# XINYI SOLAR HOLDINGS LIMITED
# 信 義 光 能 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00968)**

# FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

## FINANCIAL HIGHLIGHTS

| | Year Ended 31 December | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| | ***HK$ million*** | *HK$ million* | |
| **Revenue** | **16,064.7** | 12,315.8 | +30.4% |
| **Profit attributable to equity holders of the Company** | **4,924.3** | 4,560.9 | +8.0% |
| **Earnings per share - Basic** | **55.65 HK cents** | 55.40 HK cents | +0.5% |
| **Proposed final dividend per share** | **10.0 HK cents** | 17.0 HK cents | |

The Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**" or "**Xinyi Solar**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

## CONSOLIDATED INCOME STATEMENT
### FOR THE YEAR ENDED 31 DECEMBER 2021

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
### FOR THE YEAR ENDED 31 DECEMBER 2021

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

## CONSOLIDATED BALANCE SHEET
### AS AT 31 DECEMBER 2021

| | Note | **2021** *HK$'000* | 2020 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **24,844,459** | 20,406,175 |
| Right-of-use assets | | **1,917,239** | 1,407,700 |
| Intangible assets | | **24,081** | 24,777 |
| Prepayments for land use rights and property, plant and equipment | 12 | **733,156** | 809,271 |
| Finance lease receivables | | **247,046** | 211,521 |
| Interests in a joint venture | | **387,667** | 365,751 |
| Investments in associates | | **68,940** | 69,034 |
| Deferred income tax assets | | **23,185** | 251,119 |
| **Total non-current assets** | | **28,245,773** | 23,545,348 |
| **Current assets** | | | |
| Inventories | | **2,045,318** | 728,277 |
| Contract assets | | **38,987** | 51,296 |
| Trade receivables | 11 | **7,070,189** | 5,297,159 |
| Bills receivables | 11 | **2,400,292** | 2,838,874 |
| Prepayments, deposits and other receivables | 12 | **1,670,513** | 1,662,164 |
| Finance lease receivables | | **12,107** | 8,281 |
| Current income tax recoverable | | **118,634** | — |
| Amounts due from related companies | | **10,273** | — |
| Amount due from a joint venture | | **—** | 796 |
| Cash and cash equivalents | | **7,458,267** | 9,291,194 |
| **Total current assets** | | **20,824,580** | 19,878,041 |
| **Total assets** | | **49,070,353** | 43,423,389 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | | **889,076** | 880,925 |
| Share premium and other reserves | | **13,986,575** | 13,107,452 |
| Retained earnings | | **15,436,432** | 12,533,429 |
| | | **30,312,083** | 26,521,806 |
| Non-controlling interests | | **5,585,338** | 5,502,712 |
| **Total equity** | | **35,897,421** | 32,024,518 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)
### AS AT 31 DECEMBER 2021

| | Note | **2021** *HK$'000* | 2020 *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **30,497** | 11,936 |
| Bank borrowings | 14 | **4,350,341** | 2,703,109 |
| Lease liabilities | | **793,778** | 646,458 |
| Other payables | | **282,303** | 312,123 |
| **Total non-current liabilities** | | **5,456,919** | 3,673,626 |
| **Current liabilities** | | | |
| Bank borrowings | 14 | **3,657,554** | 3,410,143 |
| Trade and other payables | 13 | **3,717,890** | 3,377,600 |
| Contract liabilities | | **91,098** | 181,402 |
| Lease liabilities | | **46,813** | 48,519 |
| Amounts due to related companies | | **16,740** | 167,118 |
| Current income tax liabilities | | **185,918** | 540,463 |
| **Total current liabilities** | | **7,716,013** | 7,725,245 |
| **Total liabilities** | | **13,172,932** | 11,398,871 |
| **Total equity and liabilities** | | **49,070,353** | 43,423,389 |

## NOTES:

### 1 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 Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to standards adopted by the Group

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

– Amendments to HKFRS 16, "COVID-19-Related Rent Concessions"

– Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, "Interest Rate Benchmark Reform - Phase 2"

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

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

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope Amendments | 1 January 2022 |
| Annual Improvements Project | Annual Improvements to HKFRSs 2018-2020 | 1 January 2022 |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations | 1 January 2022 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| HK-Int 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to 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, amendments to standards, accounting guideline and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 3 Revenue and segment information

Revenue recognised during the year are as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of solar glass | **13,019,419** | 9,992,290 |
| Solar farm business | | |
| – Sales of electricity | **1,447,598** | 977,340 |
| – Tariff adjustment | **1,391,871** | 1,253,520 |
| – EPC services | **134,227** | 92,679 |
| | **2,973,696** | 2,323,539 |
| Unallocated – Sales of mining products | **71,540** | — |
| Total revenue | **16,064,655** | 12,315,829 |

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

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

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

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

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

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

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

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

| | Other segment information | | | |
|---|---|---|---|---|
| | Sales of solar glass | Solar farm business | Unallocated | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2021** | | | | |
| Depreciation charge of property, plant and equipment | **509,409** | **605,952** | **3,047** | **1,118,408** |
| Depreciation charge of right-of-use assets | **19,677** | **36,333** | **—** | **56,010** |
| Amortisation charges of intangible assets | **—** | **—** | **1,432** | **1,432** |
| Additions to non-current assets (other than finance lease receivables and deferred income tax assets) | **3,383,756** | **2,198,813** | **—** | **5,582,569** |
| **Year ended 31 December 2020** | | | | |
| Depreciation charge of property, plant and equipment | 368,602 | 486,768 | — | 855,370 |
| Depreciation charge of right-of-use assets | 17,230 | 31,180 | — | 48,410 |
| Amortisation charge of intangible assets | 504 | — | — | 504 |
| Additions to non-current assets (other than finance lease receivables and deferred income tax assets) | 2,052,043 | 1,907,954 | 89,528 | 4,049,525 |

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

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

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

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

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

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

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

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

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

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

## 4 Other income

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Government grants (Note (i)) | **152,600** | 134,100 |
| Scrap sales | **74,405** | 25,385 |
| Tariff adjustments for electricity generation from self-used solar power system | **17,839** | 17,250 |
| Rental income | **2,055** | 2,422 |
| Others (Note (ii)) | **30,765** | 11,451 |
| | **277,664** | 190,608 |

*Notes:*

(i) Government grants mainly represent grants received from the The People's Republic of China (the "**PRC**") government in subsidising the Group's certain operating costs and general operations.

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

## 5 Other losses, net

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Foreign exchange losses, net | **(8,471)** | (19,176) |
| Gains/(losses) on disposal of property, plant and equipment | **476** | (31,970) |
| Net gain on futures contracts not qualified as effective hedges | **2,700** | — |
| Loss on disposal of a subsidiary (Note 17) | **(65,322)** | — |
| | **(70,617)** | (51,146) |

## 6 Expenses by nature

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

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

## 7 Finance income and costs

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

## 8 Income tax expense

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

*Notes:*

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

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

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

– A subsidiary engaging in solar glass business in Anhui is qualified as a "High and New Technology Enterprise" and would be entitled to enjoy a preferential CIT rate of 15% (2020: 15%);

– A subsidiary engaging in solar glass business in Guangxi is qualified as an "Encouraged Enterprise" in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and would be entitled to enjoy a preferential CIT rate of 9% (2020: 9%);

– Subsidiaries engaging in the operation and management of solar farms enjoyed tax holiday and their profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, their government grants and insurance claims received are subject to the CIT rate of 25% (2020: 25%).

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

## 9 Dividends

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

*Notes:*

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

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

## 10 Earnings per share

### (a) Basic

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

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

### (b) Diluted

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

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

## 11 Trade and bills receivables

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

*Notes:*

### (a) Trade and bills receivables

Breakdown of trade receivables by segment is as follows:

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

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.

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

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

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

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

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

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

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

**(b) Loss allowance of trade receivables**

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

*Sales of solar glass*

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

*Sales of electricity*

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

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

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

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

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

## 12 Prepayments, deposits and other receivables

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

*Note:* Other tax receivables mainly represent value added tax recoverable.

## 13 Trade and other payables

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **549,406** | 667,734 |
| Retention payables for EPC services | **157** | 352 |
| Trade payables and retention payable for EPC services (Note (a)) | **549,563** | 668,086 |
| Bills payables (Note (b)) | **733,986** | 381,584 |
| Trade, retention and bills payables (Note(c)) | **1,283,549** | 1,049,670 |
| Accruals and other payables (Note (d)) | **2,434,341** | 2,327,930 |
| | **3,717,890** | 3,377,600 |

*Notes:*

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **517,566** | 609,737 |
| 91 days to 180 days | **10,787** | 26,199 |
| 181 days to 365 days | **4,471** | 5,538 |
| Over 1 year | **16,739** | 26,612 |
| | **549,563** | 668,086 |

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

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| RMB | **1,232,408** | 1,003,025 |
| Other currencies | **51,141** | 46,645 |
| | **1,283,549** | 1,049,670 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Payables for property, plant and equipment | **1,743,529** | 1,766,901 |
| Accruals for employee benefits and welfare | **200,676** | 144,375 |
| Payables for transportation costs and other operating expenses | **152,664** | 105,927 |
| Provision for value added tax and other taxes in the PRC | **194,041** | 152,767 |
| Payables for utilities | **79,311** | 74,652 |
| Others | **64,120** | 83,308 |
| | **2,434,341** | 2,327,930 |

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

## 14 Bank borrowings

The bank borrowings are unsecured and repayable as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Repayable on demand and within 1 year | **3,657,554** | 3,410,143 |
| Between 1 and 2 years | **2,727,774** | 1,615,136 |
| Between 2 and 5 years | **1,622,567** | 1,087,973 |
| | **8,007,895** | 6,113,252 |
| Less: Non-current portion | **(4,350,341)** | (2,703,109) |
| Current portion | **3,657,554** | 3,410,143 |

## 15 Transaction with non-controlling interests

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

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

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

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

**16 Business combination**

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

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

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

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

*Notes:*

(i) Revenue and profits contribution

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

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

(ii) Acquired receivables

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

(iii) Goodwill

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

## 17 Disposal of a subsidiary

In November 2021, the Group donated 100% equity interest of Wuhu Xinyi Solar Technology Limited, a wholly-owned subsidiary which owns and operates 16MW distributed generation solar farm in the PRC, to the Wuhu Xinyi Charity Foundation for charitable purpose.

Net assets over which control was lost:

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 55,133 |
| Right-of-use assets | 9,117 |
| Deferred income tax assets | 265 |
| Trade and other receivables | 30,852 |
| Cash and cash equivalents | 393 |
| Trade payables, accruals and other payables | (18,766) |
| Lease liabilities | (10,393) |
| | 66,601 |
| Exchange reserve | (1,279) |
| Loss on disposal of a subsidiary | 65,322 |
| Net cash outflow arising from the disposal | |
| Cash and cash equivalents disposed | 393 |

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

### BUSINESS REVIEW

***Challenges posed by rising input costs and supply chain constraints***

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

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

***Distributed PV generation became a key driving force of China's PV installation in 2021***

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

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

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

***Global PV installations continued to remain strong and resilient***

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

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

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

***Decreasing prices and rising production costs – a more challenging operating environment for solar glass manufacturers***

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

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

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

***Product portfolio enhancement and capacity expansion to strengthen competitiveness***

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

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

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

***Steady growth of the solar farm business***

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

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

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

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

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

***Formation of Xinyi Silicon for expansion into polysilicon production***

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

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

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

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

## FINANCIAL REVIEW

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

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

## Revenue

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

*Revenue – By Product*

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

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

*Solar Glass Revenue – By Geographical Area*

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

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

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

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

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

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

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

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

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

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

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

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

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

**Gross profit**

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

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

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

**Other income**

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

**Other losses, net**

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

**Selling and marketing expenses**

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

**Administrative and other operating expenses**

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

**Finance costs**

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

**Share of profit in joint venture**

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

**Income tax expense**

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

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

**EBITDA and net profit**

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

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

**Financial resources and liquidity**

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

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

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

## BUSINESS OUTLOOK

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

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

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

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

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

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

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

## CAPITAL EXPENDITURES AND COMMITMENTS

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

## PLEDGE OF ASSETS

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

## CONTINGENT LIABILITIES

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

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in notes 15 to 17 above, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2021.

## USE OF PROCEEDS OF PLACING

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

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

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

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

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

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

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

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

## EMPLOYEES AND REMUNERATION POLICY

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

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

## SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company in June 2014, an aggregate of 9,885,500 share options were granted to selected employees and an executive director in March 2021. The share options are valid from 31 March 2021 to 31 March 2025. One third of the share options would be vested on each year-end date of 2021, 2022 and 2023 if the relevant grantee has satisfied the conditions of vesting as stated in the letter of grant.

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

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

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set forth in Part 2 of Appendix 14 to the Listing Rules for the year ended 31 December 2021.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 December 2021.

## 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 announcement, the Company has maintained sufficient public float with at least 25% of the shares held by the public as required under the Listing Rules.

## REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended and as of 31 December 2021. The members of the audit committee of the Board are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin, all of them are independent non-executive Directors.

## PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set forth in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the board of Directors held on 28 February 2022, the Directors proposed a final dividend (the "**Final Dividend**") of 10.0 HK cents per share for 2021. The recommendation of the payment of the Final Dividend are subject to the approval of the Shareholders at the AGM of the Company to be held on 2 June 2022. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 6 July 2022 to Shareholders whose names appear on the register of members of the Company on Monday, 13 June 2022.

The register of members of the Company will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 June 2022.

## ANNUAL GENERAL MEETING

The AGM of the Company will be held on 2 June 2022. The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022. A notice convening the AGM will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders on or about Friday, 29 April 2022.

On behalf of the Board
**Xinyi Solar Holdings Limited**
**Dr. LEE Yin Yee, B.B.S.**
*Chairman*

Hong Kong, 28 February 2022

*As of the date of this announcement, the Board comprises four executive Directors, namely Dr. LEE Yin Yee, B.B.S. (Chairman), Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. and Mr. LEE Shing Put, B.B.S., and three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.*

*This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and Xinyi Solar at www.xinyisolar.com.*