,653
Trade and other receivables (Note (ii))	11,077
Cash and cash equivalents	1,397
Lease liabilities	(33,573)
Other payables and accruals	(273,780)
	14,392
Less: Non-controlling interests (Note (iv))	(1,439)
	12,953
Goodwill (Note (iii))	5,986
	18,939
Net cash outflow arising from the acquisitions	
Cash consideration	18,939
Less: Cash and cash equivalents acquired	(1,397)
	17,542

Notes:

(i) Revenue and profits contribution

The revenue and the profits included in the consolidated income statement since acquisition date contributed by the acquired businesses during the year are approximately HK$24,418,000 and HK$9,561,000 respectively.

If the acquisition had occurred on 1 January 2019, the consolidated income statement would show pro-forma revenue of approximately HK$9,099,190,000 and profit of HK$2,797,685,000.

(ii) Acquired receivables

The fair values of trade receivables acquired were HK$5,178,000.

The gross contractual amount of these trade receivables due in aggregate was HK$5,178,000, of which no balance was expected to be uncollectible.

17 BUSINESS COMBINATION (Continued)

Notes: (Continued)

(iii) Goodwill

The Group recognised goodwill of approximately HK$5,986,000 in the consolidated balance sheet in connection with the acquisition of Guangdong Jike. The goodwill is attributable to the synergies expected to arise after the 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.

(iv) Accounting policy choice for non-controlling interests

The Group recognises 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 Guangdong Jike, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2.3 for the Group's accounting policies for business combinations.

(v) Acquisition-related costs

No acquisition-related costs were incurred.

18 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Solar Farms HK$'000	Office Equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2018							
Cost	64,056	1,055,743	3,887,731	10,378,351	9,654	348,469	15,744,004
Accumulated depreciation	—	(69,799)	(783,814)	(646,643)	(3,714)	—	(1,503,970)
Net book amount	64,056	985,944	3,103,917	9,731,708	5,940	348,469	14,240,034
Year ended 31 December 2018							
Opening net book amount	64,056	985,944	3,103,917	9,731,708	5,940	348,469	14,240,034
Additions	142,346	10,849	21,432	30,148	2,216	2,739,813	2,946,804
Transfers	—	13,307	192,850	1,832,129	—	(2,038,286)	—
Acquisition of subsidiaries	—	—	—	52,772	—	18,694	71,466
Disposals	—	—	(2,944)	—	—	—	(2,944)
Depreciation charge	—	(32,323)	(252,325)	(410,773)	(1,924)	—	(697,345)
Currency translation differences	(5,500)	(41,667)	(137,002)	(526,237)	(307)	(42,920)	(753,633)
Closing net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382
At 31 December 2018							
Cost	200,902	1,033,763	3,912,550	11,721,605	11,297	1,025,770	17,905,887
Accumulated depreciation	—	(97,653)	(986,622)	(1,011,858)	(5,372)	—	(2,101,505)
Net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382
Year ended 31 December 2019							
Opening net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382
Additions	—	895	94,406	42,026	2,722	1,591,720	1,731,769
Transfers	—	263,462	936,593	895,225	—	(2,095,280)	—
Acquisition of subsidiaries (Note 17)	—	—	—	260,853	—	9,765	270,618
Disposals	—	—	(8,624)	—	(99)	—	(8,723)
Depreciation charge	—	(39,090)	(299,115)	(455,263)	(2,010)	—	(795,478)
Currency translation differences	1,385	(12,217)	(51,158)	(225,413)	(48)	(4,149)	(291,600)
Closing net book amount	202,287	1,149,160	3,598,030	11,227,175	6,490	527,826	16,710,968
At 31 December 2019							
Cost	202,287	1,283,844	4,852,134	12,674,673	12,957	527,826	19,553,721
Accumulated depreciation	—	(134,684)	(1,254,104)	(1,447,498)	(6,467)	—	(2,842,753)
Net book amount	202,287	1,149,160	3,598,030	11,227,175	6,490	527,826	16,710,968

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2019 HK$'000	2018 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	778,933	682,147
– Administrative and other operating expenses	16,394	17,550
	795,327	699,697
Depreciation charges capitalised in inventories	10,144	9,993

During the year, the Group capitalised borrowing costs amounted to HK$38,022,000 (2018: HK$35,826,000) on qualifying assets (Note 9). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.71% (2018: 3.37%).

19 LEASES

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

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

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

	31 December 2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
Leasehold land and land use rights	1,217,300	898,404
Factory and office premises and warehouses	4,032	5,016
Lease for rooftops	27,784	26,448
	1,249,116	929,868
Lease liabilities		
Current	41,053	29,284
Non-current	585,442	519,622
	626,495	548,906

19 LEASES (Continued)

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

	2019 HK$'000
Right-of-use assets	
Right-of-use assets as at 1 January 2019 under HKFRS 16 (Note 2.2(iii))	929,868
Additions	347,721
Depreciation charge (Note 7)	(40,105)
Acquisition of subsidiaries (Note 17)	38,653
Currency translation difference	(27,021)
Right-of-use assets as at 31 December 2019	1,249,116

	2019 HK$'000
Lease liabilities	
Lease liabilities as at 1 January 2019 under HKFRS 16 (Note 2.2(iii))	548,906
Principal element of lease payments	(25,069)
Interest paid	(26,907)
Additions	71,170
Interest for lease liabilities (Note 9)	38,509
Acquisition of subsidiaries (Note 17)	33,573
Currency translation difference	(13,687)
Lease liabilities as at 31 December 2019	626,495

Notes to the Consolidated Financial Statements

20 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their movements are analysed as follows:

	2018 HK$'000
At 1 January	343,721
Amortisation charge	(7,519)
Currency translation differences	(16,325)
At 31 December	319,877

All of the Group's land use rights are located in the PRC and are held on leases between 20 to 50 years.

Amortisation of the Group's land use rights for the year ended 31 December 2018 amounted to HK$7,519,000 was charged to the consolidated income statement.

From 1 January 2019, land use rights are included in right-of-use asset (Note 19). Please refer to Note 2.2 for details about changes in accounting policy.

21 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	260,920	268,280
Work in progress	52,905	39,913
Finished goods	96,655	121,383
	410,480	429,576

The cost of inventories included in cost of sales amounted to approximately HK$4,037,516,000 (2018: HK$3,621,328,000).

Write-downs of inventories to net realisable value amounted to HK$9,109,000 (2018: HK$2,837,000). These were recognised as an expense during the year ended 31 December 2019 and included in 'cost of sales' in consolidated income statement.

22 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	Note	2019 HK$'000	2018 HK$'000
Current contract assets relating to EPC services	(a)	**39,620**	56,122
Contract liabilities relating to sales of solar glass	(b)	**31,889**	33,978

(a) Contract assets

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

Contract assets decreased in line with the drop of the Group's EPC sales.

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

(b) Contract liabilities

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

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

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Receipt in advance for sales of goods not yet delivered to customers	**33,978**	44,986
Revenue recognised from performance obligations satisfied in previous periods		
Adjustment of EPC revenue upon the final settlement with customers in relation to certain EPC projects completed in 2018 and 2017	**1,115**	17,265

23 TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	4,257,049	3,452,905
Bills receivables	1,194,111	701,254
Trade and bills receivables (Note (a))	5,451,160	4,154,159
Less: Loss allowance of trade receivables (Note (b))	(14,657)	(355)
Trade and bills receivables, net	5,436,503	4,153,804

(a) Trade and bills receivables

Breakdown of trade receivables by segment is as follows:

	Solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Total HK$'000
At 31 December 2019				
Sales of solar glass	1,156,796	—	—	1,156,796
Sales of electricity	—	94,677	—	94,677
Tariff adjustment	—	2,862,525	—	2,862,525
EPC service revenue	—	—	143,051	143,051
Total	1,156,796	2,957,202	143,051	4,257,049
At 31 December 2018				
Sales of solar glass	943,132	—	—	943,132
Sales of electricity	—	70,920	—	70,920
Tariff adjustment	—	2,178,452	—	2,178,452
EPC service revenue	—	—	260,401	260,401
Total	943,132	2,249,372	260,401	3,452,905

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

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

23 TRADE AND BILLS RECEIVABLES (Continued)

(a) Trade and bills receivables (Continued)

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

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

	2019 HK$'000	2018 HK$'000
0 to 90 days	4,124,075	3,354,976
91 days to 180 days	49,027	51,609
181 days to 365 days	52,631	26,992
1 to 2 years	13,727	11,836
Over 2 years	17,589	7,492
	4,257,049	3,452,905

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

	2019 HK$'000	2018 HK$'000
0 to 90 days	383,191	356,569
91 days to 180 days	483,518	390,319
181 days to 365 days	674,521	622,026
1 to 2 years	1,152,600	824,450
Over 2 years	263,372	56,008
	2,957,202	2,249,372

The maturity of the bills receivables is within 1 year.

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

	2019 HK$'000	2018 HK$'000
RMB	5,126,171	3,972,778
US$	236,984	112,891
Other currencies	88,005	68,490
	5,451,160	4,154,159

23 TRADE AND BILLS RECEIVABLES (Continued)

(b) Loss allowance of trade receivables

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

Sales of solar glass

The closing loss allowances for trade receivables from sales of solar glass as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019 HK$'000	2018 HK$'000
Opening loss allowance	**355**	—
Increase in loss allowance recognised in consolidated income statement during the year	**14,429**	1,584
Receivables written off during the year as uncollectible	**(127)**	(1,229)
Closing loss allowance	**14,657**	355

Sales of electricity

Given the track record of regular repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Catalogue. Since June 2018, the Group has another eight ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality with an aggregate capacity of 724MW, successfully enlisted on the seventh batch of the Catalogue.

During the year ended 31 December 2019, the Group received aggregate payment of RMB624,066,000 (equivalent to approximately HK$706,205,000) for the subsidies mainly incurred during April 2017 to February 2018 of the solar farm projects enlisted on the sixth and seventh batch of the Catalogue (2018: RMB684,027,000 (equivalent to approximately HK$773,936,000) for the subsidies incurred up to March 2017 of solar farm projects enlisted on the sixth and seventh batch of the Catalogue). 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 2019 (2018: Nil).

As of 31 December 2019, except a loss allowance of trade receivables of HK$14,657,000 (2018: HK$355,000), all other trade receivables were expected to be recoverable. The carrying amounts of trade and bills receivables approximate their fair values.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**715,231**	541,522
Deposits and other receivables (Note (a))	**139,417**	197,414
Other tax receivables (Note (b))	**812,062**	966,627
	1,666,710	1,705,563
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	**(319,143)**	(273,936)
Prepayments for operating leases	**—**	(61,288)
Current portion	**1,347,567**	1,370,339

Note:

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

	2019 HK$'000	2018 HK$'000
RMB	**135,206**	197,056
HK$	**2,178**	—
Others	**2,033**	358
	139,417	197,414

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

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

25 FINANCE LEASE RECEIVABLES

Future receivables under finance leases as lessor are as follows:

	2019 HK$'000	2018 HK$'000
Non-current receivables		
Finance leases - gross receivables	382,096	392,887
Unearned finance income	(192,152)	(205,081)
	189,944	187,806
Current receivables		
Finance leases - gross receivables	25,841	24,761
Unearned finance income	(19,506)	(19,406)
	6,335	5,355
Gross receivables from finance leases:		
– No later than 1 year	25,841	24,761
– Later than 1 year and no later than 5 years	92,544	97,409
– Later than 5 years	289,552	295,478
	407,937	417,648
Unearned future finance income on finance leases	(211,658)	(224,487)
Net investment in finance leases	196,279	193,161
The net investment in finance leases may be analysed as follows:		
– No later than 1 year	6,334	5,355
– Later than 1 year and no later than 5 years	21,491	25,908
– Later than 5 years	168,454	161,898
	196,279	193,161

26 CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash at bank	1,820,999	778,639
Bank deposits with original maturity less than three months (Note (a))	400,000	—
Cash on hand	56	5,234
	2,221,055	783,873

As at 31 December 2019, funds of the Group amounting to HK$1,344,517,000 and HK$86,871,000 (2018: HK$569,241,000 and HK$44,762,000) were deposited in bank accounts opened with banks in the PRC and Malaysia, respectively, where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$789,611,000 (2018: HK$164,636,000) as at 31 December 2019 were deposited in reputable banks in Hong Kong and Canada.

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

	2019 HK$'000	2018 HK$'000
HK$	624,564	152,219
RMB	1,369,576	504,158
US$	195,019	109,677
CAD	27,831	15,048
MYR	3,636	1,961
Other currencies	429	810
	2,221,055	783,873

Note:

(a) The effective interest rate on short-term bank deposits and term deposits was 3.05% (2018: Nil) per annum; these deposits have a maturity ranging from 15 days to 34 days (2018: Nil).

27 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2018, 31 December 2018 and 2019	80,000,000	8,000,000
Issued:		
At 1 January 2018	7,423,957	742,396
Issuance of shares under employee's share option scheme	3,740	374
Issuance of shares in respect of scrip dividend of 2018 interim dividend (Note (a))	231,992	23,199
At 31 December 2018 and 1 January 2019	7,659,689	765,969
Issuance of shares by the way of placing (Note (b))	380,000	38,000
Issuance of shares under employee's share option scheme	9,195	919
Issuance of shares in respect of scrip dividend of:		
– 2018 final dividend (Note (c))	10,148	1,015
– 2019 interim dividend (Note (d))	22,831	2,283
At 31 December 2019	8,081,863	808,186

Note:

(a) On 30 July 2018, the board of directors declared an interim dividend of 8.0 HK cents per share for the six months ended 30 June 2018. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 19 September 2018, 231,992,714 shares were issued at an issue price of HK$2.04 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

(b) In March 2019, the Company allotted and issued 380,000,000 shares by way of placing at HK$3.47 each. Proceeds of approximately HK$1,318,600,000 were received and the related transaction costs of approximately HK$13,058,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

(c) On 15 May 2019, the shareholders approved in annual general meeting a final dividend of 4.2 HK cents per share for the year ended 31 December 2018. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. On 3 July 2019, 10,148,596 shares were issued at an issue price of HK$3.90 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to a scrip dividend scheme.

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

28 SHARE-BASED PAYMENTS

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

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

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

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:

	2019		2018	
	Average exercise price in HK$ per share	Options ('000)	Average Exercise price in HK$ per share	Options ('000)
At 1 January	2.84	23,650	2.61	20,266
Granted	3.76	8,865	3.18	7,805
Forfeited	3.02	(1,138)	2.65	(612)
Exercised	2.81	(9,195)	2.36	(3,740)
Expired	2.84	(9)	2.27	(69)
At 31 December	3.21	22,173	2.84	23,650

In May 2015, 5,087,500 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.86 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 12 May 2015 to 31 March 2019. One third of the options will vest on each of the year-end date of 2015, 2016 and 2017 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2019.

28 SHARE-BASED PAYMENTS (Continued)

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

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

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

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

During the year ended 31 December 2019, a total of 9,194,966 options (2018: 3,739,757) were exercised and a total of 1,137,844 options (2018: 612,143) were forfeited.

Out of the above outstanding share options, 158,955 options were exercisable at 31 December 2019 (2018: 3,884,324).

These outstanding share options at the end of the year, after adjustments of the exercise prices and the number of share options as a result of the rights issue completed in June 2017, have the following expiry dates and exercise prices:

Expiry date	Adjusted exercise price in HK$ per share	Options ('000) 2019	Options ('000) 2018
31 March 2019	2.84	—	3,884
31 March 2020	2.78	**159**	5,575
31 March 2021	2.48	**5,963**	6,386
31 March 2022	3.18	**7,451**	7,805
31 March 2023	3.76	**8,600**	—
		22,173	23,650

28 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of the share options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$0.81 (2018: HK$0.70) per option. The significant inputs into the model are as follows:

	2019	2018
Weighted average share price, at the grant date (HK$)	3.72	3.17
Exercise price (HK$)	3.76	3.18
Volatility (%)	40.19	42.58
Dividend yield (%)	4.40	5.37
Expected share option life (years)	3.5	3.5
Annual risk-free interest rate (%)	1.33	1.64

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 8 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

29 OTHER RESERVES

	Share Premium (Note (a)) HK$'000	Merger Reserve (Note (b)) HK$'000	Capital Reserve (Note (c)) HK$'000	Statutory Reserves (Note (d)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 January 2018	2,509,611	(209,495)	438,111	749,568	8,252	95,085	3,591,132
Currency translation differences	—	—	—	—	—	(899,449)	(899,449)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	(23,435)	(23,435)
Employees' share option scheme:							
– exercise of employees' share options	11,056	—	—	—	(2,628)	—	8,428
– value of employee services	—	—	—	—	4,458	—	4,458
– release of share option reserve for share options lapsed	—	—	—	—	(48)	—	(48)
Appropriation to statutory reserve	—	—	—	215,679	—	—	215,679
Issuance of shares in respect of scrip dividend of 2018 interim dividend	450,064	—	—	—	—	—	450,064
Dividends:							
– 2017 final dividend	(519,898)	—	—	—	—	—	(519,898)
– 2018 interim dividend	(594,205)	—	—	—	—	—	(594,205)
At 31 December 2018	1,856,628	(209,495)	438,111	965,247	10,034	(827,799)	2,232,726
At 1 January 2019	1,856,628	(209,495)	438,111	965,247	10,034	(827,799)	2,232,726
Currency translation differences	—	—	—	—	—	(321,170)	(321,170)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	(9,292)	(9,292)
Employees' share option scheme:							
– exercise of employees' share options	31,760	—	—	—	(6,885)	—	24,875
– value of employee services	—	—	—	—	5,057	—	5,057
– release of share option reserve for share options lapsed	—	—	—	—	(9)	—	(9)
Appropriation to statutory reserve	—	—	—	257,683	—	—	257,683
Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend	138,337	—	—	—	—	—	138,337
Issuance of shares in respect of placing, net of transaction cost	1,267,542	—	—	—	—	—	1,267,542
Dividends:							
– 2018 final dividend	(337,989)	—	—	—	—	—	(337,989)
Changes in ownership interest in subsidiaries without loss of control (Note 14(a))	—	—	960,181	—	—	—	960,181
At 31 December 2019	2,956,278	(209,495)	1,398,292	1,222,930	8,197	(1,158,261)	4,217,941

29 OTHER RESERVES (Continued)

(a) Share premium

Share premium of the Company is available for distributions or paying dividends to the Shareholders, according to the provisions of the Articles of Association and the Companies Law of the Cayman Islands. When the Company issues shares, excess of net proceeds received over the par value of the shares are credited to the share premium.

During the year ended 31 December 2019, the 2018 final dividend of HK$337,989,000 (2018: 2017 final dividend of HK$519,898,000 and the 2018 interim dividend of HK$594,205,000) was paid out from share premium. Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend and net proceeds received from exercise of share options exceeded the par value of the issued shares by approximately HK$138,337,000 (2018: HK$450,064,000) and HK$31,760,000 (2018: HK$11,056,000), respectively, which were credited to the share premium.

(b) Merger reserve

For the purpose of preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Group undertook a reorganisation (the "Reorganisation") in 2011. Merger reserve represents the difference between the share capital and share premium issued by the Company for acquisition of the subsidiaries pursuant to the Reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

(c) Capital reserve

In 2011, the Group's PRC subsidiary declared dividends of RMB421,826,000 (equivalent to HK$514,423,000). The related withholding tax of HK$26,744,000 arising from the dividends distribution was paid on behalf by Xinyi Glass Holdings Limited ("Xinyi Glass") and Xinyi Glass has not recharged back the Group. Such amount was accounted for as capital reserve within equity.

In 2015, changes in ownership interests in Xinyi Energy from a wholly-owned subsidiary to a 75% partially-owned subsidiary resulted in an increase of capital reserve of HK$411,367,000.

During the year ended 31 December 2019, an increase in equity attributable to owners of the Company, amounting to HK$960,181,000, was credited to the capital reserve in relation to the Spin-off of Xinyi Energy on 28 May 2019, Disposal of Xinyi Solar Farm(1) to Xinyi Energy on 3 June 2019; and the Over-allotment Issue on 24 Jun 2019. For further details, please refer to note 14(a).

(d) Statutory reserve

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

During the year ended 31 December 2019, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$257,683,000 (2018: HK$215,679,000) from retained earnings to statutory reserve.

30 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	533,472	581,009
Retention payables for EPC services	2,629	7,197
Trade payables and retention payable for EPC service (Note (a))	536,101	588,206
Bills payables (Note (b))	140,435	493,838
Trade, retention and bills payables	676,536	1,082,044
Accruals and other payables (Note (d))	1,601,242	1,787,515
	2,277,778	2,869,559
Less: Non-current portion:		
Retention payables for construction of solar farms	(57,337)	(89,125)
Current portion	2,220,441	2,780,434

Notes:

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

	2019 HK$'000	2018 HK$'000
0 to 90 days	413,328	450,534
91 days to 180 days	15,117	14,898
181 days to 365 days	87,892	98,413
Over 1 year	19,764	24,361
	536,101	588,206

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

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

	2019 HK$'000	2018 HK$'000
RMB	631,707	1,048,152
Other currencies	44,829	33,892
	676,536	1,082,044

30 TRADE AND OTHER PAYABLES (Continued)

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

	2019 HK$'000	2018 HK$'000
Payables for property, plant and equipment	**1,149,085**	1,544,762
Accruals for employee benefits and welfare	**86,749**	80,960
Payables for transportation costs and other operating expenses	**73,583**	57,273
Provision for value added tax and other taxes in the PRC	**173,053**	15,859
Payables for utilities	**44,706**	41,075
Others	**74,066**	47,586
	1,601,242	1,787,515

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

31 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2019 HK$'000	2018 HK$'000
Repayable on demand and within 1 year	**2,803,618**	3,773,009
Between 1 and 2 years	**2,985,701**	2,327,609
Between 2 and 5 years	**893,826**	2,668,891
	6,683,145	8,769,509
Less: Non-current portion	**(3,879,527)**	(4,996,500)
Current portion	**2,803,618**	3,773,009

As at 31 December 2019, bank borrowings of HK$350,000,000 (2018: Nil) contain repayment on demand clause and were classified as current liabilities.

As at 31 December 2019, all bank loans bore floating interest rates. All bank borrowings are repayable by instalments up to year 2022 (2018: year 2022). The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2019, as the impact of discounting is not significant.

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period.

31 BANK BORROWINGS (Continued)

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

	2019	2018
Bank borrowings	4.15%	3.85%

All bank borrowings were exposed to interest rate changes.

The bank borrowings were secured by corporate guarantee provided by the Company and its subsidiaries.

32 DEFERRED INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	46,091	4,107
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(11,533)	(10,608)
Deferred income tax assets/(liabilities), net	34,558	(6,501)

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

	2019 HK$'000	2018 HK$'000
At 1 January	(6,501)	837
Credited/(charged) to the consolidated income statement (Note 10)	40,540	(7,382)
Currency translation difference	519	44
At 31 December	34,558	(6,501)

32 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances of HK$244,924,000 (2018: nil) within the same tax jurisdiction are as follows:

	Provisions HK$'000	Capital allowance HK$'000	Leases liabilities HK$'000	Unrealised profit HK$'000	Total HK$'000
Deferred income tax assets					
At 1 January 2018	837	—	—	—	837
Credited to the consolidated income statement	3,367	—	—	—	3,367
Currency translation difference	(97)	—	—	—	(97)
At 31 December 2018	4,107	—	—	—	4,107
Adjustment on adoption of HKFRS 16 (see Note 2.2)	—	—	137,227	—	137,227
At 1 January 2019	4,107	—	137,227	—	141,334
Credited to the consolidated income statement	1,375	128,184	8,030	10,207	147,796
Currency translation difference	163	1,860	(138)	—	1,885
At 31 December 2019	5,645	130,044	145,119	10,207	291,015

	Accelerated depreciation allowance HK$'000	Right-of-use assets HK$'000	Finance lease income HK$'000	Total HK$'000
Deferred income tax liabilities				
At 1 January 2018	—	—	—	—
Charged to the consolidated income statement	—	—	10,749	10,749
Currency translation difference	—	—	(141)	(141)
At 31 December 2018	—	—	10,608	10,608
Adjustment on adoption of HKFRS 16 (see Note 2.2)	—	137,227	—	137,227
At 1 January 2019	—	137,227	10,608	147,835
Charged to the consolidated income statement	102,910	3,377	969	107,256
Currency translation difference	1,466	(56)	(44)	1,366
At 31 December 2019	104,376	140,548	11,533	256,457

32 DEFERRED INCOME TAX (Continued)

Capital allowance mainly represents the ITA entitled by the Group's subsidiary in Malaysia on its qualifying capital expenditure incurred, which can be utilised against its assessable profit (see Note 10).

Withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in the PRC that held by intermediate holding companies incorporated in Hong Kong, is subject to 5% to 10% withholding tax.

As at 31 December 2019, deferred income tax liabilities of approximately HK$512,830,000 (2018: HK$407,579,000) were not recognised for withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$10,256,594,000 (2018: HK$8,151,587,000).

Deferred tax assets are recognised for tax loss carrying-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, there was no significant unrecognised tax losses (2018: Nil).

33 CASH GENERATED FROM OPERATIONS

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	3,092,654	2,246,340
Adjustments for:		
Share options granted to employees (Note 8)	5,057	4,458
Interest income (Note 9)	(49,088)	(9,567)
Interest expense (Note 9)	303,507	255,959
Bargain purchases arising from business combinations	—	(5,839)
Impairment losses on trade receivables (Note 7)	14,429	1,584
Depreciation of property, plant and equipment (Note 7)	795,327	699,697
Depreciation of right-of-use assets (Note 7)	40,105	—
Amortisation of land use rights (Note 7)	—	7,519
Loss on disposal of property, plant and equipment (Note 6)	4,105	2,056
Share of profits of a joint venture	(39,371)	(33,613)
Share of losses/(profits) of associates	5,886	(9,804)
	4,172,611	3,158,790
Changes in working capital:		
Inventories	19,247	(57,986)
Trade and other receivables	(1,233,980)	189,293
Finance lease receivables	(3,118)	(193,161)
Trade payables, accruals and other payables	(788,850)	(321,635)
Contract liabilities	(2,089)	11,008
Amount due from a joint venture	(1,499)	(17,167)
Amounts due to related companies	(10,955)	47,909
Contract assets	17,145	(16,227)
Cash generated from operations	2,168,512	2,800,824

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

	2019 HK$'000	2018 HK$'000
Net book amount (Note 18)	8,723	2,944
Loss on disposal of property, plant and equipment (Note 6)	(4,105)	(2,056)
Proceeds from disposal of property, plant and equipment	4,618	888

33 CASH GENERATED FROM OPERATIONS (Continued)

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

	Liabilities from financing activities			
	Borrowing HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
As at 31 December 2018	(8,769,509)	—	(3)	(8,769,512)
Initial application of HKFRS16	—	(548,906)	—	(548,906)
As at 1 January 2019	(8,769,509)	(548,906)	(3)	(9,318,418)
Cash flows	2,109,404	51,976	878,217	3,039,597
Foreign exchange adjustments	—	13,687	—	13,687
Acquisition of subsidiaries (Note 17)	—	(33,573)	—	(33,573)
Interest for lease liabilities (Note 19)	—	(38,509)	—	(38,509)
2018 final dividend and 2019 interim dividend	—	—	(878,220)	(878,220)
Other non-cash movements	(23,040)	(71,170)	—	(94,210)
As at 31 December 2019	(6,683,145)	(626,495)	(6)	(7,309,646)

	Liabilities from financing activities			
	Borrowing HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
As at 1 January 2018	(7,932,688)	—	(3)	(7,932,691)
Cash flows	(806,060)	—	640,840	(165,220)
2017 final dividend and 2018 interim dividend	—	—	(640,840)	(640,840)
Other non-cash movements	(30,761)	—	—	(30,761)
As at 31 December 2018	(8,769,509)	—	(3)	(8,769,512)

34 OPERATING LEASE COMMITMENTS

The Group leases certain of its factory, office premises and land under non-cancellable operating lease agreements.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, see Note 2.2 and Note 19 for further information. As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 HK$'000
Not later than one year	48,728
Later than 1 year and not later than 5 years	184,670
More than 5 years	966,464
	1,199,862

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings with lease terms as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	**2,634**	2,238
Later than 1 year and not later than 5 years	**2,451**	3,016
	5,085	5,254

35 CAPITAL COMMITMENTS

Capital expenditures of HK$1,292,089,000 (2018: HK$674,263,000) was contracted for at the end of the year but not yet incurred.

36 BANKING FACILITIES AND GUARANTEES

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

	2019		2018	
	Available facilities HK$'000	**Facilities utilised HK$'000**	Available facilities HK$'000	Facilities utilised HK$'000
Banking facilities granted to subsidiaries of the Group without securities	**10,854,566**	**6,892,077**	10,761,226	9,337,764

37 RELATED PARTY TRANSACTIONS

As at 31 December 2019, the Group is controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "Controlling Shareholders"), which in aggregate owns 32.06% (2018: 34.29%) of the Company's shares. 24.30% (2018: 29.74%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 43.64% (2018: 35.97%) of the shares are widely held.

(a) Name and relationship with related parties

Name of related parties	Relationship
Xinyi Glass	Note (i)
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited ("Xinyi Ultra-clear (Dongguan)")	Note (ii)
Xinyi Energy Smart (Wuhu) Company Limited ("Xinyi Energy Smart (Wuhu)")	Note (ii)
Xinyi Automobile Parts (Wuhu) Company Limited ("Xinyi Automobile Parts (Wuhu)")	Note (ii)
Xinyi Energy Smart (Malaysia) Sdn Bhd ("Xinyi Energy Smart (Malaysia)")	Note (ii)
Xinyi Electronic Glass (Wuhu) Company Limited ("Xinyi Electronic Glass (Wuhu)")	Note (ii)
Xinyi Glass (Tianjin) Company Limited ("Xinyi Glass (Tianjin)")	Note (ii)
Xinyi Glass (Jiangsu) Company Limited ("Xinyi Glass (Jiangsu)")	Note (ii)
Xinyi Glass (Bozhou) Company Limited ("Xinyi Glass (Bozhou)")	Note (ii)
Xinyi Glass (Yingkou) Company Limited ("Xinyi Glass (Yingkou)")	Note (ii)
Xinyi Glass Engineering (Dongguan) Company Limited ("Xinyi Glass Engineering (Dongguan)")	Note (ii)
Dongguan Benson Automobile Glass Company Limited ("Dongguan Benson Automobile Glass")	Note (ii)
Xinyi Glass Japan Company Limited ("Xinyi Glass Japan")	Note (ii)
Wuhu Jinsanshi Numerical Control Technology Company Limited ("Wuhu Jinsanshi")	Note (ii)
Wuhu Xinhe Logistics Company Limited Wuhu Branch ("Xinhe Logistics Wuhu Branch")	Note (ii)
Anhui Xinyi Power Source Company Limited ("Anhui Xinyi Power Source")	Note (iii)
Xinyi Solar (Lu'an)	Joint venture
Cheer Wise	Associate

Notes:

(i) Ultimate holding company of a company which has a significant influence on the Group.

(ii) Companies under control of a company which has a significant influence on the Group.

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

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions

In addition to those disclosed elsewhere in the consolidated financial statements, 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 year.

	Note	2019 HK$'000	2018 HK$'000
Purchases of machinery from:			
– Wuhu Jinsanshi	i, iii	75,415	66,650
– Xinyi Ultra-clear (Dongguan)	v	—	1,676
		75,415	68,326
Purchases of glass products from:	i, iv		
– Xinyi Energy Smart (Wuhu)		48,886	127,416
– Xinyi Automobile Parts (Wuhu)		29	5
– Xinyi Electronic Glass (Wuhu)		8,078	17,920
– Xinyi Glass (Tianjin)		4,532	53,853
– Xinyi Glass (Yingkou)		758	—
		62,283	199,194
Processing of lithium battery energy storage facilities			
– Anhui Xinyi Power Source	i, vi	2,251	2,976
Acquisition of right-of-use assets from:	ii, v		
– Xinyi Energy Smart (Wuhu)		4,136	—
– Xinyi Glass (Tianjin)		9,852	—
– Cheer wise		223	—
		14,211	—
Maintenance and service charges received from:			
– Xinyi Energy Smart (Malaysia)	ii, v	2,412	—
Sales of glass products to:	ii, v		
– Xinyi Glass (Tianjin)		380	1,392
– Xinyi Energy Smart (Wuhu)		1,412	2,798
– Xinyi Glass Engineering (Dongguan)		3	—
– Dongguan Benson Automobile Glass		4	—
– Xinyi Electronic Glass (Wuhu)		13	—
– Xinyi Glass (Bozhou)		1	—
		1,813	4,190
Sales of electricity to:			
– Anhui Xinyi Power Source	ii, vii	1,676	1,492
Rental income received from:			
– Xinyi Energy Smart (Wuhu)	ii, viii	1,049	1,087

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

	Note	2019 HK$'000	2018 HK$'000
Consultancy fee paid to:			
– Xinyi Glass Japan	ii, v	861	851
Sales of consumables to:			
– Xinyi Energy Smart (Malaysia)	ii, v	776	—
Sales of fixed assets to:	ii, v		
– Xinyi Energy Smart (Wuhu)		571	—
– Xinyi Glass (Jiangsu)		191	—
		762	—
Purchases of forklift battery chargers from:			
– Anhui Xinyi Power Source	ii, vii	707	540
EPC services income received from:			
– Xinyi Glass (Yingkou)	ii, v	216	—
– Xinyi Glass (Bozhou)	ii, v	417	—
– Xinyi Solar (Lu'an)	ix	—	18,953
		633	18,953
Acquisition of land parcel from:			
– Xinyi Energy Smart (Malaysia)	xi	—	142,346
Rental expenses paid to:			
– Xinyi Energy Smart (Wuhu)	i, viii	—	1,847
– Xinyi Glass (Tianjin)	i, viii	—	4,859
– Cheer Wise	ii, x	—	120
		—	6,826
Transportation fee paid to:			
– Xinhe Logistics Wuhu Branch	ii, v	—	1,969
EPC services income received in relation to photovoltaic poverty alleviation projects sponsored by directors and/or substantial shareholders and/or their controlled corporations:	ii, v		
– LEE Yin Yee		—	746
– LEE Sing Din		—	518
– LI Ching Leung		—	222
– LI Ching Wai		—	222
– LI Man Yin		—	222
		—	1,930

(b) Significant related party transactions (Continued)

Notes:

(i) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.

(iii) The purchases of machinery were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcements dated 20 December 2018 and 7 August 2019.

(iv) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 20 December 2018.

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

(vi) The processing of lithium battery energy storage facilities was charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 26 February 2018.

(vii) The purchases of forklift battery chargers from Anhui Xinyi Power Source and the sales of electricity to Anhui Xinyi Power Source were transacted at mutually agreed prices.

(viii) The leases of premises were charged at mutually agreed rental. Details of the transactions were disclosed in the Company's announcements dated 21 January 2016 and 21 December 2017.

(ix) The EPC services income received were charged at considerations based on mutually agreed terms. Xinyi Solar (Lu'an) was not a connected person of the Company and the transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(x) Approximately 3,600 sq. meter office areas and a car park in Hong Kong is provided by Cheer Wise, an associate owned as to 40% by the Company, for the Group's occupation starting from 30 September 2016 without consideration paid. From 1 May 2018, the leases of premises with approximate 30 square meter office area have been charged at mutually agreed rental.

(xi) The purchase of land parcel was charged at considerations based on mutually agreed terms. Details of this connected transaction were disclosed in the Company's announcement dated 4 May 2018.

37 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	2019 HK$'000	2018 HK$'000
Amounts due from a joint venture		
– Xinyi Solar (Lu'an)	5,630	4,131
Amounts due to related companies		
– Wuhu Jinsanshi	(80,604)	(84,503)
– Xinyi Glass Japan	(72)	(71)
– Xinyi Ultra-clear (Dongguan)	(330)	(1,685)
– Anhui Xinyi Power Source	(413)	(1,622)
– Xinyi Energy Smart (Malaysia)	(9,313)	(13,806)
	(90,732)	(101,687)

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

(d) Key management compensation

Key management includes executive and non-executive directors as well as senior management. The compensation paid or payable to key management for employee services is shown below:

	2019 HK$'000	2018 HK$'000
Basic salaries, bonus, other allowances and benefits	37,918	32,971
Retirement benefits – defined contribution scheme	69	93
Share options granted	778	772
	38,765	33,836

Details of directors' and the chief executive's emoluments are disclosed in Note 40.

38 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Assets – amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	4,381,809	3,649,964
Bills receivables (Note 23)	1,194,111	701,254
Finance lease receivables (Note 25)	196,279	193,161
Amount due from a joint venture (Note 15)	5,630	4,131
Cash and cash equivalents (Note 26)	2,221,055	783,873
	7,998,884	5,332,383
Liabilities – amortised cost		
Trade and other payables excluding accruals of staff cost, other taxes payable	1,877,541	2,278,902
Bills payables (Note 30)	140,435	493,838
Bank borrowings (Note 31)	6,683,145	8,769,509
Lease liabilities (Note 19)	626,495	—
Amounts due to related companies (Note 37)	90,732	101,687
	9,418,348	11,643,936

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		1,628,367	1,623,706
Current assets			
Amounts due from subsidiaries		2,336,785	1,649,868
Prepayments and other receivables		848	541
Cash and cash equivalents		481	480
Total current assets		2,338,114	1,650,889
Total assets		3,966,481	3,274,595
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	808,186	765,969
Share premium	(a)	2,956,278	1,856,628
Share option reserve	(a)	8,197	10,034
Retained earnings	(a)	192,641	641,916
Total equity		3,965,302	3,274,547
LIABILITIES			
Current liabilities			
Accruals and other payables		1,179	48
Total current liabilities		1,179	48
Total equity and liabilities		3,966,481	3,274,595

The balance sheet of the Company was approved by the Board of Directors on 16 March 2020 and was signed on its behalf.

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

LEE Yau Ching
Executive Director and Chief Executive Officer

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Movement of share premium and retained earnings of the Company

	Share premium HK$'000	Share option reserve HK$'000	Retained earnings HK$'000
At 1 January 2018	2,509,611	8,252	647,461
Loss for the year	—	—	(5,593)
Exercise of share options	11,056	(2,628)	—
Share-based compensation	—	4,458	—
Release of share option reserve for share options lapsed	—	(48)	48
Issuance of shares in respect of scrip dividend of 2018 interim dividend	450,064	—	—
Dividend:			
– 2017 final dividend	(519,898)	—	—
– 2018 interim dividend	(594,205)	—	—
At 31 December 2018	1,856,628	10,034	641,916
At 1 January 2019	**1,856,628**	**10,034**	**641,916**
Loss for the year	**—**	**—**	**(6,101)**
Employees' share option scheme:			
– exercise of employees' share options	**31,760**	**(6,885)**	**—**
– value of employee services	**—**	**5,057**	**—**
– release of share option reserve for share options lapsed	**—**	**(9)**	**9**
Issuance of shares in respect of scrip dividend of 2018 final dividend and 2019 interim dividend	**138,337**	**—**	**—**
Issuance of shares in respect of placing, net of transaction cost	**1,267,542**	**—**	**—**
Dividend:			
– 2018 final dividend	**(337,989)**	**—**	**—**
– 2019 interim dividend	**—**	**—**	**(443,183)**
At 31 December 2019	**2,956,278**	**8,197**	**192,641**

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

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2019:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note (ii)) HK$'000	Allowances and benefits in kind (Note (iii)) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—
LEE Yau Ching	250	—	15,200	—	18	4,794	20,262
LI Man Yin	250	—	6,080	—	18	2,050	8,398
CHEN Xi	250	—	1,145	324	—	760	2,479
LEE Shing Put	250	—	—	—	—	—	250
CHENG Kwok Kin, Paul	300	—	—	—	—	—	300
LO Wan Sing, Vincent	250	—	—	—	—	—	250
KAN E-ting, Martin	250	—	—	—	—	—	250
Total	1,800	—	22,425	324	36	7,604	32,189

40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

For the year ended 31 December 2018:

Name of directors (Note (i))	Fees	Salary	Discretionary bonuses (Note (ii))	Allowances and benefits in kind (Note (iii))	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
LEE Yin Yee	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—
LEE Yau Ching	250	—	12,679	—	18	5,260	18,207
LI Man Yin	250	—	5,071	—	18	2,075	7,414
CHEN Xi	250	—	1,325	325	—	609	2,509
LEE Shing Put	250	—	—	—	—	—	250
CHENG Kwok Kin, Paul	300	—	—	—	—	—	300
LO Wan Sing, Vincent	250	—	—	—	—	—	250
KAN E-ting, Martin	250	—	—	—	—	—	250
Total	1,800	—	19,075	325	36	7,944	29,180

40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

Notes:

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

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

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

(iv) No director of the Company was appointed/resigned during the year (2018: Same).

(v) Dr. LEE Yin Yee, B.B.S. and Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* waived emoluments of HK$250,000 (2018: HK$250,000) and HK$250,000 (2018: HK$250,000) respectively for the year. Except these, no directors waived or agreed to waive any emoluments for the year ended 31 December 2019 and 2018. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2019 and 2018.

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

(vii) During the year ended 31 December 2019, none of the directors of the Company received any salary (2018: Same).

(viii) Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking is HK$1,800,000 (2018: HK$1,800,000).

(ix) Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking is HK$30,389,000 (2018: HK$27,380,000).

(b) Directors' termination benefits

None of the directors of the Company received termination benefits during the year ended 31 December 2019 (2018: same).

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

No consideration was provided by the Group to third party for making available services of directors during the year ended 31 December 2019 (2018: same).

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

There is no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2019 (2018: same).

40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

Except for those transactions disclosed in Note 37, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: same).

41 SUBSEQUENT EVENT

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

On 16 March 2020, the Group entered into a sale and purchase agreement with Xinyi Energy for disposing the entire equity interest in a wholly-owned subsidiary of the Group, Xinyi Solar Farm (Group 3) Limited, which indirectly owns four solar farms with aggregate approved capacity of 230MW in the PRC, for a consideration to be calculated based on the formula set forth in the sale and purchase agreement. The transaction is expected to be completed on or before 30 September 2020.

Financial Summary

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Result					
Revenue	**9,096,101**	7,671,632	9,527,031	6,007,081	4,750,410
Cost of sales	**(5,184,554)**	(4,711,194)	(6,122,410)	(3,257,198)	(3,040,159)
Gross profit	**3,911,547**	2,960,438	3,404,621	2,749,883	1,710,251
Profit before income tax	**3,092,654**	2,246,340	2,789,435	2,390,464	1,393,986
Income tax expense	**(294,059)**	(204,662)	(265,336)	(240,777)	(188,389)
Profit for the year	**2,798,595**	2,041,678	2,524,099	2,149,687	1,205,597
Profit for the years attributable to:					
– the equity holders of the company	**2,416,462**	1,863,146	2,332,031	1,985,630	1,205,597
– non-controlling interest	**382,133**	178,532	192,068	164,057	—
	2,798,595	2,041,678	2,524,099	2,149,687	1,205,597

	As at 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Assets and Liabilities					
Total assets	**28,397,020**	23,892,500	22,767,259	16,786,383	12,734,633
Total liabilities	**9,823,891**	11,833,582	11,086,903	9,358,595	5,843,265
	18,573,129	12,058,918	11,680,356	7,427,788	6,891,368
Equity attributable to the equity holders of the Company	**14,176,846**	10,433,809	10,121,127	6,215,625	5,745,003
Non-controlling interests	**4,396,283**	1,625,109	1,559,229	1,212,163	1,146,365
	18,573,129	12,058,918	11,680,356	7,427,788	6,891,368