信義光能控股有限公司
XINYI SOLAR HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00968

LEADING
GREEN NEW ENERGY
XINYI SOLAR

2023
ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. LEE Shing Put, B.B.S. *(Vice Chairman)*
(Re-designated on 31 July 2023 and appointed as Chief Executive Officer effective from 1 April 2024)
Mr. LEE Yau Ching
(*Chief Executive Officer until 31 March 2024*)
Mr. LI Man Yin
Mr. CHU Charn Fai
(Appointed on 2 June 2023)
Mr. CHEN Xi
(Retired on 2 June 2023)

NON- EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, S.B.S. (*Chairman*) [ø~]
(Re-designated on 31 July 2023)
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*
(*Vice Chairman*) [ø<]

INDEPENDENT NON- EXECUTIVE DIRECTORS

Mr. LO Wan Sing, Vincent [#+<]
Mr. KAN E-ting, Martin [#ø<]
Ms. LEONG Chong Peng [*ø<]

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

COMPANY SECRETARY

Mr. CHU Charn Fai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

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Wuhu Economic and Technology Development Zone
Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

SQUIRE PATTON BOGGS
Suite 3201
One Island East
Taikoo Place
Quarry Bay
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong)
China Citic Bank
China Construction Bank
China Everbright Bank
China Merchants Bank
Citibank, N.A.
Hang Seng Bank
HSBC
Huaxia Bank
Huishang Bank
Industrial Bank
Malayan Banking Berhad
Sumitomo Mitsui Banking Corporation

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.xinyisolar.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of 29 December 2023: HK$4.56
Market capitalisation as of 29 December 2023: Approximately HK$40.60 billion

KEY DATES

Closure of register of members for the purpose of entitlement to attend and vote at the Annual General Meeting: Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive)
Date of Annual General Meeting: Friday, 31 May 2024
Closure of register of members for the purpose of entitlement to the final dividend:
Thursday, 6 June 2024 to Tuesday, 11 June 2024 (both days inclusive)
Proposed final dividend payable date: On or about Wednesday, 7 August 2024

Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**" or "**Xinyi Solar**"), I am pleased to present herewith the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023.

The performance of the Group's solar glass business was impacted by the high raw material and energy costs and the low average selling prices ("**ASP**") in the first half of 2023 (the "**1H2023**"), but showed a significant turnaround in the second half of the year. The sharp decline in the polysilicon and solar module prices in the second quarter triggered the acceleration of downstream installation demand in the second half of 2023 (the "**2H2023**"). Coupled with a gradual slowdown in the increase in the new solar glass capacity, the above factors have resulted in a marked improvement in the supply and demand dynamics in the solar glass market. With a significant improvement in gross profit margin in the 2H2023 and the increase in the annual sales volume, the Group's solar glass business has an increase in gross profit contribution in 2023 compared to 2022. As for the solar farm business, the Group achieved a record high in the annual new grid connection in 2023 and completed the grid connection of projects with an aggregate approved grid connected capacity of 1,094 megawatts ("**MW**") during the year, of which 974 MW was utility-scale ground-mounted projects and 120 MW was distributed generation projects.

In 2023, the Group's revenue amounted to HK$26,628.8 million, representing an increase of 29.6% as compared to 2022. Profit attributable to equity holders of the Company increased by 9.6% to HK$4,187.1 million. Basic earnings per share for 2023 were 47.04 HK cents, compared to 42.95 HK cents for 2022. A final dividend of 15.0 HK cents per share has been proposed, subject to approval by the shareholders (the "**Shareholders**") of the Company at the forthcoming annual general meeting (the "**AGM**").

BUSINESS REVIEW

Global PV installations recorded unprecedented growth

Global photovoltaic ("**PV**") installation witnessed an unprecedented growth in 2023, fueled by a combination of factors such as energy transition and significant cost reductions. On the demand side, the growing geopolitical tensions and the threat of energy crisis have made the solar energy to be widely adopted by different countries to achieve energy security and reduce the risk of the cost volatility. On the cost side, the polysilicon supply bottleneck in the solar value chain has been resolved with the gradual increase in the new production capacity. Since mid-2023, the polysilicon and the PV module prices have started to fall sharply, putting installation costs back on a downward trajectory.

Most of the world's major PV markets experienced a strong growth in the 2H2023 as a result of the a significant drop in installation costs. Projects previously delayed due to high PV module prices have been resumed, and new projects have accelerated due to the improved investment returns. However, given the long-term, capital-intensive nature of PV projects, continued high interest rates, macroeconomic uncertainty and complex geopolitical, trade and economic relations may continue to affect future project development and implementation timelines.

In terms of the market distribution, the global PV installations continued to show diversified development in 2023. Although the installation markets were dominated by China, the European Union ("**EU**"), the United States ("**US**"), India and Brazil, the number of countries with the annual new installations exceeding 1 gigawatt ("**GW**") has increased. Although the installed capacity in some countries was affected by the changes in the government policies and/or other factors, global installed capacity continued to grow rapidly as other markets emerged as complements.

China continued to lead global PV development in terms of installation demand, technological innovation and cost improvement

In 2023, China continued to play an important role in the global PV development. Its comprehensive solar value chain continued to contribute to the global solar energy applications in terms of cost reduction and technological innovation. In addition to being the manufacturing hub of the global solar industry, China is also the world's largest market of new annual PV installations.

According to the statistics published by the National Energy Administration ("**NEA**"), the newly installed PV capacity in China increased 148.1% year-on-year to 216.88 GW in 2023. The new PV installations in the 1H2023 and 2H2023 amounted to 78.42 GW and 138.46 GW, respectively. The higher installation growth in the 2H2023 was mainly driven by the significant decrease in installation costs.

In the 1H2023, the procurement and construction of many PV projects in China remained on hold due to the relatively high installation costs. New installations in this period came mainly from projects with lower price sensitivity and government policy support, such as distributed generation projects and mega PV power bases in desert areas. The surge in the downstream PV installations in the 2H2023 was primarily attributable to the significant drop in the module costs. Over the past two years, the production capacity of the entire PV value chain, including polysilicon, silicon wafers, batteries, modules and auxiliary materials, has significantly expanded, which intensified the industry competition. In addition to the new capacity additions by the existing solar companies, non-solar companies have also made cross-industry investments. The increase in the supply led to increased competition in the industry. Another factor driving down the solar module prices is technological progress. The N-type solar modules are generally more efficient than the P-type solar modules and are therefore becoming increasingly popular. The mass production of the N-type solar modules has led to economies of scale and reduction in the production costs and further reduction in the prices of the P-type solar modules.

Significant improvement in solar glass gross margins in the 2H2023

In the 1H2023, the lower ASP and high raw material and energy costs depressed the gross margin of the Group's solar glass segment. This situation improved significantly in the 2H2023, with the gross profit margin rising from 15.2% in the first half to 26.4% in the second half. The segment gross margin in 2023 was only slightly lower than 2022.

New capacity additions in the solar glass industry were lower in 2023 than in 2022, mainly due to stricter government approvals, lower returns on investment and financing difficulties. Nevertheless, the actual effective capacity increase in 2023 remains significant, as some of the capacity added in 2022 gradually reached full capacity in 2023. This increase in capacity resulted in a more competitive solar glass market.

In the 1H2023, solar glass manufacturers faced the double pressure of rising costs and limited price increases for the finished products. Industry supply had increased significantly over the previous two years, but the high module prices suppressed the downstream installation demand. The sharp fall in the polysilicon and solar module prices in the second quarter of 2023 marked a turning point in the market's evolution. The supply-demand dynamics for the solar glass market improved steadily in the 2H2023, amid a rapid increase in downstream installation demand and a gradual slowdown in industry capacity growth. The solar glass market shifted from a relatively abundant supply to a more balanced supply.

Chairman's Statement

Compared to the previous years, the prices for solar glass products were less volatile in 2023. With the exception of a more pronounced upward trend in the third quarter, the prices were fluctuating within a narrow range for the remaining months of the year. Overall, the ASP increased slightly in the 2H2023 compared to the 1H2023 due to a better balance between supply and demand. On the cost side, energy and raw material procurement costs remained high or even increased slightly in the first quarter. Soda ash and natural gas prices showed some declines in the second quarter. Although the prices rebounded to a certain degree in the 2H2023, the overall cost pressures in the 2H2023 were much lower than that in the 1H2023.

In order to be better positioned in the increasingly competitive market, the Group implemented a series of targeted measures in 2023. On the sales front, the Group adopted a flexible marketing strategy to accelerate inventory turnover, created product differentiation and further improved product quality. In terms of cost control, the Group upgraded capacity and facilities, improved technology, increased yield rates, reduced energy consumption and optimised production and logistics processes.

The higher ASP, reduced cost pressure and improved operational efficiency resulted in a significant improvement in the Group's gross margin in the 2H2023 compared to the 1H2023.

Capacity expansion to capture market growth and diversification of production bases

In addition to the improved gross margin, the Group also achieved a rapid profit growth by increasing its sales volume. The Group's solar glass sales volume (in tonnage) increased by around 20.3% in the 2H2023 compared to the 1H2023. Leveraging its newly added production capacity and strong market presence, the Group increased its inventory turnover and achieved year-on-year growth of 49.3% in solar glass sales volume (in tonnage) and 33.3% in solar glass revenue in 2023.

Timely capacity expansion not only enabled the Group to capture global market growth, but also reinforced its market-leading position. By the end of 2023, the Group's daily melting capacity of solar glass reached 25,800 tonnes, an increase of 6,000 tonnes compared to the beginning of the year. The additional capacity consisted of six production lines with a daily melting capacity of 1,000 tonnes each, with a commissioning schedule of two lines in the 1H2023 and four lines in the 2H2023.

In 2023, the Group also actively conducted feasibility studies at various locations in China and overseas to identify suitable sites for capacity expansion in preparation for future sustainable development. A wider distribution of production capacity can better meet the needs of customers in different countries and regions, improve logistics efficiency, reduce transportation costs, and address the risks of stricter energy consumption and emission policies and international trade barriers.

The Group has continued to develop different types of solar glass products to meet customer needs and facilitate further technological advancement in the solar value chain. In terms of the Group's solar glass sales mix, the share of thin glass continued to increase in 2023. In the 1H2023, PV installation demand came more from overseas and distributed generation projects, with relatively less use of double-glass and bifacial modules. As a result, the percentage of thin glass sales in the Group's solar glass sales mix decreased. However, with the gradual transition of solar cell technology from P-type to N-type and the construction of more utility-scale ground-mounted PV power projects, the percentage of thin glass sales increased sharply in the 2H2023. With thin glass becoming a mainstream product, the Group has deployed its new production line configuration accordingly.

New solar farm capacity reaches record high

Following the sharp decline in the solar module prices in mid-2023, the Group accelerated the installation and construction of solar farm projects in the 2H2023, achieving a record high annual grid-connected capacity in 2023. For self-developed solar farm projects, the Group completed the grid connection of projects with an aggregate approved grid-connected capacity of 1,094 MW in 2023, of which 974 MW was utility-scale ground-mounted projects and 120 MW was distributed generation projects. In order to better synergise with the existing solar farm projects, the Group also acquired a solar farm project with a capacity of 10 MW from a third party during the year, which is located in the vicinity of another project of the Group.

Regarding the sale of solar farm projects to Xinyi Energy Holding Limited ("**Xinyi Energy**"), the Group completed the sale of four solar farm projects with an aggregate capacity of 636.5 MW in 2023. The transactions were made in accordance with the business delineation between Xinyi Solar as a solar farm developer and Xinyi Energy as a solar farm operator, which could help accelerate the recovery of working capital for project development.

Driven by the continuous increase of its solar farm capacity, the Group's total power generation increased steadily in 2023. As of 31 December 2023, the cumulative approved grid-connected capacity of the Group's solar farm projects was 5,944 MW, of which 5,541 MW was for utility-scale ground-mounted projects and 403 MW was for distributed generation projects generating electricity for self-consumption or sale to the grid. In terms of ownership, solar farm projects with a capacity of 3,695 MW were held through Xinyi Energy, a subsidiary owned as to 51.6% by the Company; solar farm projects with a capacity of 2,149 MW were held through wholly-owned subsidiaries of the Company; and a solar farm project with a capacity of 100 MW was held by an entity owned as to 50% by the Group.

RMB bank borrowings to ease pressure of rising interest rates

The interest rates on HKD bank borrowings have increased significantly since mid-2022, thus increasing the Group's financial burden. In order to mitigate the impact, the Group started to fund its capital expenditure with Renminbi ("**RMB**") bank borrowings in 2023. In addition to interest expense savings, RMB bank borrowings can reduce the risk of currency mismatch and the impact of exchange rate fluctuations on net assets, as the majority of the Group's assets are located in Mainland China and denominated in RMB.

The Group's net debt gearing ratio (calculated as borrowings less cash and bank balances divided by total equity) increased from 7.6% as of 31 December 2022 to 17.5% as of 31 December 2023 if calculated on a consolidated basis. Excluding Xinyi Energy and its subsidiaries, the Group's net debt gearing ratio was 3.9% as of 31 December 2023 (31 December 2022: net cash).

The increase in gearing at the Xinyi Energy level was mainly due to the financing requirements for project acquisitions. As these new projects are not subsidised, their cash flows are more predictable and stable. A reasonable increase in the Xinyi Energy's net gearing ratio could optimise the Group's overall capital structure and financial resource allocation.

Chairman's Statement

BUSINESS OUTLOOK

The government policy support, economic incentives and technological development have driven the increasing use and development of solar energy. After years of development, solar energy has become one of the fastest growing renewable energy sources in the world. Rapidly developing markets and promising prospects are the main reasons for the high investment enthusiasm and significant production capacity expansion across the entire solar industry.

After a new round of substantial production expansion, the concern about the future development of the solar industry has gradually shifted from the supply bottleneck of certain components to the over-capacity of certain segments of the industry. There is no denying that certain segments of the industry have experienced, or may be experiencing, cyclical oversupply as production capacity has grown faster than the increase in the demand. The entire solar module production process involves many different segments and components. The ultimate demand of all segments in the solar value chain depends on the downstream demand for PV installation. However, due to the differences in industrial structure, new capacity construction cycles, and the pace of product and technology innovation, changes in the supply and demand dynamics are not consistent across segments.

The solar glass industry experienced a peak in the capacity growth at a time which is earlier than the other segments in the industry chain. The large-scale capacity expansion triggered by the high profitability of the industry in 2020 has gradually slowed down, and the total capacity increase of the industry in 2023 was lower than that in 2022. The slowdown in the new capacity construction was mainly due to the increasingly stringent energy consumption and emission targets and the strengthening of supply-side control measures (e.g. hearings, capacity risk alert mechanism). Changes in the macroeconomic environment and increased difficulty and cost of financing have also reduced the incentive for existing participants or new entrants to invest in the industry. Supply and demand dynamics in the solar glass market are expected to improve in 2024, given the slowdown in new capacity additions in the industry and continued growth in downstream installation demand.

After two consecutive years of unprecedented growth, it is generally expected that the global PV installations to continue to grow in 2024, but at a slower rate. Benefiting from the sharp decline in solar module prices, overall solar installation costs have fallen rapidly, which will trigger further growth in downstream installation demand. While the projected annual growth rate of global PV installations in 2024 is not as high as in the past two years, it is still more likely to be higher than the long-term historical average. In addition, for economic and technical reasons, solar farms typically install solar modules with a larger capacity than their inverter capacity. Taking into account the inverter loading ratio (DC/AC capacity ratio) as well as the penetration of the double-glass and bifacial PV modules, the actual demand for solar glass typically grows even faster than global PV installations. In view of the continued growth in market demand, the Group will expand its solar glass production capacity in an orderly manner in order to support further growth and consolidate its leading market position.

By adding six new production lines with an aggregate daily melting capacity of 6,400 tonnes, the Group plans to increase its total daily melting capacity of solar glass from 25,800 tonnes as at the end of 2023 to 32,200 tonnes as at the end of 2024. Of these six production lines, four are in China with a total daily melting capacity of 4,000 tonnes, and two are in Malaysia with a total daily melting capacity of 2,400 tonnes. In addition, the Group has started preparations for the establishment of new production bases in the People's Republic of China ("**PRC**") and overseas, including projects in Yunnan Province and Jiangxi Province in the PRC, as well as overseas projects in Indonesia. The commissioning date of these new production sites has not yet been determined and is expected to be in 2025 or later.

In order to be better positioned in the uncertainty of global economic development and increasingly fierce market competition, the Group will adopt a prudent financial management strategy to control risks. In addition, the Group will continue to pursue excellence in production processes, product differentiation and innovation by expanding, upgrading and improving its solar glass production facilities, enhancing production efficiency and maintaining its high sensitivity to the market changes, as well as focusing on the further development of the thin glass market, in order to strengthen the Group's competitive edge and effectively mitigate the pressure of rising procurement costs from time to time.

For the solar farm business, the Group expects that the development work of new solar farm projects may face more challenges in 2024. As some PRC provinces have delayed or even suspended the issuance of new solar farm project quotas for 2023, this may make it more difficult for the Group to increase its project pipeline reserves. In addition, land availability, grid connection issues and complex administrative approval procedures may hinder project development. Higher mandatory energy storage requirements and market-based electricity trading mechanism may also increase the uncertainty of project returns. In order to strike a proper balance between risks and returns, the Group has decided to adopt a more prudent installation target of 300 MW of grid-connected capacity in 2024.

The Group's polysilicon production facility located in Yunnan Province, the PRC is a joint venture investment owned as to 52% and 48% by the Group and Xinyi Group (Glass) Company Limited, respectively. Construction of the project is about to complete. The trial production is expected to commence in the second quarter of 2024. Despite the significant decline in polysilicon prices in 2023, the Directors are confident in the technical expertise, cost control and the product competitiveness of the Group and believe that the polysilicon project can add value to the Group in the long term. At present, the Group has no plans to expand its polysilicon production capacity. Any future polysilicon investment plan will only be considered after the existing production capacity has been successfully commissioned and in light of market factors and the Group's overall business development strategy.

For the proposed issue of RMB-traded ordinary shares by the Company in the Mainland China, the Company has sought the shareholders' approval on various matters on 7 November 2023. However, in view of the fact that the stock market has yet to pick up and the slowdown in the pace of initial public offerings in the Mainland China stock market, the Directors expect that the project to progress at a slower pace.

Chairman's Statement

Overall, the Directors are confident about the future development of the solar industry. Ongoing technological innovation and the increasing focus on renewable energy development in various countries will continue to drive the widespread use of solar energy and create new demand for solar glass. The imminent end of the interest rate hike cycle is another positive factor that will help to strengthen the momentum of downstream demand. Although the issue of overcapacity in certain segments of the value chain may bring uncertainty to the short-term market development, it is believed that through natural adjustment and consolidation, the industry can eliminate inefficient capacity and continue to grow and develop. Concerns about grid saturation can also be mitigated to some extent as the cost of energy storage facilities has fallen significantly.

The Group will adhere to its corporate mission of "Leading Green New Energy" and continue to improve operational efficiency, strengthen cost control and implement product differentiation strategies to enhance its competitive advantages. By promoting the parallel development of its solar glass and solar farm businesses, Xinyi Solar will continue to contribute to the global green energy transition.

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

Hong Kong, 28 February 2024

FINANCIAL REVIEW

The supply chain bottlenecks that had plagued the solar industry for more than two years were finally resolved in 2023. The development of the industry has entered a new phase. Sharp declines in polysilicon and solar module prices triggered accelerated growth in downstream installation demand, especially in the 2H2023. Although competition in the market remained fierce, the Group seized the opportunity of the surge in PV installation demand to expand its solar glass production capacity and increase its sales, resulting in a year-on-year increase in the segment's gross profit contribution. During 2023, the Group's solar farm business saw a significant increase in new grid connections as a result of a significant drop in installation costs. The segment's revenue and profit contribution also increased year-on-year. With increased profit contribution from both the solar glass and solar farm businesses, the Group achieved an encouraging result in 2023.

Revenue

Revenue for the year ended 31 December 2023 was mainly derived from two core business segments, namely, the sales of solar glass and the solar farm business.

Revenue – By Product

	Year Ended 31 December					
	2023		2022		Increase/(Decrease)	
	HK$ million	*% of revenue*	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**23,532.9**	**88.4**	17,655.1	85.9	5,877.8	33.3
Solar farm business	**2,970.5**	**11.2**	2,744.4	13.4	226.1	8.2
Unallocated	**125.4**	**0.5**	144.6	0.7	(19.2)	(13.3)
Total external revenue*	**26,628.8**	**100.0**	20,544.0	100.0	6,084.8	29.6

* The sum of the individual amounts may not be the same as the actual total due to rounding.

Management Discussion and Analysis

Solar Glass Revenue – By Geographical Area

	Year Ended 31 December					
	2023		2022		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Mainland China	**18,114.9**	**77.0**	13,463.7	76.3	4,651.2	34.5
Other areas in Asia	**4,496.0**	**19.1**	3,233.7	18.3	1,262.3	39.0
North America and Europe	**903.9**	**3.8**	903.8	5.1	0.1	0.0
Others	**18.1**	**0.1**	53.8	0.3	(35.7)	(66.4)
Total solar glass revenue*	**23,532.9**	**100.0**	17,655.1	100.0	5,877.8	33.3

* The sum of the individual amounts may not be the same as the actual total due to rounding.

For the year ended 31 December 2023, the Group's revenue from sales of solar glass surged by 33.3% year-on-year to HK$23,532.9 million. The increase was mainly attributable to the increase in sales volume and sales mix optimisation, partially offset by the lower ASP and the depreciation of the RMB against the HKD.

The increase in production capacity, coupled with the accelerated growth of downstream PV demand and increased sales of thin glass products, contributed to the Group's rapid sales growth in 2023. Driven by the growth in both domestic and international markets, the Group's total solar glass sales volume (in terms of tonnage) grew by 49.3% year-on-year in 2023.

Solar glass prices were less volatile in 2023 than in previous years. Strong downstream demand and rising production costs continued to support the price trends. However, due to the relatively abundant supply in the market, competition in the industry and technological advancement, product prices still showed some year-on-year declines.

In addition to the decrease in ASP, the unfavourable impact of currency exchange rate fluctuation also caused the Group's solar glass revenue growth in 2023 to be lower than the sales volume growth. The RMB/HKD exchange rates used to convert RMB-denominated revenue into HKD for various months in 2023 were relatively lower than those of the corresponding months in the 2022, representing a year-on-year decrease of approximately 5.5%, which negatively impacted the Group's total revenue.

In terms of geographic mix, there was no significant change from previous years. Overseas sales and sales in Mainland China accounted for 23.0% (2022: 23.7%) and 77.0% (2022: 76.3%), respectively, of the Group's total solar glass sales in 2023. The geographic mix of the Group's solar glass sales was generally consistent with the distribution of the global solar module production capacity.

The Group's electricity generation revenue for the year ended 31 December 2023 was mainly derived from the solar farms located in the PRC as shown below.

	Approved grid-connected capacity		
	As of 31 December 2023 *MW*	As of 30 June 2023 *MW*	As of 31 December 2022 *MW*
Utility-scale ground-mounted solar farms			
Anhui	**1,737**	1,622	1,622
Hubei	**980**	980	980
Guangdong	**750**	550	550
Yunnan	**560**	10	—
Guangxi	**500**	400	400
Others (Tianjin, Henan, Hebei, etc.)	**914**	914	914
Sub-total	**5,441**	4,476	4,466
Commercial distributed generation projects	**78**	108	108
Total	**5,519**	4,584	4,574
Utility-scale ground-mounted solar farms			
Total number of solar farms	**59**	51	50
Weighted average feed-in-tariff ("**FiT**") * (RMB/kWh)	**0.59**	0.63	0.63

* The weighted average FiT rate is proportionally weighted according to the base FiT (after taking into account the possible deduction of tariff adjustment on solar farm projects not included in the First Qualified Project List (as defined below)) and the approved grid-connection capacity of each solar farm and is provided for information purposes only. The actual prices of electricity sold by some solar farms were determined in accordance with market-based trading mechanisms.

Revenue from the solar farm segment increased steadily by 8.2% from HK$2,744.4 million in 2022 to HK$2,970.5 million in 2023. The increase was mainly attributable to the new capacity added in 2023 and the full-year contribution from the capacity added in 2022, partially offset by the lower weighted average FiT and the depreciation of RMB against HKD.

For the 1,094 MW of utility-scale ground-mounted solar farm projects added by the Group in 2023, 1,084 MW were developed by its in-house engineering, procurement and construction team and 10 MW were acquired from an independent third party. As all the new self-developed solar farms are grid parity projects, their FiTs were lower than the weighted average of the Group's existing portfolio. However, they can provide more predictable and stable cash flows and improve the liquidity of this business segment due to the more timely collection of receivables from electricity generation.

Similar to other solar farm operators in the PRC, the Group has experienced delays in the collection of subsidies from the government related to the electricity generation of its subsidised solar farm projects. As of 31 December 2023, the Group's outstanding tariff adjustment (subsidy) receivable amounted to HK$4,416.6 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. As of 31 December 2023, the Group had subsidised solar farm projects with a total approved capacity of 2,174 MW, of which 1,244 MW were included in the "Announcement on Publishing the List of the First Batch of Renewable Energy Generation Subsidy Compliant Projects" (《關於公佈第一批可再生能源發電補貼合規項目清單的公告》) (the "**First Qualified Project List**") published on 28 October 2022.

Gross profit

Gross profit increased by HK$931.2 million, or 15.1%, from HK$6,158.5 million in 2022 to HK$7,089.7 million in 2023. Overall gross margin declined to 26.6% (2022: 30.0%), but the impact of the lower gross margin was fully offset by the increase in sales volume. As a result, the gross profit contribution of both the solar glass and solar farm businesses increased year-on-year.

The gross profit contribution of the solar glass business increased by 20.0% to HK$5,033.6 million in 2023 (2022: HK$4,193.3 million). Despite the improvement in the 2H2023, the gross profit margin of the Group's solar glass segment decreased by 2.4 percentage points to 21.4% in 2023 (2022: 23.8%). The decline was mainly attributable to (i) lower ASP compared to the previous year and (ii) procurement costs for raw materials and energy, such as soda ash and natural gas, remained high, although there were some decreases during the year. Impact of the decline was partially offset by (i) efficiency improvements from new capacity ramp-up, tighter cost controls and streamlined operations and (ii) optimisation of the sales mix.

For the solar farm business, gross profit contribution increased by 5.3% to HK$2,035.8 million in 2023 (2022: HK$1,933.3 million). Segment gross profit margin decreased to 68.5% in 2023 (2022: 70.4%), which was mainly attributable to (i) electricity curtailment losses due to grid consumption and (ii) the increase in operating costs to comply with higher energy storage requirements and safety regulations.

Other income

During the year, the Group's other income increased by HK$130.1 million to HK$370.1 million, as compared to the HK$240.0 million in 2022. The increase was mainly due to the increase in government grant income and scrap sales.

Other (losses)/gains - net

The Group recorded other losses – net of HK$247.4 million in 2023, compared to other gains – net of HK$43.3 million in 2022. Other losses – net in 2023 mainly comprised of (i) foreign exchange losses, net of HK$190.5 million; (ii) losses on disposal of bills receivable at fair value through other comprehensive income of HK$55.9 million; and (iii) losses on disposal of property, plant and equipment and early termination of lease of HK$31.0 million and offset by net fair value gains on financial assets at fair value through profit or loss of HK$30.0 million.

The foreign exchange losses, net in 2023 included currency translation differences of approximately HK$170.0 million reclassified from exchange reserve upon termination of RMB-denominated capital loan between the group companies.

Selling and marketing expenses

The Group's selling and marketing expenses increased from HK$91.3 million in 2022 to HK$106.1 million in 2023. The increase was mainly due to higher costs of iron pallets (used for product transportation and storage) as a result of increased sales of solar glass and a higher percentage of paperless packaging. The ratio of selling and marketing expenses to solar glass sales revenue was 0.5% in 2023 (2022: 0.5%).

Administrative and other operating expenses

Administrative and other operating expenses increased by HK$224.4 million, or 22.9%, from HK$979.2 million in 2022 to HK$1,203.6 million in 2023. The increase was mainly attributable to increase in research and development expenses of HK$204.6 million and increase in staff costs of HK$17.9 million as a result of business expansion. As a result of the increase in revenue and the relatively fixed nature of certain expenses, the ratio of administrative and other operating expenses to revenue decreased from 4.8% in 2022 to 4.5% in 2023.

Finance costs

Finance costs increased from HK$198.4 million (or HK$267.8 million before capitalisation) in 2022 to HK$383.8 million (or HK$511.5 million before capitalisation) in 2023. The increase was mainly due to the increase in interest rates and higher average bank borrowings. During the year, interest expense of HK$127.8 million (2022: HK$69.4 million) was capitalised in the cost of solar farms and solar glass production facilities under construction. These capitalised amounts will depreciate together with the related assets over their estimated useful lives.

Share of net profit of investments accounted for using the equity method

In 2023, the Group's share of net profit of investments accounted for using the equity method was HK$28.1 million (2022: HK$30.8 million). The profit contribution from these investments was mainly derived from a 100 MW solar farm project in Anhui Province, China, in which the Group has a 50% equity stake.

Management Discussion and Analysis

Income tax expense

Income tax expense increased from HK$835.2 million in 2022 to HK$870.9 million in 2023. The increase was primarily attributable to (i) increased profit from solar glass business and (ii) increase in corporate income tax ("**CIT**") rate after the expiration of tax exemption/reduction period for certain solar farms. The Group's overall effective income tax rate decreased from 16.1% in 2022 to 15.6% in 2023, mainly due to the lower effective tax rate of the solar glass business in 2023 and the higher profit contribution of this business than the solar farm business.

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

EBITDA and net profit

In 2023, the Group's EBITDA (earnings before interest, taxation, depreciation and amortisation) amounted to HK$7,780.2 million, representing an increase of 12.2%, as compared to HK$6,933.3 million in 2022. The EBITDA margin (calculated on the basis of total revenue for the year) was 29.2% in 2023, compared to 33.7% in 2022.

Net profit attributable to equity holders of the Company in 2023 was HK$4,187.1 million, representing an increase of 9.6% compared to HK$3,820.1 million in 2022. Net profit margin attributable to equity holders of the Company decreased to 15.7% in 2023 from 18.6% in 2022, mainly due to (i) the decrease in profit margin of both solar glass and solar farm businesses; (ii) an increase in research and development costs; and (iii) higher finance expenses.

Financial resources and liquidity

In 2023, the Group's total assets increased by 19.5% to HK$60,433.0 million and shareholders' equity increased by 7.5% to HK$31,974.6 million. The current ratio as at 31 December 2023 was 1.2, compared to 1.8 as at 31 December 2022. The decrease in current ratio was mainly due to the increase in bank borrowings and other payables as a result of the expansion of the scale of business operations.

For the year ended 31 December 2023, the Group's main sources of funding included cash generated from the Group's operating activities, credit facilities provided by banks and rights issue by Xinyi Energy. Net cash provided by operating activities amounted to HK$5,789.9 million (2022: HK$5,892.1 million). The decrease was mainly due to more interest expenses paid and income tax paid, which was offset by the effect of the expansion of business operation and the increase in profit contribution from the solar glass business. Net cash used for investing activities amounted to HK$10,400.5 million (2022: HK$6,454.4 million). The increase was primarily due to capital expenditure for the expansion of solar glass capacity, investment in new solar farm projects and construction costs for the polysilicon production facility in Yunnan Province, the PRC. Net cash generated from financing activities amounted to HK$2,193.1 million (2022: net cash used of HK$1,074.9 million). During the year, the Group secured new borrowings of HK$9,988.6 million and repaid borrowings of HK$7,511.2 million. In addition, the Group's non-wholly-owned subsidiary, Xinyi Energy, raised net proceeds of approximately HK$1,627.8 million through the allotment of 744,040,025 rights shares on 1 June 2023. The Group's total dividends paid in cash to Shareholders and non-controlling interests in subsidiaries in 2023 amounted to HK$1,930.1 million.

As at 31 December 2023, the Group's net debt gearing ratio (calculated as borrowings less cash and bank balances divided by total equity) was 17.5% (2022: 7.6%). The change in the Group's gearing level was mainly due to the decrease in cash and bank balances and the increase in borrowings.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$9,894.9 million for the year ended 31 December 2023 which was primarily used in the expansion and upgrade of solar glass production lines, payments for the construction of polysilicon production facility and expansion of new solar farm capacity. Capital commitments contracted for but not incurred by the Group as of 31 December 2023 amounted to HK$5,273.7 million, which were mainly related to the addition of new solar glass production facilities, development and construction of the solar farm projects and the balance payment for the construction of polysilicon production complex.

PLEDGE OF ASSETS

As of 31 December 2023, bills receivables of HK$5.5 million (2022: HK$14.3 million) was pledged as collaterals for obtaining letter of credit facilities in the PRC. Bills receivables of HK$20.8 million (2022: nil) was pledged as collaterals for obtaining bank acceptance bill. Bills receivables of HK$1,096.0 million (2022: HK$75.1 million) was transferred to banks for obtaining bank borrowings.

CONTINGENT LIABILITIES

As of 31 December 2023, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in note 15 to the consolidated financial statement in this annual report, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

On 28 February 2024, the Group entered into four sale and purchase agreements for the disposals of eight solar farm projects with an aggregate approved capacity of 790 MW in the PRC to Xinyi Energy. Further details of which are disclosed in the joint announcement of the Company and Xinyi Energy dated 28 February 2024.

Save as disclosed above, no significant event has taken place subsequent to 31 December 2023 and up to the date of this annual report.

TREASURY POLICIES, EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

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

The presentation currency of the Group's consolidated financial statements is HKD. Due to the depreciation of RMB against HKD in 2023, the Group reported non-cash translation losses, which represent a decrease in the reserve of its consolidated balance sheet, in the translation of the RMB-denominated assets into HKD. Exchange losses of HK$444.0 million attributable to equity holders of the Company were recorded as the exchange reserve movement in 2023. As a result, the debit balance of the Group's consolidated exchange reserve account increased from HK$1,885.2 million as of 31 December 2022 to HK$2,329.3 million as of 31 December 2023.

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. In view of the reversal of interest rate differential between HKD bank borrowings and RMB bank borrowings (from a relatively lower interest costs changed to a higher interest cost), the Group commenced the drawdown of RMB bank borrowings in Mainland China in 2023. As of 31 December 2023, 66.2% and 33.8% of the bank borrowings of the Group were denominated in HKD and RMB, respectively.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2023, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2023, the Group had about 11,063 full-time employees of whom 9,936 were based in Mainland China and 1,127 were based in Hong Kong, Malaysia and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK$1,164.6 million for the year ended 31 December 2023.

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 competitiveness 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.

FINAL DIVIDEND

At the meeting of the Board held on 28 February 2024, the Directors proposed a final dividend (the "**Final Dividend**") of 15.0 HK cents per share for the year ended 31 December 2023. The recommendation of the payment of the Final Dividend is subject to the approval of the Shareholders at the AGM to be held on Friday, 31 May 2024. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 7 August 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024.

Shareholders will be given an option to receive the Final Dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash. The scrip dividend scheme (the "**Scrip Dividend Scheme**") is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Scheme.

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commencing on Tuesday, 4 June 2024 until Tuesday, 11 June 2024 (both days inclusive) rounded down to two decimal places.

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. LEE Yin Yee, S.B.S. (李賢義), aged 71, is a non-executive Director and the Chairman and is responsible for the formulation of the Group's overall business strategy. Dr. LEE Yin Yee, S.B.S. joined the Group in July 2006. Dr. LEE Yin Yee, S.B.S. was the executive Director and redesignated as a non-executive Director on 31 July 2023 Dr. LEE Yin Yee, S.B.S. has 35 years experience in the glass industry. Dr. LEE Yin Yee, S.B.S. is the founder of Xinyi Glass Holdings Limited ("**Xinyi Glass**") (stock code: 00868), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**Stock Exchange**"), and its subsidiaries ("**Xinyi Glass Group**") and is currently an executive director and the chairman of Xinyi Glass. Prior to establishing the Xinyi Glass Group, Dr. LEE Yin Yee, S.B.S. engaged in the trading of automobile parts. Dr. LEE Yin Yee, S.B.S. obtained an honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, S.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, S.B.S. was appointed in December 2003 as the first chairman of Fujian Chamber of Commerce in Shenzhen (formerly known as "Shenzhen Fujian Corporate Association"). Dr. LEE Yin Yee, S.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, S.B.S. is the brother-in-law of Tan Sri Datuk TUNG Ching Sai, *J.P.*, a non-executive Director, and an uncle of Mr. LEE Yau Ching, an executive Director. Dr. LEE Yin Yee, S.B.S. is the father of Mr. LEE Shing Put, B.B.S., an executive Director. Dr. LEE Yin Yee, S.B.S. was the chairman and non-executive director of Xinyi Energy Holdings Limited ("**Xinyi Energy**") (stock code: 03868), a company listed on the main board of the Hong Kong Stock Exchange, from May 2018 to August 2020.

EXECUTIVE DIRECTORS

Mr. LEE Shing Put (李聖潑), B.B.S., aged 46, is an executive Director and Vice Chairman. Mr. LEE Shing Put, B.B.S. joined the Company in September 2013 and was appointed as the a non-executive Director from 20 September 2013 to 30 July 2023. He was re-designated as an executive Director and Vice Chairman on 31 July 2023. He was also appointed as the Chief Executive Officer of the Company effective from 1 April 2024. Prior to joining the Group, Mr. LEE Shing Put, B.B.S. had been engaged in information technology and investment businesses 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 an Executive master degree in business administration. Mr. LEE Shing Put, B.B.S. is Honorary Fellow of The Hong Kong University of Science and Technology. Mr. LEE Shing Put, B.B.S. was the executive director of Xinyi Glass from June 2004 to October 2008. Mr. LEE Shing Put, B.B.S. is currently a member of the 13th Guangdong Provincial Standing Committee of the Chinese People's Political Consultative Conference and a deputy to the National People's Congress. Mr. LEE Shing Put, B.B.S. is an executive director and chairman of the board, chairman of the nomination committee and a member of the remuneration committee of the board of Xinyi Energy (stock code: 03868). Mr. LEE Shing Put, B.B.S. is the son of Dr. LEE Yin Yee, S.B.S., the Chairman and a non-executive Director, a cousin of Mr. LEE Yau Ching, an executive Director and a nephew of Tan Sri Datuk TUNG Ching Sai *J.P.*., the Vice Chairman and a non-executive Director.

Mr. LEE Yau Ching (李友情), aged 48, is an executive Director. He is also the Chief Executive Officer of the Company until 31 March 2024. Mr. LEE Yau Ching is responsible for the Group's daily operation. 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 been an executive director of Xinyi Glass since 2004 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 2020 been the Chief Executive Officer overseeing the Group's 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, S.B.S., the Chairman and a non-executive Director, and a cousin of Mr. LEE Shing Put, B.B.S., an executive Director and Vice Chairman. 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 is an executive director of Xinyi Energy (stock code: 03868), a company listed on the main board of the Hong Kong Stock Exchange.

Mr. LI Man Yin (李文演), aged 69, is an executive Director and is responsible for overseeing the purchase and procurement functions of the business since December 2011. Mr. LI Man Yin was appointed as an executive Director on 20 September 2013. Mr. LI Man Yin has been an executive director of Xinyi Glass since June 2004 until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013.

Mr. CHU Charn Fai (朱燦輝), aged 54, is an executive Director, Financial Controller and Company Secretary of the Group. Mr. CHU joined the Group in April 2011. Prior to joining the Group, Mr. CHU was the financial controller of Minmetals Resources Limited (currently known as MMG Limited) (stock code: 01208), a company listed on the main board of the Hong Kong Stock Exchange, from August 2002 to 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 and before which, Mr. CHU worked in an international accounting firm for around four years. Mr. CHU obtained a bachelor's degree of science in applied computing from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) 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.

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* **(董清世)**, aged 58, is a non-executive Director and the Vice Chairman and is responsible for the formulation of the Group's overall business strategy and overseeing the implementation of the business strategies. Tan Sri Datuk TUNG Ching Sai *J.P.* joined the Group in July 2006. Tan Sri Datuk TUNG Ching Sai *J.P.* has been working in Xinyi Glass Group for 35 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Tan Sri Datuk TUNG Ching Sai *J.P.* is a member of The National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會委員), standing committee member 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廣西壯族自治區委員會常務委員), 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 All-China Federation of Industry and Commerce (全國工商聯執行委員會委員), chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association. Tan Sri Datuk TUNG Ching Sai *J.P.* obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Tan Sri Datuk TUNG Ching Sai *J.P.* graduated from the Sun Yat-Sen University with a senior executive master degree in business administration in 2007. Tan Sri Datuk TUNG Ching Sai *J.P.* is the brother-in-law of Dr. LEE Yin Yee, S.B.S., the Chairman and a non-executive Director, and uncle of Mr. LEE Shing Put, B.B.S., an executive Director. Tan Sri Datuk TUNG Ching Sai *J.P.* is the chairman and non-executive director of Xinyi Electric Storage Holdings Limited (stock code: 08328), a company listed on the GEM of the Hong Kong Stock Exchange and an executive director and vice chairman of Xinyi Energy (stock code: 03868), a company listed on the main board of the Hong Kong Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Wan Sing, Vincent (盧溫勝), aged 76, 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 government of Hong Kong Special Administrative Region. Mr. LO serves as an independent non-executive director of Ever Harvest Group Holdings Limited (stock code: 01549), the shares of which are listed on the main board of the Hong Kong Stock Exchange.

Mr. KAN E-ting, Martin (簡亦霆), aged 41, 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.

Ms. LEONG Chong Peng (梁仲萍), aged 50, holds a bachelor's degree in commerce from Curtin University and is an associate member of the Hong Kong Institute of Certified Public Accountant, a Fellow Certified Practising Accountant ("**FCPA**") of Australia and a Registered Company Auditor in Australia. Ms. LEONG is experienced in auditing, accounting, corporate governance, risk management and corporate compliance and has been involved in initial public offering transactions for companies in Hong Kong and Australia.

Ms. LEONG currently is practising as a FCPA and a Registered Company Auditor in Australia. Ms. LEONG was an executive director in Pitcher Partners Perth (Baker Tilly International Affiliates) from 2011 to 2015, director in Monash Group (merged with Pitcher Partners Perth in 2011) from 2006 to 2011 and had previously worked with Ernst & Young in Hong Kong, Shanghai and Perth. Ms. LEONG has extensive audit experience during the past 26 years. Ms. LEONG has participated in the audit engagements for multinationals and listed companies in Hong Kong, China and Australia. Ms. LEONG was a non-executive director of Kemao Industries Limited (stock code: KEM), a company listed on the National Stock Exchange of Australia, from May 2018 to March 2021.

SENIOR MANAGEMENT

Mr. LIU Xiao Rong (劉笑榮), aged 44, is the Vice President of the Group and responsible for overseeing the Group's 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 the solar glass business. Since October 2008, Mr. LIU has been working for the Group and worked as vice general manager of production from October 2010 to December 2013. In December 2013, Mr. LIU was appointed as general manager of the Group's ultra-clear photovoltaic glass business.

Mr. LI Bin Wei (李斌偉), aged 41, is the Vice General Manager of the Group and responsible for overseeing the Group's solar farm development and construction business. Mr. LI studied Non-metallic Materials Science at Xiamen University (廈門大學) from 2001 to 2004. Mr. LI joined the Xinyi Glass Group in February 2005 and worked in various departments such as sales, procurement, etc. Mr. LI joined Xinyi Solar in 2010 and was responsible for the procurement function of Wuhu production complex. Since 2016, Mr. LI was responsible for the procurement function of solar farm development and construction system. Starting from 2020, in addition to the procurement function, Mr. LI was also responsible for the technical and other management functions of solar farm development and construction system.

* *For identification purpose only.*

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set forth in Appendix C1 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year of 2023.

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 2023.

The Board is collectively responsible for the long-term success of the Company. Its key responsibilities include providing leadership and supervision to the Management with a view to protecting the Shareholders' interests and enhancing Shareholders' long-term value.

The Board has established the Group's purpose, values and strategies and was satisfied that they are aligned with the Group's culture. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instill and continually reinforce across the Company's values of "acting lawfully, ethically and responsibly".

During the year ended 31 December 2023, the Board closely monitored the implementation of corporate governance practice, risk management and internal control systems to ensure the corporate value and the Company's culture are aligned.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 20 to 23 of this annual report.

The four executive Directors are Mr. LEE Shing Put, B.B.S., Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHU Charn Fai. Mr. LEE Shing Put, B.B.S. is the son of Dr. LEE Yin Yee, S.B.S., a cousin of Mr. LEE Yau Ching and a nephew of Tan Sri Datuk TUNG Ching Sai *J.P.*. Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, S.B.S. and a cousin of Mr. LEE Shing Put, B.B.S.. Mr. CHEN Xi retired as the executive Director on 2 June 2023.

The two non-executive Directors are Dr. LEE Yin Yee, S.B.S. and Tan Sri Datuk TUNG Ching Sai *J.P.*. Dr. LEE Yin Yee, S.B.S. is the father of Mr. LEE Shing Put, B.B.S., the brother-in-law of Tan Sri Datuk TUNG Ching Sai *J.P.*, and an uncle of Mr. LEE Yau Ching. Tan Sri Datuk TUNG Ching Sai *J.P.* is the brother-in-law of Dr. LEE Yin Yee, S.B.S. and uncle of Mr. LEE Shing Put, B.B.S..

The three independent non-executive Directors are Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin and Ms. LEONG Chong Peng.

Mr. CHU Charn Fai, who was appointed as the executive Director on 2 June 2023, attended a training session on 2 June 2023, at which an external legal adviser provided legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of the Company and the possible consequences of making a false declaration or giving false information to the Hong Kong Stock Exchange. Mr. CHU has confirmed his understanding of the information provided by the legal adviser.

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.

The articles of association (the "**Articles**") of the Company provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall subject to retirement by rotation at least once every three years. 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, S.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. He is also 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, the Chief Executive Officer 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. He is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term of not more than three years. 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 meeting in 2023 are as follows:

	Number of meetings attended/ eligible to attend	
	General meetings	Board meetings
Executive Directors		
LEE Shing Put (Re-designated on 31 July 2023)	2/2	5/5
LEE Yau Ching	2/2	5/5
LI Man Yin	2/2	5/5
CHU Charn Fai (Appointed on 2 June 2023)	1/1	3/3
CHEN Xi (Retired on 2 June 2023)	1/1	2/2
Non-executive Directors		
LEE Yin Yee (Re-designated on 31 July 2023)	2/2	5/5
TUNG Ching Sai	2/2	5/5
Independent non-executive Directors		
LO Wan Sing, Vincent	2/2	5/5
KAN E-ting, Martin	2/2	5/5
LEONG Chong Peng	2/2	5/5

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.

Corporate Governance Report

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

The Board considers that its diversity is a vital asset to the business and has adopted a board diversity policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company adopted the board diversity policy (the "**Diversity Policy**") as required by the CG Code. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption, as set forth in the Diversity Policy of the Company.

The members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. The table below sets forth an analysis of the Board's current composition based on the measurable objectives:

Measurable objective	Category	Number of Director
Gender	Male	8
	Female	1
Age	41-50	4
	51-60	2
	Over 60	3
Director's skills and experience	Solar glass industry experience	5
	Solar farm industry experience	3
	International exposure	2
	Financial expertise	2
	Legal expertise	1
	Digital and technology	2
	Compliance and corporate governance experience	9
	Current executive leadership or directorship in other listed companies	5

Based on the foregoing, the composition and diversity of the Board enable the management to benefit from a diverse and objective external perspective, on issues raised before the Board.

Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 20 to 23 in this annual report.

The Board currently has one female Director and as such has achieved gender diversity in respect of the Board. The Company targets to maintain at least the current level of female representation on the Board and strive to ensure the Board is made up of a reasonable and appropriate proportion of female member by reference to stakeholders' expectations and international and local recommended best practices and the pool of qualified candidates.

As of 31 December 2023, among the 11,063 employees (including directors and senior management) of the Group, the percentages of male employees and female employees are 78.9% and 21.1%, respectively. Considering that the Group is engaged in industrial manufacturing, engineering and construction, the Board believes that appropriate balance of gender diversity of workforce is maintained taking into account the business models and operational needs.

The Nomination Committee was of the opinion that the Board consisted of members with diversified gender, age, cultural and education background, professional/business experience, skills and knowledge. Further details for the diversity, including the gender diversity, in the workforce during the year ended 31 December 2023 are set forth in the Environmental, Social and Governance Report dated 30 April 2024 of the Company.

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.

MECHANISM REGARDING INDEPENDENT VIEWS TO THE BOARD

The Board has implemented different ways to ensure independent views and input are available to the Board (the "**Mechanism**"). The Board will conduct annual review on the implementation and effectiveness of the Mechanism and the results will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 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. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code throughout the year ended 31 December 2023.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Dr. LEE Yin Yee, S.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.*, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin and Ms. LEONG Chong Peng. Three of Remuneration Committee members are independent non-executive Directors, and one of whom, Mr. LO Wan Sing, Vincent, is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of the Directors, making recommendation to the Board on the remuneration packages of the Directors and senior management and reviewing and approving matters related to share schemes. 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, two meetings of the Remuneration Committee were held to review, consider and make recommendations to the Board where appropriate in relation to:

– annual review of the directors' fee;

– annual review of the remuneration packages of the executive Directors and senior management;

– the granting of share options to an executive director and eligible employees; and

– review of the remuneration package of the Directors who were appointed and/or re-designated during the year.

The attendance record of each committee member is set forth below:

	Number of meetings attended/held
LO Wan Sing, Vincent (Chairman)	2/2
LEE Yin Yee	2/2
TUNG Ching Sai	2/2
KAN E-ting, Martin	2/2
LEONG Chong Peng	2/2

The remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2023 is set forth below:

In the band of:	Number of individuals
HK$1,500,001 - HK$2,000,000	1
HK$7,500,001 - HK$8,000,000	1

Details of the Directors' remuneration is set out in Note 9 to the consolidated financial statements in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, namely Ms. LEONG Chong Peng, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin. Ms. LEONG Chong Peng is the chairperson of the Audit Committee.

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control and risk management systems and oversee the auditing processes of the Group. The Audit Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange.

During the year, three meetings were held by the Audit Committee to review, consider and make recommendations to the Board where appropriate in relation to the following matters:

– the external auditor's independence, performance and provision of non-audit services;

– audit plans and findings of external auditor and the related management responses as well as changes in accounting standards and its impact on the Group;

– annual and interim financial statements and the related results announcement;

– the continuing connected transactions; and

– financial reporting and compliance procedures, internal control and risk management systems.

The attendance record of each committee member is set forth below.

	Number of meetings attended/held
LEONG Chong Peng (Chairperson)	3/3
LO Wan Sing, Vincent	3/3
KAN E-ting, Martin	3/3

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of five members, namely Dr. LEE Yin Yee, S.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.*, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin and Ms. LEONG Chong Peng. Three of Nomination Committee members are independent non-executive Directors. The chairman of the Nomination Committee is Dr. LEE Yin Yee, S.B.S..

The primary duties of the Nomination Committee are to review the structure, size and diversity 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, two meetings were held by the Nomination Committee to review, consider and make recommendations to the Board where appropriate in relation to the following matters:

– the structure, size, composition and diversity of the Board;

– the independence of the independent non-executive Directors;

– re-election of the retiring Directors for shareholders’ approval at the AGM;

– the re-designation of Mr. LEE Shing Put, B.B.S. as an executive Director and Dr. LEE Yin Yee, S.B.S. as a non-executive Director; and

– the appointment of Mr. CHU Charn Fai as an executive Director.

The attendance record of each committee member is set forth below:

	Number of meetings attended/held
LEE Yin Yee (Chairman)	2/2
TUNG Ching Sai	2/2
LO Wan Sing, Vincent	2/2
KAN E-ting, Martin	2/2
LEONG Chong Peng	2/2

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 to the following in assessing the suitability of the proposed candidate:

– Reputation for integrity;

– Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

– Merit and contribution that candidate will bring to the Board;

– Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive director if the proposed candidate will be nominated as an independent non-executive director; and

– Able to devote sufficient time and attention to the Company's business.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

Procedures for shareholders' nomination of any proposed candidate for election as a director are stated in "Mechanisms available for shareholders to propose a person for election as a director of the Company" and disclosed in the Company's website.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 70 to 75 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2023, the professional fees paid/payable to the external auditors of the Company in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Auditors' remuneration	HK$'000
– Audit services	
Annual audit fee	3,767
Proposed issuance of RMB Shares	2,309
– Non-audit services	
Professional fees in relation to the rights issue by Xinyi Energy	378
Tax service fees	48

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 2023.

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 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 addressed.

Based on the results of the internal control review for the year ended 31 December 2023 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 2023.

INSIDE INFORMATION POLICY

The Company has established an 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 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 and Executive Director 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 2023, Mr. CHU has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A GENERAL MEETING

Pursuant to Article 58 of the articles of association (the "**Articles**") of the Company, any one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per Share basis, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such general 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 general meeting, the requisitionist(s) himself (themselves) may convene a physical meeting at only one location, 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 a shareholders communication policy. The Board reviewed the implementation and effectiveness of the shareholders communication policy and the results were satisfactory. The Company has established the following channels:

(i) the AGM provides a forum for the Shareholders to raise comments and exchange views with the Board. The Directors are available at the AGM of the Company to address Shareholders' queries;

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

(iii) interim and annual results are announced as early as possible, to keep the Shareholders 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 Branch Share Registrar, Computershare Hong Kong Investor Services Limited.

CONSTITUTIONAL DOCUMENTS

Pursuant to the special resolutions passed at the extraordinary general meeting of the Company held on 7 November 2023, the amendments to the Company's constitutional documents were approved by the Shareholders. Details of the amendments were set forth in the circular (the "**Circular**") of the Company dated 20 October 2023. The amendments shall be effective from the date of the PRC Listing (as defined in the Circular).

Save as disclosed above, there was no change to the Company's constitutional documents during the year ended 31 December 2023. The Company's constitutional documents is available on the websites of the Company and the Stock Exchange.

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 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries mainly include: (i) production and sale of solar glass products and (ii) development and operation of solar farms. Particulars of the subsidiaries are set forth in Note 14 to the consolidated financial statements in this annual report.

BUSINESS REVIEW AND OUTLOOK

A business review of the Group and further discussion and analysis of these activities of the Group for the year ended 31 December 2023 and the future development are set forth in the Chairman's Statement from pages 4 to 10 and Management Discussion and Analysis from pages 11 to 19 of this annual report. These discussions form part of the Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set forth in the consolidated income statement on page 76 in this annual report. During the year, an interim dividend of 7.5 HK cents per share, amounting to a total of approximately HK$667.7 million, was paid to the Shareholders in cash on 6 September 2023.

FINAL DIVIDEND

At the meeting of the Board held on 28 February 2024, the Directors proposed a Final Dividend of 15.0 HK cents per share for the year ended 31 December 2023. The recommendation of the payment of the Final Dividend is subject to the approval of the Shareholders at the AGM to be held on Friday, 31 May 2024. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 7 August 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2024.

Shareholders will be given an option to receive the Final Dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash. The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Scheme.

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commencing on Tuesday, 4 June 2024 until Tuesday, 11 June 2024 (both days inclusive) rounded down to two decimal places.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

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

During the year, the Group has utilised the solar power generation system installed on the rooftops of its production complexes to generate renewable energy for its own use. Moreover, the Group has also implemented different measures to further reduce greenhouse gases emissions per unit of solar glass output, improve the water recycling utilisation rate and promote more environmentally friendly product packaging.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

An Environmental, Social and Governance ("**ESG**") report for the year ended 31 December 2023 of the Group will be published on the websites of the Company and Stock Exchange at the same time as the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2023, 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 equitable 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.

Report of the Directors

DONATIONS

Donations by the Group for charitable purposes during the year ended 31 December 2023 amounted to HK$18,280,000 (2022: HK$13,293,000).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Solar glass business

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

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

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

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

Solar farm business

– Climate change, unpredictable weather patterns and grid consumption constraints can lead to erratic generation revenues and returns.

– Collection of tariff adjustment receivables arising from sales of electricity may experience delay and may affect the cash flow and liquidity of the Group.

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

Details of the Group's exposure to foreign exchange risk and other financial risks are set forth in the paragraphs under "Treasury Policies and Exposure to Fluctuation in Foreign Exchange Rates" in the Management Discussion and Analysis on page 18 and section headed "Financial Risk Management" in note 3 to the consolidated financial statements from pages 85 to 102 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 forth in the section headed "Financial Summary" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2023 are set forth in note 17 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2023 are set forth in note 26 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Act of the Cayman Islands, as of 31 December 2023 and without taking into account the proposed final dividend of 15.0 HK cents per Share for the year then ended, share premium amounting to approximately HK$7,441.7 million (2022: HK$8,299.4 million) and retained earnings of HK$405.5 million (2022: HK$1,081.1 million) was distributable to the 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 the Shareholders at 31 December 2023 and 2022.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting the Group's 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.

Report of the Directors

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 report were:

EXECUTIVE DIRECTORS

Mr. LEE Shing Put, B.B.S. *(Vice Chairman)* (re-designated on 31 July 2023)
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHU Charn Fai (appointed on 2 June 2023)
Mr. CHEN Xi (retired on 2 June 2023)

NON-EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, S.B.S. *(Chairman)* (re-designated on 31 July 2023)
Tan Sri Datuk TUNG Ching Sai *J.P.* *(Vice Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Wan Sing, Vincent
Mr. KAN E-ting, Martin
Ms. LEONG Chong Peng

In accordance with article 84 of the Company's articles of association (the "**Articles**"), Dr. LEE Yin Yee, S.B.S., Mr. LEE Shing Put, B.B.S., Mr. LEE Man Yin, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin will retire by rotation and being eligible, will offer themselves for re-election at the AGM.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

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

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

(iv) director's fees of HK$125,000 for the six months ended 30 June 2023, HK$150,000 for the six months ended 31 December 2023 and HK$300,000 for the year ending 31 December 2024.

During the year ended 31 December 2023, two directors waived the director's fees of aggregate amount of HK$550,000 to be received by them from the Company. Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements in this annual report.

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

Except for the connected transactions and continuing connected transactions disclosed on pages 60 to 68 of this annual 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 2023.

SHARE OPTION SCHEME

(a) Share Option Scheme of the Company

In June 2014, the Company adopted a share option scheme (the "**Share Option Scheme**"). The following table sets forth movements in the share options of the Company for the year ended 31 December 2023:

Grantee	Grant date	Exercise price (HK$)	Closing price of the Company's shares immediately before the grant date (HK$)	Vesting period	Exercise period	Number of share options At 1/1/2023	Granted	Exercised	Lapsed	Cancelled	At 31/12/2023
Executive director - Mr. CHEN Xi (Retired on 2 June 2023)	28/3/2019	3.76	3.75	28/3/2019-31/12/2021	1/4/2022-31/3/2023	375,000	—	(375,000)[1]	—	—	—
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	375,000	—	—	—	—	375,000
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	300,000	—	—	—	—	300,000
	31/3/2022	13.82	14.14	31/3/2022-31/12/2024	1/4/2025-31/3/2026	300,000	—	—	—	—	300,000
	31/3/2023	9.41	9.36	31/3/2023-31/12/2025	1/4/2026-31/3/2027	—	300,000	—	—	—	300,000
Executive director - Mr. CHU Charn Fai (Appointed on 2 June 2023)	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	225,000	—	(150,000)[2]	—	—	75,000
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	300,000	—	—	—	—	300,000
	31/3/2022	13.82	14.14	31/3/2022-31/12/2024	1/4/2025-31/3/2026	378,000	—	—	—	—	378,000
	31/3/2023	9.41	9.36	31/3/2023-31/12/2025	1/4/2026-31/3/2027	—	375,000	—	—	—	375,000
Continuous contract employees	28/3/2019	3.76	3.75	28/3/2019-31/12/2021	1/4/2022-31/3/2023	5,203,000	—	(5,194,000)[2]	(9,000)	—	—
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	7,605,500	—	(1,291,500)[3]	—	(96,000)	6,218,000
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	9,123,000	—	—	—	(367,000)	8,756,000
	31/3/2022	13.82	14.14	31/3/2022-31/12/2024	1/4/2025-31/3/2026	16,938,000	—	—	—	(439,000)	16,499,000
	31/3/2023	9.41	9.36	31/3/2023-31/12/2025	1/4/2026-31/3/2027	—	15,486,000	—	—	(284,900)	15,201,100
Total						41,122,500	16,161,000	(7,010,500)	(9,000)	(1,186,900)	49,077,100

(1) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$8.93.

(2) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$9.06.

(3) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$8.80.

For the year ended 31 December 2023, 16,161,000 share options were granted. The fair value of the equity-settled share options granted under the Share Option Scheme during the year ended 31 December 2023 was estimated at approximately HK$56,077,000. The fair value of the share options granted to the Director and eligible employees of the Group were approximately HK$1,041,000 and HK$55,036,000, respectively. The value of the share options granted during the year ended 31 December 2023 is to be expensed through the Group's income statement over the three-year vesting period of the share options.

The fair value of share options granted by the Company during the year ended 31 December 2023 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the share options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	9.41
Exercise price (HK$)	9.41
Volatility (%)	53.98%
Dividend yield (%)	2.13%
Expected share option life (years)	3.50
Annual risk-free rate (%)	3.12%

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

(i) Purpose

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

(ii) Participants

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

*(iii) Maximum number of shares (the "**Shares**") of the Company*

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.

The total number of securities available for issue under the Share Option Scheme was 478,450,798, representing 5.37% of the issued share capital of the company as of the date of this annual report.

(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. A nominal consideration of HK$1.00 is required to be paid by the grantee of the share option to the Company upon acceptance of the offer.

(vii) Option price for subscription of shares

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

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

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

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

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

The number of share options available for grant under the Share Option Scheme was 494,611,798 share options as of 1 January 2023 and 478,450,798 share options as of 31 December 2023.

The number of Shares that may be issued in respect of the options granted under the Share Option Scheme during the year ended 31 December 2023 divided by the weighted average number of the Shares in issue for the year ended 31 December 2023 is 0.18%.

During the year ended 31 December 2023, a total of 16,161,000 share options granted to a Director and employees of the Group (collectively, the "**Grantees**"), among of which 5,387,000 share options, representing one third of the total share options granted, vested on 31 December 2023. Having considered that (i) such share options vested where the performance target are satisfied during the performance period commenced from 1 January 2023 and ended on 31 December 2023, which is not less than 12 months, and (ii) the total vesting and holding period of the share options is more than 12 months, the Remuneration Committee and the Board considered that the grant of such share options with a shorter vesting period could align the interests of the Grantees with that of the Company and the Shareholders, reward and provide incentive to the Grantees to work towards success of the Group, and reinforce their commitment to long-term services of the Group, which is in line with the purpose of the Share Option Scheme.

The vesting of the share options granted to the Grantees is subject to satisfaction of certain performance targets as determined by the Board at its absolute discretion. The Board will assess the performance of the Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales target of the Group as a whole and of the applicable business. Also, the Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the Group.

There is no clawback mechanism attached to the share options granted to the Grantees. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the Grantees had or may have made to the Group. The Share Option Scheme also provides the Grantees with an opportunity to have a personal stake in the Company with the view to satisfy the objectives of (i) motivate the grantees 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 Grantees whose contributions are or will be beneficial to the long-term growth of the Group. Having considered that (i) the Grantees are the Director and the employees of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; (ii) the grant of share options to the Grantees is a recognition for their past contributions to the Group; and (iii) the share options are subject to the terms of the Share Option Scheme which provides for circumstances under which the share options or any part thereof shall lapse in the event that the Grantees cease to be a Director and an employee of the Group or commit a breach of the rules of the Share Option Scheme, the Remuneration Committee and the Board consider that without additional clawback mechanism, the grant of the share options could align the interests of the Grantees with that of the Company and the Shareholders, reward and provide incentive to the Grantees to work towards successes of the Group, and reinforce their commitment to long-term services of the Group, which is in line with the purpose of the Share Option Scheme.

Saved as disclosed above, the Company did not make any grant of share options to the Directors and/or senior managers as set forth in Rules 17.03F, 17.06B(7) and 17.06B(8) of the Listing Rules during the year ended 31 December 2023.

Further details of the Share Option Scheme are set forth in note 27 to the consolidated financial statements in this annual report.

(b) Share Option Scheme of a subsidiary

Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a non-wholly owned subsidiary of the Company, adopted a share option scheme (the "**XYE Share Option Scheme**") in November 2018. The following table sets forth movements in the share options of Xinyi Energy ("**XYE Share Options**") for the year ended 31 December 2023:

						Number of XYE Share Options						
Grantee	Grant date	Exercise price (HK$)	Closing price of the Xinyi Energy's shares immediately before the grant date (HK$)	Vesting period	Exercise period	At 1/1/2023	Granted	Adjustment for the Xinyi Energy Rights Issue[1]	Exercised	Lapsed	Cancelled	At 31/12/2023
Executive director - Ms. CHENG Shu E (Retired on 2 June 2023)	31/3/2020	2.18[1]	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	450,000	—	343	—	—	—	450,343
	31/3/2021	3.78[1]	3.81	31/3/2021-31/12/2023	1/4/2024-31/3/2025	347,000	—	264	—	—	—	347,264
	31/3/2022	4.76[1]	4.86	31/3/2022-31/12/2024	1/4/2025-31/3/2026	338,000	—	258	—	—	—	338,258
	1/6/2023	2.26	2.26	1/6/2023-31/12/2025	1/4/2026-31/3/2027	—	338,000	—	—	—	—	338,000
Continuous contract employees	31/3/2020	2.18[1]	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	1,295,500	—	982	(5,002)[2]	(42,033)	(3,000)	1,246,447
	31/3/2021	3.78[1]	3.81	31/3/2021-31/12/2023	1/4/2024-31/3/2025	2,024,000	—	1,523	—	—	(74,038)	1,951,485
	31/3/2022	4.76[1]	4.86	31/3/2022-31/12/2024	1/4/2025-31/3/2026	2,400,500	—	1,805	—	—	(68,029)	2,334,276
	1/6/2023	2.26	2.26	1/6/2023-31/12/2025	1/4/2026-31/3/2027	—	3,662,000	—	—	—	(45,000)	3,617,000
Total						6,855,000	4,000,000	5,175	(5,002)	(42,033)	(190,067)	10,623,073

(1) As a result of the rights issue of Xinyi Energy completed in June 2023, adjustments to the exercise price and the number of shares of Xinyi Energy ("**XYE Shares**") to be issued upon exercise of the outstanding XYE Share Options were made pursuant to the terms and conditions of the XYE Share Option Scheme, Rule 17.03(13) of the Listing Rules in relation to the adjustment to the terms of the XYE Share Option Scheme, the Supplementary Guidance on the Listing Rule 17.03(13) and the Note Immediately After the Rule attached to the Frequently Asked Question No. 072-2020 issued by the Stock Exchange on 6 November 2020 and updated in January 2023.

(2) The weighted average closing price of XYE Shares immediately before the dates on which the XYE Share Options were exercised was HK$2.34.

During the year ended 31 December 2023, 4,000,000 XYE Share Options were granted. The fair value of the equity-settled share options under the XYE Share Option Scheme granted during the year was estimated at HK$2,054,000. The fair value of the XYE Share Options granted to Director and eligible employees of the Xinyi Energy Group were HK$174,000 and HK$1,880,000, respectively.

The value of the XYE Share Options granted during the year ended 31 December 2023 is to be expensed through the income statement of Xinyi Energy over the three-year vesting period of XYE Share Options.

The fair value of XYE Share Options granted during the year ended 31 December 2023 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the XYE Share Options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	2.14
Exercise price (HK$)	2.26
Volatility (%)	50.45
Dividend yield (%)	7.05
Expected share option life (years)	3.33
Annual risk-free rate (%)	3.41

A summary of the principal terms of the XYE Share Option Scheme, which was approved by the shareholders at an extraordinary general meeting of Xinyi Energy held on 22 November 2018, is as follows:

(i) Purpose

The purpose of the XYE Share Option Scheme is to enable Xinyi Energy to grant options to eligible participants ("**XYE Participants**") as incentives or rewards for their contribution or potential contribution to the Xinyi Energy and its subsidiaries (the "**XYE Group**") and to provide the XYE Participants an opportunity to have a personal stake in Xinyi Energy with the view to achieving the following objectives: (i) motivate the XYE Participants to optimise their performance efficiency for the benefit of XYE Group; (ii) attract and retain or otherwise maintain on-going business relationship with the XYE Participants whose contributions are or will be beneficial to the long-term growth of the XYE Group; and (iii) for such purposes as the board of directors of Xinyi Energy (the "**XYE Board**") may approve from time to time.

(ii) XYE Participants

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

(iii) Maximum number of shares of Xinyi Energy

The maximum number of XYE Shares of which may be issued upon exercise of all XYE Share Options to be granted under the XYE Share Option Scheme and any other schemes of the XYE Group shall not in aggregate exceed 10% of the XYE Shares in issue as of the date of listing, excluding XYE Shares which may fall to be issued upon the exercise of the over-allotment option of Xinyi Energy in relation to the listing.

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

The total number of securities available for issue under the XYE Share Option Scheme was 651,566,772, representing 7.89% of the issued share capital of Xinyi Energy as of the date of this annual report.

(iv) Maximum number of XYE Share Option to each XYE Participant

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

(v) *XYE Share Option period*

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

(vi) *Acceptance and payment on acceptance*

An offer for the grant of the XYE 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 the XYE Share Options to Xinyi Energy on acceptance of the offer for the grant of the XYE Share Options is HK$1.00.

(vii) *XYE Share Option price for subscription of XYE Shares*

The subscription price of the XYE Shares in respect of any particular XYE Share Options shall be such price as the XYE Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the XYE Share Options) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of the XYE Shares;

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

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

(viii) *Remaining life of the XYE Share Option Scheme*

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

The number of share options available for grant under the Share Option Scheme was 655,571,947 share options as of 1 January 2023 and 651,566,772 share options as of 31 December 2023.

The number of Shares that may be issued in respect of the options granted under the XYE Share Option Scheme during the year ended 31 December 2023 divided by the weighted average number of the XYE Shares in issue for the year ended 31 December 2023 is 0.05%.

During the year ended 31 December 2023, a total of 4,000,000 share options granted to a director of Xinyi Energy and the employees of XYE Group (collectively, the "**XYE Grantees**"), among of which 1,333,333 share options, representing one third of the total share options granted, vested on 31 December 2023. Having considered that (i) such share options vested where the performance target are satisfied during the performance period commenced from 1 January 2023 and ended on 31 December 2023, which is not less than 12 months, and (ii) the total vesting and holding period of the share options is more than 12 months, the remuneration committee of Xinyi Energy (the "**XYE Remuneration Committee**") and the XYE Board consider that the grant of such share options with a shorter vesting period could align the interests of the XYE Grantees with that of Xinyi Energy and the shareholders of Xinyi Energy, reward and provide incentive to the XYE Grantees to work towards success of the XYE Group, and reinforce their commitment to long-term services of the XYE Group, which is in line with the purpose of the XYE Share Option Scheme.

The vesting of the share options granted to the XYE Grantees is subject to satisfaction of certain performance targets as determined by the XYE Board at its absolute discretion. The XYE Board will assess the performance of the XYE Group for the relevant year, including in particular key performance indicators, such as revenue, profit and sales target of the XYE Group as a whole and of the applicable business. Also, the XYE Group has established a standard performance appraisal system for its employees to evaluate their performance and contribution to the XYE Group.

There is no clawback mechanism attached to the share options granted to the XYE Grantees. The purpose of the XYE Share Option Scheme is to recognise and acknowledge the contributions the grantees had or may have made to the XYE Group. The XYE Share Option Scheme also provides the grantees with an opportunity to have a personal stake in Xinyi Energy with the view to satisfied the objectives of (i) motivate the grantees to optimise their performance efficiency for the benefit of the XYE Group and (ii) attract and retain or otherwise maintain on-going business relationship with the grantees whose contributions are or will be beneficial to the long-term growth of the XYE Group. Having considered that (i) the XYE Grantees are the director and the employees of the XYE Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the XYE Group; (ii) the grant of share options to the XYE Grantees is a recognition for their past contributions to the XYE Group; and (iii) the share options are subject to the terms of the XYE Share Option Scheme which provides for circumstances under which the share options or any part thereof shall lapse in the event that the XYE Grantees cease to be a director and an employee of the XYE Group or commit a breach of the rules of the XYE Share Option Scheme, the XYE Remuneration Committee and the XYE Board consider that without additional clawback mechanism, the grant of the share options could align the interests of the XYE Grantees with that of Xinyi Energy and the shareholders of Xinyi Energy, reward and provide incentive to the XYE Grantees to work towards successes of the XYE Group, and reinforce their commitment to long-term services of the XYE Group, which is in line with the purpose of the XYE Share Option Scheme.

Saved as disclosed above, Xinyi Energy did not make any grant of share options to the directors and/or senior managers of Xinyi Energy as set forth in Rules 17.03F, 17.06B(7) and 17.06B(8) of the Listing Rules during the year ended 31 December 2023.

Further details of the XYE Share Option Scheme are set forth in note 27 to the consolidated financial statements in this annual report.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set forth on pages 20 to 23 of this annual report.

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

As of 31 December 2023, 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 to be (a) 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); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Name of the controlled corporations	Number of Shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, S.B.S.	Interest in a controlled corporation[1]	Realbest (as defined below)	861,992,784	9.681%
	Interest in a controlled corporation[2]	Xin Yuen (as defined below)	3,000,000	0.033%
	Interest in persons acting in concert[3]		1,466,994,645	16.477%
Tan Sri Datuk TUNG Ching Sai *J.P.*	Interest in a controlled corporation[4]	Copark (as defined below)	220,919,131	2.481%
	Family interest[4]		23,797,057	0.267%
	Interest in persons acting in concert[3]		2,087,271,241	23.443%
Mr. LI Man Yin	Interest in a controlled corporation[5]	Perfect All (as defined below)	90,279,566	1.014%
	Personal interest[5]		3,942,784	0.044%
	Family interest[5]		1,623,254	0.018%
	Interest in persons acting in concert[3]		2,236,141,825	25.116%
Mr. LEE Yau Ching	Interest in a controlled corporation[6]	Telerich (as defined below)	302,728,516	3.400%
Mr. CHU Charn Fai	Personal interest		416,000	0.004%

Notes:

(1) Dr. LEE Yin Yee, S.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 861,992,784 Shares.

(2) Dr. LEE Yin Yee, S.B.S.'s interests in 3,000,000 Shares are held through Xin Yuen Investment Limited ("**Xin Yuen**") which was wholly-owned by Xin Wong Investment Limited ("**Xin Wong**"). Xin Wong is 50% owned by Dr. LEE Yin Yee, S.B.S. and 50% owned by his spouse, Madam TUNG Hai Chi.

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

(4) Tan Sri Datuk TUNG Ching Sai *J.P.* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") which is the registered owner of 220,919,131 Shares. Tan Sri Datuk TUNG Ching Sai *J.P.* also has 23,797,057 Shares through his spouse, Puan Sri Datin SZE Tan Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited ("**Perfect All**") which is the registered owner of 90,279,566 Shares. Mr. LI Man Yin also has 3,942,784 Shares in his own name and 1,623,254 Shares through his spouse, Madam LI Sau Suet.

(6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 302,728,516 Shares.

(ii) Share options of the Company

Name of Director	Capacity	Number of share options outstanding	Approximate percentage of the Company's issued share capital
Mr. CHU Charn Fai	Personal interest	1,128,000	0.012%

(iii) Long positions in an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy, a non-wholly owned subsidiary of the Company, as of 31 December 2023:

Name of Director	Capacity	Name of the controlled corporations	Number of XYE Shares held	Approximate percentage of Xinyi Energy's issued share capital
Dr. LEE Yin Yee, S.B.S.	Interest in a controlled corporation[(1)]	Charm Dazzle (as defined below)	469,481,267	5.686%
	Interest in a controlled corporation[(1)]	Realbest	84,987,486	1.029%
	Interest in a controlled corporation[(2)]	Full Guang (as defined below)	7,797,412	0.094%
	Joint interest[(1)]		3,665,710	0.044%
	Family interest[(1)]		4,446,497	0.053%
	Interest in persons acting in concert[(3)]		942,577,981	11.416%
Tan Sri Datuk TUNG Ching Sai *J.P.*	Interest in a controlled corporation[(4)]	Sharp Elite (as defined below)	192,410,355	2.330%
	Interest in a controlled corporation[(4)]	Copark	30,553,206	0.370%
	Family interest[(4)]		14,910,018	0.180%
	Interest in persons acting in concert[(3)]		1,275,082,774	15.443%
Mr. LI Man Yin	Interest in a controlled corporation[(5)]	Will Sail (as defined below)	46,178,485	0.559%
	Interest in a controlled corporation[(5)]	Perfect All	9,366,861	0.113%
	Personal interest[(5)]		394,278	0.004%
	Family interest[(5)]		162,325	0.001%
	Interest in persons acting in concert[(3)]		1,456,854,404	17.644%

Notes:

(1) Dr. LEE Yin Yee, S.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 84,987,486 and 469,481,267 XYE Shares respectively. Dr. LEE Yin Yee, S.B.S. also has 3,665,710 XYE Shares jointly held with and 4,446,497 XYE Shares held by his spouse, Madam TUNG Hai Chi.

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

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

(4) Tan Sri Datuk TUNG Ching Sai *J.P.* is the beneficial owner of the entire issued share capital of Copark and Sharp Elite Holdings Limited ("**Sharp Elite**") which are the registered owner of 30,553,206 and 192,410,355 XYE Shares respectively. Tan Sri Datuk TUNG Ching Sai *J.P.* also has 14,910,018 XYE Shares through his spouse, Puan Sri Datin SZE Tan Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Will Sail Limited ("**Will Sail**") and Perfect All which are the registered owner of 46,178,485 and 9,366,861 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 of 31 December 2023, 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, 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 to be (a) 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); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2023, the following persons, (other than a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

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	2,040,470,009	22.918%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	2,040,470,009	22.918%
Xinyi Glass Holdings Limited	Beneficial owner	43,294,842	0.486%
	Interest in a controlled corporation	2,040,470,009	22.918%
Datuk Wira TUNG Ching Bor, *D.C.S.M*	Interest in a controlled corporation[(1)]	312,113,711	3.505%
	Joint interest[(1)]	19,778,890	0.222%
	Interest in persons acting in concert[(2)]	2,000,094,828	22.464%
Mr. LEE Sing Din	Interest in a controlled corporation[(3)]	302,728,516	3.400%
	Personal interest[(3)]	2,406,475	0.027%
	Joint interest[(3)]	39,533,048	0.444%
	Interest in persons acting in concert[(2)]	1,987,319,390	22.321%
Mr. LI Ching Wai	Interest in a controlled corporation[(4)]	132,304,327	1.486%
	Personal interest	3,430,000	0.038%
	Interest in persons acting in concert[(2)]	2,196,253,102	24.667%
Mr. SZE Nang Sze	Interest in a controlled corporation[(5)]	123,338,468	1.385%
	Personal interest	3,739,282	0.042%
	Interest in persons acting in concert[(2)]	2,204,909,679	24.765%
Mr. NG Ngan Ho	Interest in a controlled corporation[(6)]	89,394,543	1.004%
	Personal interest	2,514,901	0.028%
	Interest in persons acting in concert[(2)]	2,240,077,985	25.160%

Name of substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. LI Ching Leung	Interest in a controlled corporation(7)	86,858,695	0.975%
	Personal interest(7)	7,830,166	0.087%
	Family interest(7)	461,831	0.005%
	Interest in persons acting in concert(2)	2,236,836,737	25.123%

Notes:

(1) Datuk Wira TUNG Ching Bor, *D.C.S.M*'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 Datuk Wira TUNG Ching Bor, *D.C.S.M*. Datuk Wira TUNG Ching Bor, *D.C.S.M.* also has 19,778,890 Shares held through a joint account with his spouse, Datin Wira KUNG Sau Wai.

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Dr. LEE Yin Yee, S.B.S., Datuk Wira TUNG Ching Bor, *D.C.S.M*, Tan Sri Datuk TUNG Ching Sai *J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, 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, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 2,406,475 Shares held in his own name and 39,533,048 Shares held through a joint account with his spouse, Madam LI Kam Ha.

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

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

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

(7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 7,830,166 Shares held in his own name and 461,831 Shares held through his spouse, Madam DY Maria Lumin.

Saved as disclosed above, as of 31 December 2023, the Directors were not aware of any other person having an interests or short position in the Shares and the underlying Shares as notified to the Company pursuant to Division 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As of 31 December 2023, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition dated 19 November 2013 entered by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Convenantors.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2023, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
– the largest customer	16.9%
– five largest customers in aggregate	53.6%
Purchases	
– the largest supplier	7.9%
– five largest suppliers in aggregate	28.2%

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.

BORROWINGS

The total borrowings of the Group as at 31 December 2023 amounted to HK$10,502.9 million (2022: HK$8,032.3 million). Particulars of the borrowings are set forth in note 30 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As of 31 December 2023, the Group had about 11,063 full-time employees of whom 9,936 were based in Mainland China and 1,127 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.

CONNECTED TRANSACTIONS

Details of the related party transaction of the Group for the year ended 31 December 2023 are set forth in note 36 to the consolidated financial statements in this annual report. The related party transactions fall under the definition of connected transactions and continuing connected transactions under the Listing Rules (as disclosed below) have complied with the requirements under Chapter 14A of the Listing Rules. Some of these transactions also constitute "connected transaction" and "non-exempt continuing connected transactions" under Chapter 14A of the Listing Rules, as identified below. Save for the aforementioned, other related party transactions as set out in Note 36 to the consolidated financial statements in this annual report were entitled to full exemption from the annual review and disclosure requirements under Chapter 14A of the Listing Rules.

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

During the year ended 31 December 2023, the Group completed the disposals of the below solar farm projects to Xinyi Energy. The disposals were made pursuant to the terms and conditions of the solar farm agreement dated 5 December 2018 entered into between the Company and Xinyi Energy and the sales and purchase agreements dated 11 April 2022 and 28 April 2023 entered into between the member of the Group and the member of XYE Group and in accordance with the business delineation between Xinyi Solar as a solar farm developer and Xinyi Energy as a solar farm operator.

		Equity interest held			Approved
				Cash	grid-connected
		Before	After	consideration	capacity
Date of disposal	Company	disposal	disposal	(HK$ million)	(MW)
February 2023	Xinyi Solar (Haikou) Limited and Xinchuang Green Agriculture (Haikou) Limited	100%	49.03%	146.2	300
September 2023	Xinyi Renewable Energy (Hexian) Limited	100%	51.38%	52.9	102
September 2023	Xinze Renewable Energy (Kaiping) Limited	100%	51.38%	101.4	150
December 2023	Wuhu Xinfu Renewable Energy Limited	100%	51.6%	20.0	84.5

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. The above disposals constitute connected transaction of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the Company's announcements dated 11 April 2022, 24 February 2023, 28 April 2023 and 28 September 2023.

Report of the Directors

Connected transaction - Lease agreements

During the year ended 31 December 2023, certain members of the Group, as lessees, entered into certain property lease agreements with the members of Xinyi Glass Holdings Limited ("**Xinyi Glass**"), as lessors, for a fixed term of three years commenced from 1 July 2023 to 30 June 2026. The leased properties have been used by members of the Group as factory and office premises. A summary of the property lease agreements is set forth below.

Lease Agreement	Lessor	Lessee	Location	Gross floor area (sq.m.)	Monthly rental (RMB)
1	Xinyi Glass (Tianjin) Co., Ltd	Xinyi Photovoltaic Industry (Anhui) Holding Co., Ltd	No. 2 Xinchuang Road, Wuqing City, Wuqing District, Tianjin City, the PRC	50,000	1,050,000
2	Xinyi Electronic Glass (Wuhu) Co., Ltd	Xinyi Photovoltaic Industry (Anhui) Holding Co., Ltd	Xinyi Photovoltaic Industrial Park, No. 2 Xinyi Road, Wuhu Economic and Technological Development Zone, Wuhu City, Anhui Province, the PRC	43,808	591,408
3	Xinyi Electronic Glass (Wuhu) Co., Ltd	Xinyi Photovoltaic Industry (Anhui) Holding Co., Ltd	Xinyi Photovoltaic Industrial Park, No. 2 Xinyi Road, Wuhu Economic and Technological Development Zone, Wuhu City, Anhui Province, the PRC	42,938	214,690
4	Xinyi Energy-Saving Glass (Wuhu) Co., Ltd	Xinyi Photovoltaic Industry (Anhui) Holding Co., Ltd	Xinyi Photovoltaic Industrial Park, No. 2 Xinyi Road, Wuhu Economic and Technological Development Zone, Wuhu City, Anhui Province, the PRC	11,000	148,500
5	Xinyi Energy-Saving Glass (Wuhu) Co., Ltd	Xinyi Photovoltaic Industry (Anhui) Holding Co., Ltd	9th Floor, Xinyi R&D Center, 23 Wuyishan Road, Wuhu Economic Development Zone, Anhui Province, the PRC	1,495.16	68,777
6	Xinyi Energy-Saving Glass (Wuhu) Co., Ltd	Xinyi Energy Technology (Wuhu) Co., Ltd	8th Floor, Xinyi R&D Center, 23 Wuyishan Road, Wuhu Economic Development Zone, Anhui Province, the PRC	1,495.16	68,777

Xinyi Glass is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into the above property lease agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules. For further details, please refer to the Company's announcement dated 30 June 2023.

Continuing connected transactions during the reporting period

During the year ended 31 December 2023, the Group had the following non-exempt continuing connected transactions, details of which are set forth below:

1) *Purchase of glass products*

As disclosed in the Company's announcement dated 28 December 2022, the Company entered into a glass purchase agreement (the "**2023 Glass Purchase Agreement**") dated 28 December 2022 with Xinyi Glass Hong Kong in relation to the purchase of float glass and architectural glass products by the Group from Xinyi Glass Hong Kong and its subsidiaries for the year ended 31 December 2023. The purpose of the Glass Supply Framework Agreements 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 amounts of the transactions contemplated under the 2023 Glass Purchase Agreement for the year ended 31 December 2023 are RMB55,800,000 and RMB5,399,000 (equivalent to HK$5,926,000), 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 2023 Glass Purchase 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 announcement dated 28 December 2022, the Group entered into a production equipment purchase agreement (the "**2023 Production Equipment Purchase Agreement**") dated 28 December 2022 with Anhui Xinyi Intelligent Machinery Company Limited ("**Anhui Xinyi Machinery**") in relation to the purchase of the production equipment and auxiliary facilities from Anhui Xinyi Machinery by the Group for the year ended 31 December 2023. The purpose of entering into the 2023 Production Equipment Purchase Agreement was to enable the Group to continue to purchase from Anhui Xinyi Machinery the required automation equipment for production purpose.

The annual cap and the actual transaction amounts of the transactions contemplated under the 2023 Production Equipment Purchase Agreement for the year ended 31 December 2023 are RMB351,400,000 and RMB213,919,000 (equivalent to HK$236,347,000), respectively.

Anhui Xinyi Machinery is a non-wholly owned subsidiary of the substantial shareholder of the Company, Xinyi Glass, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2023 Production Equipment Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) *Solar Farm O&M Agreement*

As disclosed in the Company's announcement dated 31 December 2021, the Company entered into a memorandum (the "**Renewal Memorandum**") dated 31 December 2021 with Xinyi Energy to renew the solar farm operation and management agreement (the "**O&M Agreement**") for the three years ending on 31 December 2024. Pursuant to the O&M Agreement and the Renewal Memorandum, XYE Group has agreed to provide solar farm operation and management services to the connection-ready solar farm projects developed or constructed by the Group but excluding XYE Group (the "**Remaining Group**"). The purpose of entering into the O&M Agreement and the Renewal Memorandum is to facilitate clear business delineation between XYE Group and the Remaining Group.

The annual cap and the actual transaction amount of the transactions contemplated under the O&M Agreement and the Renewal Memorandum for the year ended 31 December 2023 are RMB15,000,000 and RMB9,230,000 (equivalent to HK$10,181,000) 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 XYE Group constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

4) *Rechargeable Battery packs and Energy Storage Systems*

As disclosed in the Company's announcement dated 8 April 2021, the Group entered into rechargeable battery packs and energy storage systems purchase framework agreement ("**Energy Storage System Agreement**") with Xinyi Electric Storage Holdings Limited ("**Xinyi Electric Storage**") in relation to the purchase of the rechargeable battery packs and energy storage systems from Xinyi Electric Storage by the Group from 8 April 2021 to 31 December 2023. The purpose of entering into the Energy Storage System Agreement is to enable the Group to have in-time supply of the electric products and systems from Xinyi Electric Storage upon such acceptable terms and conditions and assurance on product specifications and quality.

The annual cap and the actual transaction amount of the transactions contemplated under the Energy Storage System Agreement for the year ended 31 December 2023 are RMB74,000,000 and RMB69,466,000 (equivalent to HK$76,716,000) respectively.

As various Directors of the Company, namely Dr. LEE Yin Yee, S.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.* and Mr. LI Man Yin and their associates are interested in more than 30% in aggregate of the issued share capital of Xinyi Electric Storage, Xinyi Electric Storage is a connected person of the Company under the Listing Rules. Accordingly, the Energy Storage System Agreement constitutes a continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

5) Sales of Silica Sand

As disclosed in the Company's announcement dated 5 January 2023, Hepu Xinyi Mining Company Limited ("**Hepu Mining**"), a wholly-owned subsidiary of the Group, entered into a silica sand sales agreement (the "**2023 Silica Sand Sales Agreement**") with Xinyi Glass Hong Kong in relation to the sales of silica sand by Hepu Mining to Xinyi Glass Hong Kong for the year ended 31 December 2023. The purpose of entering into the 2023 Silica Sand Sales Agreement was to better utilise the resources and generate additional revenue from the Group's silica sand mine.

The annual cap and the actual transaction amounts of the transactions contemplated under the 2023 Silica Sand Sales Agreement for the year ended 31 December 2023 are RMB94,800,000 and RMB68,630,000 (equivalent to HK$75,803,000), 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 Silica Sand Sales Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

6) Purchase of Silica Sand

As disclosed in the Company's announcement dated 5 January 2023, the Company entered into a silica sand purchase agreement (the "**2023 Silica Sand Purchase Agreement**") with Xinyi Glass Hong Kong in relation to the purchase of silica sand by the Group from Xinyi Glass Hong Kong for the year ended 31 December 2023. The purpose of entering into the 2023 Silica Sand Purchase Agreement could provide a convenient and reliable source of supply of silica sand for the Group.

The annual cap and the actual transaction amounts of the transactions contemplated under the 2023 Silica Sand Purchase Agreement for the year ended 31 December 2023 are RMB54,500,000 and RMB6,745,000 (equivalent to HK$7,282,000), 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 Silica Sand Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

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

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

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

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the 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 (Revised) "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 its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions to the Board in accordance with Rule 14A.56 of the Listing Rules and confirming there is nothing has come to their attention that causes them to believe that the continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the annual cap as set by the Company.

Connected transaction after the reporting period

As disclosed in the Company's announcement dated 28 February 2024, the Group entered into four sale and purchase agreements for the disposals of eight solar farm projects (the "**Solar Farm Disposals**") with an aggregate approved capacity of 790 MW in the PRC to Xinyi Energy.

Xinyi Energy is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules. Accordingly, the Solar Farm Disposals constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Continuing connected transactions after the reporting period

The Group had the following non-exempt continuing connected transactions after the reporting period, details of which are set forth below:

1) Rechargeable Battery packs and Energy Storage Systems

As disclosed in the Company's announcement dated 31 October 2023, the Company entered into a product sales framework agreement ("**2024 Energy Storage System Agreement**") dated 31 October 2023 with Xinyi Electric Storage in relation to the purchase of the rechargeable battery packs and energy storage systems from Xinyi Electric Storage by the Group for a term of three years commenced from 1 January 2024 to 31 December 2026. The annual cap of the transactions contemplated under the 2024 Energy Storage System Agreement for the year ending 31 December 2024 is RMB127,700,000 (equivalent to HK$140,100,000).

As various Directors of the Company, namely Dr. LEE Yin Yee, S.B.S., Tan Sri Datuk TUNG Ching Sai *J.P.* and Mr. LI Man Yin and their associates are interested in more than 30% in aggregate of the issued share capital of Xinyi Electric Storage, Xinyi Electric Storage is a connected person of the Company under the Listing Rules. Accordingly, the 2024 Energy Storage System Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2) Purchase of glass products

As disclosed in the Company's announcement dated 28 December 2023, the Company entered into a glass purchase agreement (the "**2024 Glass Purchase Agreement**") dated 28 December 2023 with Xinyi Glass Hong Kong in relation to the purchase of architectural glass products by the Group from Xinyi Glass Hong Kong and its subsidiaries for the year ending 31 December 2024. The purpose of the 2024 Glass Purchase Agreement was to secure a stable and reliable supply source of architectural glass products with savings in transportation and handling costs. The annual cap of the transactions contemplated under the 2024 Glass Purchase Agreement for the year ending 31 December 2024 is RMB13,600,000 (equivalent to HK$14,900,000).

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 2024 Glass Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) Purchase of machineries

As disclosed in the Company's announcement dated 28 December 2023, the Group entered into a production equipment purchase agreement (the "**2024 Production Equipment Purchase Agreement**") dated 28 December 2023 with Anhui Xinyi Machinery in relation to the purchase of the production equipment and auxiliary facilities from Anhui Xinyi Machinery by the Group for the year ending 31 December 2024. The purpose of entering into the 2024 Production Equipment Purchase Agreement was to enable the Group to purchase from Anhui Xinyi Machinery the required automation equipment for production purpose. The annual cap of the transactions contemplated under the 2024 Production Equipment Purchase Agreement for the year ending 31 December 2024 is RMB288,000,000 (equivalent to HK$314,700,000).

Anhui Xinyi Machinery 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 2024 Production Equipment Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

4) Sales of Silica Sand

As disclosed in the Company's announcement dated 4 January 2024, Hepu Mining entered into an agreement (the "**2024 Silica Sand Sales Agreement**") dated 4 January 2024 with Xinyi Glass Hong Kong in relation to the sales of silica sand by Hepu Mining to Xinyi Glass Hong Kong for the year ending 31 December 2024. The purpose of entering into the 2024 Silica Sand Sales Agreement was to better utilise the resources and generate additional revenue from the Group's sand mine. The annual cap of the transactions contemplated under the 2024 Silica Sand Sales Agreement for the year ending 31 December 2024 is RMB96,400,000 (equivalent to HK$105,800,000).

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 2024 Silica Sand Sales Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

5) *Purchase of Silica Sand*

As disclosed in the Company's announcement dated 4 January 2024, the Company entered into an agreement (the "**2024 Silica Sand Purchase Agreement**") dated 4 January 2024 with Xinyi Glass Hong Kong in relation to the purchase of low iron silica sand from Xinyi Glass Hong Kong by the Group for the year ending 31 December 2024. The purpose of entering into the 2024 Silica Sand Purchase Agreement was to secure a stable and reliable supply source of low iron silica sand for the production of solar glass. The annual cap of the transactions contemplated under the 2024 Silica Sand Purchase Agreement for the year ending 31 December 2024 is RMB57,400,000 (equivalent to HK$63,000,000).

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 2024 Silica Sand Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please refer to section headed "Corporate Governance Report" set forth in pages 24 to 35 this annual report for details of the 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 2023.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

Save as disclosed in the paragraphs under "Connected transaction after the reporting period" in the section headed "CONNECTED TRANSACTIONS" above and the note 39 to the consolidated financial statements in this annual report, no significant events have taken place subsequent to 31 December 2023 and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 31 May 2024, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 10:15 a.m. The notice convening the AGM will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyisolar.com, and will be dispatched to the shareholders in due course.

The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive, during which period no transfer of the 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 Monday, 27 May 2024.

The register of members of the Company will be closed from Thursday, 6 June 2024 to Tuesday, 11 June 2024, both days inclusive, during which period, no transfer of the the Shares will be registered. In order to qualify for the proposed 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, 5 June 2024.

On Behalf of the Board

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

Hong Kong, 28 February 2024

Independent Auditor's Report

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 76 to 191, comprise:

- the consolidated income statement for the year ended 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated balance sheet as at 31 December 2023;
- 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, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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.

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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.

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to the provision of loss allowance of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision of loss allowance of trade receivables Refer to notes 3.1(b), 4(a), 22 and 40.11 to the consolidated financial statements. The Group has trade receivables of HK$8,140 million as at 31 December 2023 against which provisions for expected credit losses of HK$58 million are made. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. Expected credit losses are estimated by grouping the receivables based on the shared credit risk characteristics and collectively assessed for the likelihood of recovery and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on the historical credit losses experience and are adjusted to reflect current and forward-looking information on economic indicators, scenarios and the underlying probability weightings. For trade receivables with significant increases in credit risk, they are assessed for impairment allowance individually. We focus on this area because of the magnitude of the trade receivables balance to the consolidated balance sheet and the significant judgement applied in assessing the allowance for expected credit losses.	Our procedures in relation to the provision of loss allowance of trade receivables included: - we obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as subjectivity and changes, etc.; - we evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process; - we evaluated and tested, on a sample basis, the key internal control over the management's assessment of the expected credit losses of trade receivables; - for trade receivables assessed individually, we understood management's assessment of the respective financial position and creditworthiness of the customers, historical repayment and settlement records, and forecasted future economic conditions, and corroborated explanations through examining, on a sample basis, underlying relevant supporting documents such as financial information of the customers, post year end settlements and historical payment record, in order to assess the reasonableness of expected credit loss allowance provided by management;

Key Audit Matter	How our audit addressed the Key Audit Matter
	- for trade receivables assessed collectively by making reference to the credit risk characteristics, we understood management's grouping process and assessed the reasonableness by comparing, on a sample basis, available information such as the respective financial position and creditworthiness of the customers to management's records; - for forward looking information, we challenged the appropriateness of economic indicators selected by management, evaluated the economic scenarios and the underlying probability weightings applied by management; and tested the resulting calculation of the economic indicators determined thereby; - we evaluated the appropriateness of management's expected credit losses modelling methodologies in accordance with relevant financial reporting standards and reasonableness of significant assumptions adopted by management with the involvement of our in-house experts; - we tested, on a sample basis, the accuracy and completeness of the data being used in the assessment of management and mathematical accuracy of management's assessment; and - we assessed the adequacy of the disclosures related to expected credit losses of trade receivables. Based on the procedures performed, we found that management's judgements and assumptions used in the assessments of the provision of loss allowance of trade receivables to be supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Xinyi Solar Holdings Limited 2023 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Corporate Information, Chairman's Statement, Management Discussion and Analysis, Profile of Directors and Senior Management, Corporate Governance Report, Report of the Directors and Financial Summary prior to the date of this auditor's report. The remaining other information, which is the Environmental, Social and Governance Report to be included in the annual report, 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 remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Li Wang Kei.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2024

Consolidated Income Statement

For The Year Ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	5	**26,628,754**	20,544,041
Cost of sales	7	**(19,539,056)**	(14,385,531)
Gross profit		**7,089,698**	6,158,510
Other income	5	**370,149**	240,035
Other (losses)/gains – net	6	**(247,386)**	43,282
Selling and marketing expenses	7	**(106,062)**	(91,312)
Administrative and other operating expenses	7	**(1,203,556)**	(979,181)
Net impairment losses on financial and contract assets	3.1(b)	**(10,070)**	(53,641)
Operating profit		**5,892,773**	5,317,693
Finance income	10	**34,315**	30,866
Finance costs	10	**(383,760)**	(198,392)
Share of net profits of investments accounted for using the equity method	16	**28,106**	30,811
Profit before income tax		**5,571,434**	5,180,978
Income tax expense	11	**(870,888)**	(835,212)
Profit for the year		**4,700,546**	4,345,766
Profit for the year attributable to:			
– the equity holders of the Company		**4,187,127**	3,820,144
– non-controlling interests		**513,419**	525,622
		4,700,546	4,345,766
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	12(a)	**47.04**	42.95
– Diluted	12(b)	**47.03**	42.87

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Profit for the year		**4,700,546**	4,345,766
Other comprehensive income for the year, net of tax:			
Items that will not be reclassified to profit or loss			
Currency translation differences		**(152,829)**	(814,009)
Items that may be reclassified to profit or loss			
Currency translation differences		**(421,137)**	(2,856,868)
Share of other comprehensive loss of investments accounted for under the equity method			
– Share of currency translation differences	16	**(22,907)**	(24,929)
Total comprehensive income for the year		**4,103,673**	649,960
Total comprehensive income for the year attributable to:			
– the equity holders of the Company		**3,743,083**	938,347
– non-controlling interests		**360,590**	(288,387)
		4,103,673	649,960

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

Consolidated Balance Sheet

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	17	36,559,996	27,437,887
Right-of-use assets	18	2,362,465	2,166,912
Intangible assets	19	31,379	21,477
Prepayments for land use rights and property, plant and equipment	23	947,022	1,124,167
Finance lease receivables	24	211,089	219,820
Investments accounted for using the equity method	16	342,415	356,390
Deferred income tax assets	31	156,995	140,308
Total non-current assets		40,611,361	31,466,961
Current assets			
Inventories	20	2,097,703	2,029,241
Contract assets	21	33,493	41,710
Trade receivables	22	8,082,532	7,215,736
Bills receivables at amortised cost	22	3,356,312	2,351,187
Bills receivables at fair value through other comprehensive income	22	512,439	858,689
Financial assets at fair value through profit or loss		55,784	—
Prepayments, deposits and other receivables	23	1,778,485	1,018,466
Finance lease receivables	24	13,049	12,035
Current tax assets		3,501	101,814
Amounts due from related companies	36	11,326	8,403
Amount due from investments accounted for using the equity method	36	—	100,371
Restricted cash	25	1,054,985	44,731
Cash and cash equivalents	25	2,822,024	5,325,714
Total current assets		19,821,633	19,108,097
Total assets		60,432,994	50,575,058
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	26	890,325	889,624
Share premium and other reserves	28	10,097,154	10,931,450
Retained earnings		20,987,096	17,927,338
		31,974,575	29,748,412
Non-controlling interests		5,883,832	5,482,965
Total equity		37,858,407	35,231,377

	Note	2023 HK$'000	2022 HK$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	31	**192,787**	174,962
Borrowings	30	**3,620,088**	3,674,172
Lease liabilities	18	**924,889**	830,342
Other payables	29	**614,221**	53,849
Total non-current liabilities		**5,351,985**	4,733,325
Current liabilities			
Borrowings	30	**6,882,769**	4,358,088
Trade, bills and other payables	29	**8,307,187**	5,421,742
Contract liabilities	21	**84,027**	109,656
Lease liabilities	18	**85,261**	50,051
Amounts due to related companies	36	**1,652,034**	450,205
Current income tax liabilities		**211,324**	220,614
Total current liabilities		**17,222,602**	10,610,356
Total liabilities		**22,574,587**	15,343,681
Total equity and liabilities		**60,432,994**	50,575,058

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

The consolidated financial statements on pages 76 to 191 were approved by the Board of Directors on 28 February 2024 and were signed on its behalf.

LEE Yin Yee, S.B.S.
Chairman and Non-Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	For the year ended 31 December 2023						
	Attributable to equity holders of the Company						
	Share capital (Note 26) HK$'000	Share premium (Note 28) HK$'000	Other reserves (Note 28) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023	889,624	8,299,427	2,632,023	17,927,338	29,748,412	5,482,965	35,231,377
Comprehensive income							
Profit for the year	—	—	—	4,187,127	4,187,127	513,419	4,700,546
Other comprehensive loss							
Currency translation differences	—	—	(421,137)	—	(421,137)	(152,829)	(573,966)
Share of other comprehensive loss of investments accounted for using the equity method	—	—	(22,907)	—	(22,907)	—	(22,907)
Total comprehensive (loss)/income for the year	—	—	(444,044)	4,187,127	3,743,083	360,590	4,103,673
Transactions with owners							
Employees' share option scheme:							
– exercise of employees' share options	701	32,556	(5,990)	—	27,267	11	27,278
– value of employee services	—	—	50,478	—	50,478	1,243	51,721
Capital contributions from non-controlling interests	—	—	—	—	—	3,472	3,472
Dividend (Note 13):							
– 2022 final dividend	—	(890,254)	—	—	(890,254)	—	(890,254)
– 2023 interim dividend	—	—	—	(667,743)	(667,743)	—	(667,743)
Dividend paid to non-controlling interests (Note 15)	—	—	—	—	—	(372,094)	(372,094)
Appropriation to statutory reserve	—	—	445,211	(445,211)	—	—	—
Net movement of safety fund surplus reserve	—	—	14,415	(14,415)	—	—	—
Changes in ownership interest in subsidiaries without loss of control (Note 15)	—	—	(36,668)	—	(36,668)	407,645	370,977
Balance at 31 December 2023	890,325	7,441,729	2,655,425	20,987,096	31,974,575	5,883,832	37,858,407

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	For the year ended 31 December 2022						
	Attributable to equity holders of the Company						
	Share capital (Note 26) HK$'000	Share premium (Note 28) HK$'000	Other reserves (Note 28) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	889,076	9,166,467	4,820,108	15,436,432	30,312,083	5,585,338	35,897,421
Comprehensive income							
Profit for the year	—	—	—	3,820,144	3,820,144	525,622	4,345,766
Other comprehensive loss							
Currency translation differences	—	—	(2,856,868)	—	(2,856,868)	(814,009)	(3,670,877)
Share of other comprehensive loss of investments accounted for using the equity method	—	—	(24,929)	—	(24,929)	—	(24,929)
Total comprehensive (loss)/income for the year	—	—	(2,881,797)	3,820,144	938,347	(288,387)	649,960
Transactions with owners							
Employees' share option scheme:							
– exercise of employees' share options	548	22,470	(4,126)	—	18,892	—	18,892
– value of employee services	—	—	32,280	—	32,280	1,586	33,866
– release upon the lapse of share options	—	—	(6)	6	—	—	—
Capital contributions from non-controlling interests	—	—	—	—	—	138,464	138,464
Dividend (Note 13):							
– 2021 final dividend	—	(889,510)	—	—	(889,510)	—	(889,510)
– 2022 interim dividend	—	—	—	(889,562)	(889,562)	—	(889,562)
Dividend paid to non-controlling interests (Note 15)	—	—	—	—	—	(501,435)	(501,435)
Appropriation to statutory reserve	—	—	439,682	(439,682)	—	—	—
Changes in ownership interest in subsidiaries without loss of control (Note 15)	—	—	225,882	—	225,882	547,399	773,281
Balance at 31 December 2022	889,624	8,299,427	2,632,023	17,927,338	29,748,412	5,482,965	35,231,377

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	7,183,752	6,862,528
Interest paid		(465,113)	(228,251)
Income taxes paid		(928,703)	(742,216)
Net cash generated from operating activities		5,789,936	5,892,061
Cash flows from investing activities			
Payments for acquisition of right-of-use assets		(274,537)	(352,805)
Receipts of government grants relating to property, plant and equipment		349,528	73,146
Payments for purchase of property, plant and equipment		(9,602,184)	(6,293,369)
Payments for purchase of intangible assets		(12,502)	—
Proceeds from disposal of property, plant and equipment and early termination of lease	32(c)	12,037	30,455
Payment for acquisition of financial asset at fair value through profit or loss		(54,855)	—
Repayment from investments accounted for using the equity method	16	—	7,235
Net proceeds from financial assets at fair value through profit or loss		29,085	94,695
Interest received		34,315	30,866
Increase in restricted cash pledged for letter of guarantees and bank acceptance bills		(1,043,832)	(132,001)
Restricted cash released from letter of guarantees		44,731	87,380
Dividend received from investment accounted for using the equity method		117,717	—
Net cash used in investing activities		(10,400,497)	(6,454,398)
Cash flows from financing activities			
Proceeds from changes in ownership interest in subsidiaries without loss of control		497,623	779,418
Payment for acquisition of shares of non-controlling interest		(103,033)	—
Capital contributions from non-controlling interests		3,472	138,464
Proceeds from exercise of employees' options		27,278	18,892
Proceeds from borrowings		9,988,635	3,743,853
Repayment of borrowings		(7,511,184)	(3,737,830)
Principal element of lease payments	18	(56,707)	(21,040)
Dividend paid to shareholders of the Company		(1,557,997)	(1,779,072)
Dividend paid to non-controlling interests	15	(372,094)	(501,435)
Cash advances from non-controlling interests		1,277,155	283,898
Net cash generated from/(used in) financing activities		2,193,148	(1,074,852)
Net decrease in cash and cash equivalents		(2,417,413)	(1,637,189)
Cash and cash equivalents at beginning of year		5,325,714	7,458,267
Effect of foreign exchange rate changes		(86,277)	(495,364)
Cash and cash equivalents at end of year	25	2,822,024	5,325,714

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi 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.

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 ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2024.

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 ("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, except for financial assets at fair value through profit or loss ("FVPL"), or other comprehensive income ("FVOCI").

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

(a) Amendments to standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- Insurance Contracts (new standard) – HKFRS 17
- Amendments to HKFRS 17
- Comparative Information – Initial Application of HKFRS 17 and HKFRS 9
- Definition of Accounting Estimates – amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12

2 BASIS OF PREPARATION (Continued)

(a) Amendments to standards adopted by the Group (Continued)

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 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) Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
HKAS 21	Lack of Exchangeability (amendments)	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

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 and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates internationally and is exposed to foreign exchange risk primarily arising from Chinese Renminbi ("RMB"), HK$, US dollar ("US$"), Malaysian Ringgit ("MYR") and Canada dollar ("CAD"), some of which are not the functional currencies of respective operating subsidiaries within the Group. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, mainly as a result of translation of trade receivables and cash and cash equivalents. Details of the Group's trade receivables and cash and cash equivalents are disclosed in Note 22 and Note 25.

The Group manages its foreign exchange risks by performing regular reviews when considered necessary. For subsidiaries with functional currency in HK$, they are not subject to significant foreign exchange risk for transactions conducted in US$ given the pegged exchange rate between HK$ and US$.

		At 31 December 2023		At 31 December 2022	
Functional currency	Foreign currency	**Hypothetical appreciation/ (depreciation) in foreign exchange rate**	**Positive/ (negative) effect on profit after income tax HK$'000**	Hypothetical appreciation/ (depreciation) in foreign exchange rate	Positive/ (negative) effect on profit after income tax HK$'000
RMB	US$	**+/- 5%**	**5,173/(5,173)**	+/- 5%	5,591/(5,591)
CAD	US$	**+/- 5%**	**29/(29)**	+/- 5%	27/(27)
MYR	US$	**+/- 5%**	**13,290/(13,290)**	+/- 5%	17,975/(17,975)
HK$	RMB	**+/- 5%**	**4,110/(4,110)**	+/- 5%	8,667/(8,667)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash at bank, restricted cash and borrowings. Except for cash at bank, restricted cash and borrowings with fixed or variable interest, the Group has no other significant interest-bearing assets or liabilities. 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, restricted cash and borrowings have been disclosed in Note 25 and Note 30 to the consolidated financial statements.

As at 31 December 2023, if interest rates on cash at bank, restricted cash and 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$11,934,000 (2022: HK$6,442,000) lower/higher mainly as a result of higher/lower net interest expense being incurred.

(b) Credit risk

The Group's credit risk arises from cash at bank, restricted cash, bills receivables at amortised cost and at FVOCI, trade receivables, deposits and other receivables, finance lease receivables, contract assets, amounts due from related companies and amount due from investments accounted for using the equity method.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The carrying amounts of these balances and the relevant expected credit losses have been recognised in consolidated income statement as follows:

	Carrying amount HK$'000		Expected credit losses HK$'000	
	2023	2022	**2023**	2022
Trade receivables, deposits and other receivables excluding prepayments and other tax receivables	**8,247,754**	7,525,864	**(8,778)**	(47,798)
Bills receivables at amortised cost and at FVOCI (Note 22)	**3,868,751**	3,209,876	**(2,135)**	(2,676)
Contract assets (Note 21)	**33,493**	41,710	**42**	(588)
Finance lease receivables (Note 24)	**224,138**	231,855	**41**	(1,786)
Amounts due from related companies (Note 36(b))	**11,326**	8,403	**2**	(35)
Amount due from investments accounted for using the equity method (Note 36(b))	**—**	100,371	**758**	(758)
Cash at bank and restricted cash (Note 25)	**3,876,887**	5,370,368	**—**	—
Total	**16,262,349**	16,488,447	**(10,070)**	(53,641)

The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(i) Risk management

The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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 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 the Group, the Group may require cash payment before delivery of products, and record such receipts as contract liabilities.

The Group grants extended credit terms to customers with overall higher 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 creditworthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(ii) Impairment of financial assets

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

- cash at bank and restricted cash;
- trade receivables, including receivables for sales of goods, sales of electricity and engineering, procurement and construction ("EPC") services;
- contract assets;
- finance lease receivables;
- bills receivables at amortised cost and at FVOCI;
- deposits and other receivables;
- amounts due from related companies; and
- amount due from investments accounted for using the equity method.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Cash at bank and restricted cash

As at 31 December 2023 and 2022, most of the bank deposits are deposited with reputable banks in the PRC and Hong Kong. The credit quality of cash at bank and restricted cash 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 restricted cash are assessed to be close to zero and no provision was made as at 31 December 2023 and 2022.

Trade receivables, bills receivables and contract assets

The Group applies the simplified approach to assess expected credit losses, which permits the use of the lifetime expected credit loss provision for all trade receivables, bills receivables and contract assets.

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

The Group measures the loss allowance for its trade receivables and bills receivables at an amount equal to the lifetime expected credit losses. Expected credit losses are estimated by grouping the receivables based on the shared credit risk characteristics and collectively assessed for the likelihood of recovery and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on the historical credit losses experience and are adjusted to reflect current and forward-looking information on economic indicators, scenarios and the underlying probability weightings. For trade receivables and bills receivables with significant increases in credit risk, they are assessed for impairment allowance individually. The Group has adjusted the historical loss rates based on expected changes in the macroeconomic factors such as Consumer Price Index, Purchasing Managers Index and M2 Money Supply.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables, bills receivables and contract assets (Continued)

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

The majority of bills receivables were issued from banks in the PRC. The credit quality of bills receivables has been assessed by management by reference to external credit ratings. Due to the change of macro-economic condition during the year ended 31 December 2023, the management reassess the credit condition of the banks.

The Group classifies its trade receivables by nature of sales.

Sales of goods

The credit periods of the majority of the trade receivables from sales of solar glass are generally within 90 days and largely 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. For the trade receivables with significant increases in credit risk, they are assessed for impairment allowance individually. For the remaining balances, they were assessed on a collective basis.

At 31 December 2023	Expected credit loss rate	Gross carrying amounts HK$'000	Loss allowance HK$'000
Provision on individual basis	53.23%	6,831	3,636
Provision on collective basis	0.10%	3,458,377	3,582
		3,465,208	7,218

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables, bills receivables and contract assets (Continued)

Sales of goods (Continued)

At 31 December 2022	Expected credit loss rate	Gross carrying amounts HK$'000	Loss allowance HK$'000
Provision on individual basis	41.12%	17,455	7,178
Provision on collective basis	0.14%	3,466,523	4,725
		3,483,978	11,903

The Group applied a simplified provision matrix to calculate the expected losses as a practical expedient. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Sales of electricity

Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. Receivables from sales of electricity were usually settled on a monthly basis by the state grid companies. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance.

The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. As at 31 December 2023, the directors have reassessed the historical default rates and the macroeconomic factors. On that basis, the loss allowances of HK$46,623,000 (2022: HK$37,640,000) were recognised for sales of electricity and tariff adjustment receivables amounting to HK$4,651,371,000 (2022: HK$3,766,751,000) with an expected credit loss rate of 1% (2022: 1%).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables, bills receivables and contract assets (Continued)

EPC services

Other service revenue includes construction contracts revenue from EPC services that 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 are considered on a case-by-case basis and set out in the EPC contract.

For the trade receivables with significant increases in credit risk, they are assessed for expected credit losses individually. For the remaining balances, they were assessed on a collective basis.

At 31 December 2023	**Expected credit loss rate**	**Gross carrying amounts HK$'000**	**Loss allowance HK$'000**
Provision on collective basis	**16.59%**	**23,731**	**3,937**

At 31 December 2022	Expected credit loss rate	Gross carrying amounts HK$'000	Loss allowance HK$'000
Provision on collective basis	10.85%	16,321	1,771

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 54% (2022: 49%) of the Group's total sales. They accounted for approximately 61% (2022: 48%) of the gross trade receivables balances as at 31 December 2023.

Finance lease receivables

The Group applies the simplified approach to assess lifetime expected credit loss for finance lease receivables. Expected credit loss rate of the finance lease receivables is assessed to be 0.79% (2022: 0.76%) and allowance provision of HK$41,000 was reversed as at 31 December 2023 (2022: provision of HK$1,786,000 was provided).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The closing loss allowances for trade receivables, contract assets, finance lease receivables and bills receivables at amortised cost of the Group as at 31 December 2023 and 2022 reconcile to the opening loss allowances as follows:

	Trade receivables HK$'000	Contract assets HK$'000	Finance lease receivables HK$'000	Bills receivables at amortised cost HK$'000	Total HK$'000
Loss allowance as at 1 January 2022	10,049	—	—	—	10,049
Provision of loss allowance recognised in consolidated income statement - net	42,568	588	1,786	1,957	46,899
Receivables written off during the year as uncollectible	(516)	—	—	—	(516)
Currency translation differences	(787)	—	—	—	(787)
Loss allowance as at 31 December 2022	51,314	588	1,786	1,957	55,645
Loss allowance as at 1 January 2023	**51,314**	**588**	**1,786**	**1,957**	**55,645**
Provision/(reversal) of loss allowance recognised in consolidated income statement - net	**9,805**	**(42)**	**(41)**	**2,394**	**12,116**
Currency translation differences	**(3,341)**	**(33)**	**47**	**(50)**	**(3,377)**
Loss allowance as at 31 December 2023	**57,778**	**513**	**1,792**	**4,301**	**64,384**

Except for the above impairment losses, loss allowance provision for bills receivables at FVOCI of HK$259,000 has been reversed in consolidated income statement in 2023 (2022: provision of HK$719,000 was provided).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised costs

Other financial assets at amortised cost include amounts due from related companies, amount due from investments accounted for using the equity method and deposits and other receivables excluding prepayments and other tax receivables.

The Group also considered the forward-looking information on macroeconomic factors including Consumer Price Index and M2 Money Supply.

Provision of credit losses against other financial assets at amortised costs is as follows:

At 31 December 2023	**Average expected credit loss rate**	**Gross carrying amounts HK$'000**	**Loss allowance HK$'000**
Deposits and other receivables (Note 23)	**2.10%**	**168,769**	**3,547**
Amounts due from related companies (Note 36(b))	**0.27%**	**11,357**	**31**
	1.99%	**180,126**	**3,578**

At 31 December 2022	Average expected credit loss rate	Gross carrying amounts HK$'000	Loss allowance HK$'000
Deposits and other receivables (Note 23)	1.67%	315,380	5,252
Amounts due from related companies (Note 36(b))	0.41%	8,438	35
Amount due from investments accounted for using the equity method (Note 36(b))	0.75%	101,129	758
	1.42%	424,947	6,045

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) Impairment of financial assets (Continued)

Other financial assets at amortised costs (Continued)

The closing loss allowance for other financial assets at amortised costs reconciles to the opening loss allowance as follows:

	2023 HK$'000	2022 HK$'000
Opening loss allowance	6,045	—
(Reversal)/provision of loss allowance recognised in consolidated income statement- net	(1,787)	6,023
Currency translation differences	(680)	22
Closing loss allowance	3,578	6,045

(c) *Liquidity risk*

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

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated 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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2023					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	**7,914,976**	**621,914**	**—**	**—**	**8,536,890**
Borrowings	**7,249,260**	**1,875,561**	**1,137,725**	**1,010,687**	**11,273,233**
Lease liabilities	**89,610**	**58,985**	**202,907**	**1,339,529**	**1,691,031**
Amounts due to related companies	**1,652,034**	**—**	**—**	**—**	**1,652,034**
Total	**16,905,880**	**2,556,460**	**1,340,632**	**2,350,216**	**23,153,188**
At 31 December 2022					
Trade, bills and other payables excluding accruals of staff cost and other taxes payable	4,978,186	53,849	—	—	5,032,035
Borrowings	4,696,372	2,775,426	1,057,343	—	8,529,141
Lease liabilities	56,914	96,912	210,058	1,331,119	1,695,003
Amounts due to related companies	450,205	—	—	—	450,205
Total	10,181,677	2,926,187	1,267,401	1,331,119	15,706,384

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 and restricted cash.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Total borrowings (Note 30)	**10,502,857**	8,032,260
Less: Cash and cash equivalents and restricted cash (Note 25)	**(3,877,009)**	(5,370,445)
Net debt	**6,625,848**	2,661,815
Total equity	**37,858,407**	35,231,377
Gearing ratio	**17.5%**	7.6%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) *Fair value hierarchy*

The carrying values of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

The following table presents the Group's financial assets that are measured at fair values at 31 December 2023 and 31 December 2022:

	Note	**Level 1** **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
At 31 December 2023					
Bills receivables at FVOCI	22	**—**	**—**	**512,439**	**512,439**
Financial assets at FVPL		**—**	**—**	**55,784**	**55,784**
		—	**—**	**568,223**	**568,223**

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022					
Bills receivables at FVOCI	22	—	—	858,689	858,689

There were no transfers among level 1, 2 and 3 during the year ended 31 December 2023 (2022: nil).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 31 December 2022:

	Bills receivables at FVOCI HK$'000	Securities private fund product HK$'000	Wealth management products HK$'000	Total HK$'000
Opening balance as at				
1 January 2023	858,689	—	—	858,689
Acquisitions	11,580,810	54,855	10,343,091	21,978,756
Disposals/settlement	(11,857,963)	—	(10,372,176)	(22,230,139)
Amounts recognised in profit or loss				
– Fair value change	—	935	29,085	30,020
– Reversal of expected credit losses	259	—	—	259
Losses on disposal of bills receivables at FVOCI	(55,893)	—	—	(55,893)
Currency translation differences	(13,463)	(6)	—	(13,469)
Closing balance as at				
31 December 2023	512,439	55,784	—	568,223

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 31 December 2022: (Continued)

	Bills receivables at FVOCI HK$'000	Wealth management products HK$'000	Total HK$'000
Opening balance as at 1 January 2022	—	—	—
Acquisitions	4,243,521	38,722,181	42,965,702
Disposals/settlement	(3,335,738)	(38,816,876)	(42,152,614)
Amounts recognised in profit or loss			
– Fair value change	—	94,695	94,695
– Expected credit losses	(719)	—	(719)
Losses on disposal of bills receivables at FVOCI	(12,146)	—	(12,146)
Currency translation differences	(36,229)	—	(36,229)
Closing balance as at 31 December 2022	858,689	—	858,689

Save as the forementioned bills receivables at FVOCI and financial asset at FVPL, the Group's financial instruments recognised in the consolidated balance sheets are mainly cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables, bill receivables at amortised cost, finance lease receivables, amounts due from related companies, borrowings and other financial liabilities carried at amortised cost. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivables and payables is either close to current market rates or the instruments are short-term in nature.

During the year ended 31 December 2023, the Group invested in financial assets at FVPL included wealth management products sponsored and managed by banks and a securities private fund product managed by a securities firm. The Group reports its investing cash flows arising from wealth management products and private fund product on a gross basis, except for cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation inputs and relationships to fair value

Valuation of level 3 instruments for financial reporting purpose is carried out on a case-by-case basis. The Group assesses the fair value of the level 3 instruments by using valuation techniques. Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments or recent prices of similar financial assets in less active markets, adjusted to reflect those differences,
- for other financial instruments - discounted cash flow analysis.

Quantitative information about fair value measurement using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 31 December 2023 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Bills receivables at FVOCI	512,439	Discounted cash flow method	Discount rate	0.40%-2.40%	The higher the discount rate, the lower the fair value, and vice versa
Financial assets at FVPL – Wealth management products	—	Discounted cash flow method	Expected rate of return	1.97%-3.10%	The higher the expected rate of return, the higher the fair value, and vice versa
Financial assets at FVPL – Securities private fund product	55,784	Discounted cash flow method	Expected rate of return	1.69%	The higher the expected rate of return, the higher the fair value, and vice versa

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation inputs and relationships to fair value (Continued)

Quantitative information about fair value measurement using significant unobservable inputs (Level 3) is as follow: (Continued)

Description	Fair value at 31 December 2022 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Bills receivables at FVOCI	858,689	Discounted cash flow method	Discount rate	0.8%-2.0%	The higher the discount rate, the lower the fair value, and vice versa
Financial assets at FVPL – Wealth management products	—	Discounted cash flow method	Expected rate of return	1.48%-3.35%	The higher the expected rate of return, the higher the fair value, and vice versa

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 3.1(b).

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

(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 31).

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 a subsidiary of the Group 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) Discount rate in determination of right-of-use assets and lease liabilities

The Group initially measured and recognised right-of-use assets and lease liabilities arising from a lease on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2023 HK$'000	2022 HK$'000
Revenue		
Sales of solar glass	23,532,916	17,655,075
Solar farm business		
– Sales of electricity	1,742,806	1,660,645
– Tariff adjustment	1,227,666	1,425,535
Less: Deduction of tariff adjustment (Note (a))	—	(341,793)
	2,970,472	2,744,387
Others		
– EPC services	44,160	57,619
– Sales of mining products	81,206	86,960
	125,366	144,579
Total revenue	26,628,754	20,544,041
Other income		
Government grants (Note (b))	249,662	140,622
Scrap sales (Note (c))	73,968	60,018
Tariff adjustments for electricity generation from self-used solar power system	17,499	18,102
Rental income	5,718	2,913
Others (Note (d))	23,302	18,380
	370,149	240,035

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Notes:

(a) Pursuant to "Notice on clarification of policy interpretation with regards to verification of eligibility for the renewable energy power generation subsidy" (the "Notice") issued on 8 October 2022, some solar farm projects of the Group may be subject to possible deduction of revenue recognised from tariff adjustment in accordance with the requirements and conditions for the entitlement of the tariff subsidy as set out in the Notice. During the year ended 31 December 2022, the Group performed a reassessment on the estimation of revenue recognised from tariff adjustment as required by the prevailing rules and regulations and recognised the amount of deduction of approximately HK$341,793,000 as a reduction of revenue on a cumulative basis. During the year ended 31 December 2023, there is no change in relevant rules and regulations. The estimation basis for tariff adjustment has been consistently applied by the Group during the year ended 31 December 2023 and no reduction adjustment was considered necessary for the year ended 31 December 2023.

(b) Government grants mainly represent grants received from the PRC government in subsidising the Group's certain operating costs and general operations.

(c) Scrap sales were shown in net amount with the other income at HK$207,055,000 (2022: HK$170,460,000) and other expenses at HK$133,087,000 (2022: HK$110,442,000)

(d) It mainly represents compensation of insurance claims and other miscellaneous income.

Accounting policy of 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.

In some circumstances, the Group may not be able to reasonably measure the outcome of a performance obligation, but the Group expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Accounting policy of revenue recognition (Continued)

(a) Sales of solar glass

The Group manufactures and sells solar glass. Revenue from sales of solar glass is 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 sales of goods 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.

Sales return is determined to be the best estimation by the Group, basing on the historical experience in the sales of solar glass and taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Contract liability for the right to the returned goods is recognised and its carrying amount deducting the cost to collect is recognised in other current assets. No contract liability for the right to the returned goods is recognised as insignificant amount of returns are expected based on previous experience.

Receivable is recognised when control of the products has transferred 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 sales of electricity is recognised at a point in time in the accounting period when electricity is generated and transmitted.

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Accounting policy of revenue recognition (Continued)

(c) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the sales of electricity to the customer pursuant to the government policy on subsidies of solar energy in respect of the Group's solar farm business. Tariff adjustment is recognised at a point in time at its fair value to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised from tariff adjustment will not occur if the Group will comply with all the prevailing policies and regulations.

The revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government and the revenue from the sales of electricity.

When there is an agreement to modify a contract regarding adjustments to the feed-in-tariff of the sales of electricity, in connection with the contract modification, the Group might provide a partial deduction of the tariff adjustment related to the sales of electricity. The Group should account for the deduction separately, because it is an adjustment to the transaction price of the previously transferred goods. Thus, it should recognise the amount of the deduction immediately as a reduction of revenue.

Tariff adjustment is settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment. No element of financing is deemed present as credit terms are granted to customers by reference to their credit risk characteristics, which is consistent with market practices.

(d) Sales of mining products

The Group engages in mining activities and sells mining products to customers located in the PRC. Revenue from the sales of mining products is 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.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Accounting policy of revenue recognition (Continued)

(e) Revenue from construction contracts (EPC services)

The Group determines that revenue from EPC services satisfies the performance obligation over time, for the performance of EPC services creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group recognises revenue over time by reference to the progress towards complete satisfaction of that performance obligation.

The excess of cumulative revenue recognised over the cumulative billings to customers is recognised as contract assets and then transferred to receivables when the rights become unconditional. The excess of cumulative billings to customers over the cumulative revenue recognized is recognised as contract liabilities.

There is no material contract fulfilment cost or cost of obtaining contracts incurred by the Group.

Segment information

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

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

For the year ended 31 December 2023, there are two operating segments based on business type: (1) sales of solar glass and (2) solar farm business, which includes solar farm development and solar power generation. The "Other Segment" and "Unallocated" mainly include polysilicon business (which is still under development and construction), EPC services and sales of mining products, which are not a core business of the Group.

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

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	Year ended 31 December 2023					
	Sales of solar glass HK$'000	Solar farm business HK$'000	Other segment HK$'000	Unallocated HK$'000	Inter-segment HK$'000	Total HK$'000
Segment revenue						
Recognised at a point in time	23,532,916	2,970,472	—	81,206	—	26,584,594
Recognised over time	—	—	—	44,160	—	44,160
Revenue from external customers	23,532,916	2,970,472	—	125,366	—	26,628,754
Cost of sales	(18,499,316)	(934,623)	—	(105,117)	—	(19,539,056)
Gross profit	5,033,600	2,035,849	—	20,249	—	7,089,698
Segment revenue by geographical area						
The PRC	18,114,917	2,966,871	—	93,159	—	21,174,947
Other areas in Asia	4,496,036	—	—	—	—	4,496,036
North America and Europe	903,886	3,601	—	32,207	—	939,694
Others	18,077	—	—	—	—	18,077
	23,532,916	2,970,472	—	125,366	—	26,628,754

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Year ended 31 December 2022				
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Inter-segment HK$'000	Total HK$'000
Segment revenue					
Recognised at a point in time	17,655,075	2,744,387	86,960	—	20,486,422
Recognised over time	—	—	57,619	—	57,619
Revenue from external customers	17,655,075	2,744,387	144,579	—	20,544,041
Cost of sales	(13,461,736)	(811,121)	(112,674)	—	(14,385,531)
Gross profit	4,193,339	1,933,266	31,905	—	6,158,510
Segment revenue by geographical area					
The PRC	13,463,708	2,741,072	93,964	—	16,298,744
Other areas in Asia	3,233,699	—	—	—	3,233,699
North America and Europe	903,826	3,315	50,615	—	957,756
Others	53,842	—	—	—	53,842
	17,655,075	2,744,387	144,579	—	20,544,041

	Other segment information					
	Sales of solar glass HK$'000	Solar farm business HK$'000	Other segment HK$'000	Unallocated HK$'000	Inter-segment HK$'000	Total HK$'000
Year ended 31 December 2023						
Depreciation charge of property, plant and equipment	1,022,279	704,356	2,230	3,696	—	1,732,561
Depreciation charge of right-of-use assets	29,896	58,927	16	1,359	—	90,198
Amortisation charge of intangible assets	729	—	—	1,494	—	2,223
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	4,791,884	3,480,163	3,550,019	44,109	—	11,866,175

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Other segment information				
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Inter-segment HK$'000	Total HK$'000
Year ended 31 December 2022					
Depreciation charge of property, plant and equipment	837,267	645,047	6,263	—	1,488,577
Depreciation charge of right-of-use assets	16,820	45,158	1,763	—	63,741
Amortisation charge of intangible assets	—	—	1,629	—	1,629
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	4,226,194	2,193,145	832,366	—	7,251,705

	Assets and liabilities					
	Sales of solar glass HK$'000	Solar farm business HK$'000	Other segment HK$'000	Unallocated HK$'000	Inter-segment HK$'000	Total HK$'000
At 31 December 2023						
Total assets	32,377,803	25,125,177	5,854,236	2,568,669	(5,492,891)	60,432,994
Total liabilities	9,714,362	10,722,360	5,277,708	2,353,048	(5,492,891)	22,574,587

	Assets and liabilities				
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Inter-segment HK$'000	Total HK$'000
At 31 December 2022					
Total assets	28,983,655	22,701,333	3,600,664	(4,710,594)	50,575,058
Total liabilities	4,810,770	11,335,965	3,907,540	(4,710,594)	15,343,681

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	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Segment assets/(liabilities)	**63,357,216**	51,684,988	**(25,714,430)**	(16,146,735)
Unallocated items:				
Property, plant and equipment	**67,652**	99,480	**—**	—
Right-of-use assets	**49,914**	152,554	**—**	—
Intangible assets	**8,802**	10,440	**—**	—
Prepayments for land use rights and property, plant and equipment	**25,536**	672,155	**—**	—
Finance lease receivables	**224,138**	231,855	**—**	—
Investments accounted for using the equity method	**342,415**	356,390	**—**	—
Inventories	**8,785**	10,123	**—**	—
Trade and bills receivables	**10,420**	6,401	**—**	—
Prepayments, deposits and other receivables	**27,884**	19,370	**—**	—
Contract assets	**7,939**	41,710	**—**	—
Amounts due from related companies	**1,751,945**	1,752,924	**—**	—
Amount due from investments accounted for using the equity method	**—**	100,371	**—**	—
Restricted cash	**—**	44,731	**—**	—
Cash and cash equivalents	**29,456**	93,327	**—**	—
Deferred income tax assets	**13,783**	8,833	**—**	—
Trade, bills and other payables	**—**	—	**(119,730)**	(166,162)
Contract liabilities	**—**	—	**(7,880)**	(8,196)
Current income tax liabilities	**—**	—	**(2,841)**	(1,823)
Lease liabilities	**—**	—	**(2,684)**	(1,333)
Amounts due to related companies	**—**	—	**(155,311)**	(711,643)
Deferred income tax liabilities	**—**	—	**(15,263)**	(15,051)
Borrowings	**—**	—	**(2,049,339)**	(3,003,332)
Intersegment eliminating	**(5,492,891)**	(4,710,594)	**5,492,891**	4,710,594
Total assets/(liabilities)	**60,432,994**	50,575,058	**(22,574,587)**	(15,343,681)

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	2023 HK$'000	2022 HK$'000
Segment gross profit	7,069,449	6,126,605
Unallocated gross profit	20,249	31,905
Total gross profit	7,089,698	6,158,510
Other unallocated items:		
Other income	370,149	240,035
Other (losses)/gains - net	(247,386)	43,282
Selling and marketing expenses	(106,062)	(91,312)
Administrative and other operating expenses	(1,203,556)	(979,181)
Net impairment losses on financial and contract assets	(10,070)	(53,641)
Finance income	34,315	30,866
Finance costs	(383,760)	(198,392)
Share of net profit of investments accounted for using the equity method	28,106	30,811
Profit before income tax	5,571,434	5,180,978

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

Revenue of approximately HK$4,489,945,000 (2022: HK$2,871,379,000) and HK$ 3,979,095,000 (2022: HK$2,791,384,000) were derived from customer A and customer B from solar glass business, which separately accounted for more than 10% of the Group's revenue for the year ended 31 December 2023 and 2022.

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:

	2023 HK$'000	2022 HK$'000
The PRC	38,275,565	29,594,409
Others	1,967,712	1,512,424
	40,243,277	31,106,833

Notes to the Consolidated Financial Statements

6 OTHER (LOSSES)/GAINS - NET

	2023 HK$'000	2022 HK$'000
Net fair value gains on financial assets at fair value through profit or loss	30,020	94,695
Foreign exchange losses, net (Note)	(190,474)	(19,378)
Impairment losses of property, plant and equipment	—	(15,277)
Losses on disposal of bills receivables at FVOCI	(55,893)	(12,146)
Losses on disposal of property, plant and equipment and early termination of lease, net	(31,039)	(4,612)
	(247,386)	43,282

Note:

During the year ended 31 December 2023, foreign exchange losses, net included foreign exchange losses of HK$169,574,000 reclassified from exchange reserve upon termination of RMB-denominated capital loan between Group companies.

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative and other operating expenses are analysed as follows:

	2023 HK$'000	2022 HK$'000
Auditors' remuneration - audit services	3,767	3,587
Amortisation charge of intangible assets (Note 19)	2,223	1,629
Depreciation charge of property, plant and equipment (Note 17)	1,732,561	1,488,577
Depreciation charge of right-of-use assets (Note 18)	90,198	63,741
Employee benefit expenses (including directors' emoluments) (Note 8)	1,164,617	951,292
Cost of inventories (Note 20)	15,794,861	11,176,976
Other direct operating costs of solar farm	86,760	65,995
Construction contracts costs	26,956	41,161
Impairment losses on inventories	1,554	27,331
Payments in relation to short term leases of land and buildings	6,067	6,648
Transportation costs	720,838	675,027
Research and development expenditures	766,521	561,890
Tax and levies	192,400	143,813
Other expenses	259,351	248,357
	20,848,674	15,456,024

8 EMPLOYEE BENEFIT EXPENSES

	2023 HK$'000	2022 HK$'000
Wages and salaries	**995,635**	825,484
Retirement benefit - defined contribution plans	**117,261**	91,942
Share options granted to employees	**51,721**	33,866
	1,164,617	951,292

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. 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.

During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its contribution for the current year (2022: nil). As at 31 December 2023, no forfeited contribution was available to reduce the contribution payable in future years.

8 EMPLOYEE BENEFIT EXPENSES (Continued)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2022: two) directors whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining two (2022: three) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Basic salaries, bonus, other allowances and benefits	14,933	10,590
Retirement benefits - defined contribution scheme	33	52
Share options granted	6,052	1,523
	21,018	12,165

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK$3,000,001 - HK$3,500,000	—	1
HK$3,500,001 - HK$4,000,000	—	1
HK$4,500,001 - HK$5,000,000	—	1
HK$7,500,001 - HK$8,000,000	1	—
HK$10,000,001 - HK$15,000,000	1	—
	2	3

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2023:

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	275	—	20,489	—	18	2,693	23,475
LI Man Yin	275	—	3,278	—	—	1,758	5,311
CHU Charn Fai (Note (v))	170	—	1,386	—	10	1,550	3,116
LEE Shing Put	275	—	1,000	—	—	767	2,042
CHEN Xi (Note (v))	125	—	—	23	—	1,044	1,192
LO Wan Sing, Vincent	275	—	—	—	—	—	275
KAN E-ting, Martin	275	—	—	—	—	—	275
LEONG Chong Peng	275	—	—	—	—	—	275
Total	1,945	—	26,153	23	28	7,812	35,961

Notes to the Consolidated Financial Statements

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

For the year ended 31 December 2022:

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	—	20,078	—	18	3,573	23,919
LI Man Yin	250	—	3,335	—	—	1,705	5,290
CHEN Xi	250	—	828	779	5	746	2,608
LEE Shing Put	250	—	—	—	—	2,941	3,191
CHENG Kwok Kin, Paul (Note (iv))	150	—	—	—	—	—	150
LO Wan Sing, Vincent	250	—	—	—	—	—	250
KAN E-ting, Martin	250	—	—	—	—	—	250
LEONG Chong Peng (Note (iv))	145	—	—	—	—	—	145
Total	1,795	—	24,241	779	23	8,965	35,803

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

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

Notes:

(i) The remuneration shown above represents remuneration received/receivable from the Group by these directors in their capacity as employees to the Group.

(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) On 2 June 2022, Mr. CHENG Kwok Kin, Paul retired as an independent non-executive Director and Ms. LEONG Chong Peng has been appointed as an independent non-executive Director and approved by the shareholders at the AGM.

(v) On 2 June 2023, Mr. CHU Charn Fai has been appointed as an executive Director and approved by the shareholders at the AGM. In addition to the remuneration disclosed above, Mr. CHU also received remuneration including salaries, bonus and share option benefits amounted to HK$1,403,000 for services rendered by him as Financial Controller and Company Secretary during the year ended 31 December 2023 and before his appointment as an Executive Director.

On 2 June 2023, Mr. CHEN Xi retied as executive Director and approved by the shareholders at the AGM.

(vi) Dr. LEE Yin Yee, S.B.S. and Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* waived emoluments of HK$275,000 (2022: HK$250,000) and HK$275,000 (2022: HK$250,000) respectively for the year. Except these, no directors waived or agreed to waive any emoluments for the years ended 31 December 2023 and 2022. 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 2023 and 2022.

(vii) 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.

(viii) During the year ended 31 December 2023, none of the directors of the Company received any salary (2022: same).

(ix) Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking is HK$1,945,000 (2022: HK$1,795,000).

(x) Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking is HK$34,016,000 (2022: HK$34,008,000).

(b) Directors' termination benefits

None of the directors of the Company received termination benefits during the year ended 31 December 2023 (2022: same).

9 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(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 2023 (2022: 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 2023 (2022: same).

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

Except for those transactions disclosed in Note 36, 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 (2022: same).

10 FINANCE INCOME AND COSTS

	2023 HK$'000	2022 HK$'000
Finance income		
Interest income from bank deposits	34,315	30,866
Finance costs		
Interest for lease liabilities (Note 18)	65,810	50,868
Interest on borrowings	445,725	216,932
Less: Amounts capitalised on qualifying assets (Note 17)	(127,775)	(69,408)
	383,760	198,392

11 INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current income tax		
– PRC corporate income tax ("CIT") (Note (iii))	**801,489**	782,136
– Overseas income tax (Note (iv))	**83,177**	20,251
– PRC withholding tax	**3,034**	8,931
– Overprovision in prior years	**(21,882)**	(5,188)
	865,818	806,130
Deferred income tax (Note (iv), Note 31)	**5,070**	29,082
Income tax expense	**870,888**	835,212

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 (2022: same).

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

– As at 31 December 2023, three subsidiaries engaging in solar glass business (2022: three) and a subsidiary engaging in solar farm business (2022: one) are qualified as "High and New Technology Enterprise" and can enjoy a preferential CIT rate of 15% (2022: 15%).

– As at 31 December 2023, two subsidiaries engaging in solar glass business (2022: one), a subsidiary engaging in solar farm business (2022: one), a subsidiary engaging in mining products business (2022: nil) and a subsidiary engaging in silicon products business (2022: nil) (together as "Encouraged Subsidiaries") are qualified as "Encouraged Enterprise" in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and can enjoy a preferential CIT rate of 15% (2022: 15%).

Three of the Encouraged Subsidiaries (2022: two) which are located in Guangxi Zhuang Autonomous Region can also enjoy 40% reduction in CIT for five years starting from its first year of revenue generation. As a result, their preferential CIT rate were reduced to 9% (2022: 9%).

– Subsidiaries engaging in the operation and management of solar farms 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% (2022: 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% (2022: 24%).

11 INCOME TAX EXPENSE (Continued)

The differences between the Group's theoretical tax charge, calculated at the statutory tax rates applicable to the jurisdictions concerned, and the Group's tax charge for the years were as follows:

	2023 HK$'000	2022 HK$'000
Profit before income tax	5,571,434	5,180,978
Tax calculated at the statutory tax rates applicable to the jurisdictions concerned	1,481,840	1,333,724
Effect of preferential tax rates applicable to certain subsidiaries of the Group	(536,756)	(451,523)
Tax impact on share of net profits of investments accounted for using the equity method	(7,319)	(8,061)
Income not subject to tax	(9,655)	(1,643)
Expenses not deductible for tax purposes	34,212	9,247
Effect of additional tax deduction of research and development expenditures (Note)	(69,552)	(41,344)
Adjustments for current tax of prior periods	(21,882)	(5,188)
	870,888	835,212

Note:

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, certain PRC subsidiaries of the group were entitled to claim special tax deductions for qualifying research and development expenditures.

12 EARNINGS PER SHARE

(a) Basic

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

	2023 HK$'000	2022 HK$'000
Profit attributable to equity holders of the Company (HK$'000)	4,187,127	3,820,144
Weighted average number of shares in issue (thousands)	8,901,738	8,894,405
Basic earnings per share (HK cents)	47.04	42.95

12 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise of share options.

	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	**4,187,127**	3,820,144
Weighted average number of ordinary shares in issue (thousands)	**8,901,738**	8,894,405
Adjustment for share options (thousands)	**1,954**	16,116
	8,903,692	8,910,521
Diluted earnings per share (HK cents)	**47.03**	42.87

Note: Share options granted by a subsidiary of the Group, Xinyi Energy Holdings Limited ("Xinyi Energy") during the year ended 31 December 2023 has no dilution impact on earnings per share (2022: immaterial dilution impact).

13 DIVIDENDS

	2023 HK$'000	2022 HK$'000
Interim dividend of 7.5 HK cents (2022: 10.0 HK cents) per share (Note (a))	**667,743**	889,562
Proposed final dividend of 15.0 HK cents (2022: final dividend of 10.0 HK cents) per share (Note (b))	**1,335,488**	890,254

Notes:

(a) An interim dividend for the six months ended 30 June 2023 of 7.5 HK cents (2022: 10.0 HK cents) per share was paid in cash whose names appeared on the Register of Members of the Company on 17 August 2023 (2022: 17 August 2022).

(b) A final dividend in respect of the year ended 31 December 2023 of 15.0 HK cents per share (2022: 10.0 HK cents), amounting to a total dividend of HK$1,335,488,000 (2022: HK$890,254,000) is to be proposed at the forthcoming annual general meeting. The amount of 2023 proposed final dividend is based on 8,903,250,838 shares in issue as at 31 December 2023. These consolidated financial statements do not reflect the proposed final dividend for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

14 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2023 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	Investment holding and trading of solar glass products	200 ordinary shares of HK$1 each	100.0%	—
Xinyi PV Products (Anhui) Holdings Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid-up capital of US$438,000,000	100.0%	—
Xinyi Solar (Malaysia) Sdn Bhd	Malaysia, limited liability company	Manufacturing of solar glass in Malaysia	Authorised and paid-up capital of 20,000,000 ordinary shares of MYR1 each	100.0%	—
Xinyi Energy (Note (a))	The British Virgin Islands, limited liability company	Investment holding	8,256,588,652 ordinary shares of HK$0.01 each	51.6%	48.4%
Xinyi PV Products (Guangxi) Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid-up capital of US$38,000,000	100.0%	—
Xinyi Solar (Suzhou) Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid-up capital of US$300,000,000	100.0%	—
Xinyi PV Glass Holdings (Anhui) Limited	The PRC, limited liability company	Trading of solar glass products in the PRC	Registered and paid-up capital of RMB100,000,000	100.0%	—
Lu'an Xinyi Renewable Energy Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of RMB300,000,000	51.6%	48.4%

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2023 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 (%)
Hong'an Xinyi Renewable Energy Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of US$35,000,000	51.6%	48.4%
Xinyi Solar (Wuhu) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of US$35,000,000	51.6%	48.4%
Xinyi Renewable Energy (Bozhou) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of US$35,000,000	51.6%	48.4%
Xinyi Solar (Tianjin) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of US$48,000,000	51.6%	48.4%
Xinyi Solar (Shouxian) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of RMB215,000,000	51.6%	48.4%
Xinyi Solar (Xiaochang) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of US$32,700,000	51.6%	48.4%
Xinyi Solar (Suiping) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of RMB210,000,000	51.6%	48.4%
Xinyi Renewable Energy (Shouxian) Limited (Note (a))	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid-up capital of US$35,000,000	51.6%	48.4%

14 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2023 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 (%)
Polaron Solartech Corporation	Canada, limited liability company	Provision of solar power systems in Canada	353,000 common shares	51.6%	48.4%
Xinyi Silicon (Yunnan) Limited (Note (a))	The PRC, limited liability company	Manufacturing of silicon in the PRC	Registered capital of US$313,000,000 and paid-up capital of US$36,532,469	52.0%	48.0%

Note:

(a) The Company indirectly holds the equity interest in these companies through layers of holding structures and has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.

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

(c) The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

15 MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2023 is HK$5,883,832,000 (2022: HK$5,482,965,000), of which HK$5,717,855,000 (2022: HK$5,322,369,000) is attributable to Xinyi Energy Group.

Significant restrictions

As at 31 December 2023, funds of Xinyi Energy Group amounting to HK$586,532,000 (2022: HK$1,721,460,000) were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$70,366,000 (2022: HK$69,307,000) as at 31 December 2023 were deposited in reputable banks in Hong Kong.

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

	2023 HK$'000	2022 HK$'000
Current		
Assets	4,955,313	5,185,185
Liabilities	(4,181,574)	(5,106,175)
Total current net assets	773,739	79,010
Non-current		
Assets	16,118,624	14,756,454
Liabilities	(3,576,971)	(3,041,108)
Total non-current net assets	12,541,653	11,715,346
Net assets	13,315,392	11,794,356

Notes to the Consolidated Financial Statements

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised income statement and other comprehensive income

	2023 HK$'000	2022 HK$'000
Revenue	**2,517,374**	2,315,275
Profit before income tax	**1,283,051**	1,272,243
Income tax expense	**(306,975)**	(301,230)
Profit after income tax	**976,076**	971,013
Other comprehensive loss	**(333,302)**	(1,701,209)
Total comprehensive income/(loss) for the year	**642,774**	(730,196)
Profit allocated to non-controlling interests	**486,435**	496,272
Dividends paid to non-controlling interests	**372,094**	501,435

Summarised cash flow statement

	2023 HK$'000	2022 HK$'000
Net cash generated from operating activities	**753,125**	2,906,857
Net cash used in investing activities	**(2,610,379)**	(1,530,393)
Net cash generated from/(used in) financing activities	**735,328**	(583,798)
Net (decrease)/increase in cash and cash equivalents	**(1,121,926)**	792,666

The above information represents the amounts before intercompany eliminations.

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

Reconciliation of summarised financial information

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

	2023 HK$'000	2022 HK$'000
Net assets at 1 January	**11,794,356**	12,600,357
Total comprehensive (loss)/income for the year	**642,774**	(730,196)
Employees' share option scheme	**2,438**	2,068
Issuance of shares upon rights issue	**1,627,810**	779,418
Issuance of shares in respect of scrip dividend	**132,772**	434,526
Dividend		
- 2022 and 2021 final dividend	**(605,649)**	(729,840)
- 2023 and 2022 interim dividend	**(279,109)**	(561,977)
Net assets at 31 December	**13,315,392**	11,794,356
Non-controlling interests	**48.40%**	50.97%
Carrying value before elimination of unrealised profit	**6,444,650**	6,011,583
Elimination of the fair value adjustment attributable to non-controlling interests	**(726,795)**	(689,214)
Carrying value	**5,717,855**	5,322,369

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

(a) Transactions with non-controlling interests

Change of equity interest in Xinyi Energy

On 1 June 2023, Xinyi Energy allotted 744,040,025 rights shares on the basis of one rights share for every ten shares in issue at an issue price of HK$2.19 per rights share ("Rights Issue"). The Rights Issue was fully subscribed. Gross proceeds and net proceeds, amounting to HK$1,629.5 million and HK$1,627.8 million respectively, were received by Xinyi Energy. Upon completion of the Rights Issue, an aggregate of 516,583,042 rights shares were allotted and received by Xinyi Power (BVI) Limited ("Xinyi Power"), a wholly-owned subsidiary of the Company, which increased the Company's indirect equity interest in Xinyi Energy from 49.03% to 50.89%. In relation to the Rights Issue, the Group recognised a decrease in equity attributable to owners of the Company of HK$104,734,000 and an increase in non-controlling interests of HK$602,358,000.

In addition to the above, the Company's indirect interest in Xinyi Energy increased from 50.89% to 51.60% after taking into account the following transactions with non-controlling interests:

- In August 2023, the Company, through a wholly-owned subsidiary, purchased 53,360,000 shares of Xinyi Energy at a consideration of HK$103,033,000 in the open market ("Share purchase");
- In relation to the settlement of final dividend for the year ended 31 December 2022 and interim dividend for the six months ended 30 June 2023 by Xinyi Energy ("XYE Dividend Settlement"), dividend in cash and scrip shares received by Xinyi Power, are set forth as follows:

	Xinyi Power	Non-controlling interests	Total
Cash received (HK$'000)			
– final dividend for the year ended 31 December 2022	288,186	244,945	533,131
– interim dividend for the six months ended 30 June 2023	71,707	127,149	198,856
Scrip shares received ('000)			
– final dividend for the year ended 31 December 2022	—	24,656	24,656
– interim dividend for the six months ended 30 June 2023	42,430	5,057	47,487

15 MATERIAL NON-CONTROLLING INTERESTS (Continued)

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

Disposal of Solar Farms to Xinyi Energy

During the year ended 31 December 2023, the Group completed the disposals of the below solar farm projects to Xinyi Energy ("Solar Farm Disposal"). The disposals were made pursuant to the terms and conditions of the Solar Farm Agreement dated 5 December 2018 entered into between the Company and Xinyi Energy and in accordance with the business delineation between Xinyi Solar as a solar farm developer and Xinyi Energy as a solar farm operator.

Date of disposal	Company	% of equity interest held Before disposal	After disposal	Cash consideration HK$ million	Approved grid-connected capacity MW
February 2023	Xinyi Solar (Haikou) Limited and Xinchuang Green Agriculture (Haikou) Limited	100%	49.03%	146.2	300
September 2023	Xinyi Renewable Energy (Hexian) Limited	100%	51.38%	52.9	102
September 2023	Xinze Renewable Energy (Kaiping) Limited	100%	51.38%	101.4	150
December 2023	Wuhu Xinfu Renewable Energy Limited	100%	51.60%	20.0	84.5

The effect of the above transactions with non-controlling interests on the equity attributable to equity holders of the Company during the year ended 31 December 2023 is summarised as follows:

	Right Issue HK$'000	Share purchase HK$'000	XYE Dividend Settlement HK$'000	Solar Farm Disposal HK$'000	Total HK$'000
(Decrease)/increase in equity attributable to equity holders of the Company	(104,734)	(28,528)	3,628	92,966	(36,668)
Increase/(decrease) in non-controlling interests	602,358	(74,505)	(3,628)	(116,580)	407,645
Increase/(decrease) in total equity	497,624	(103,033)	—	(23,614)	370,977

The Group had certain transactions with non-controlling interests during the year ended 31 December 2022, further information on which is set forth in the annual report of the Company dated 27 February 2023.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2023 HK$'000	2022 HK$'000
At 1 January	**356,390**	456,607
Repayment	**—**	(7,235)
Dividend received and receivable	**(19,174)**	(98,864)
Share of net profits	**28,106**	30,811
Currency translation differences	**(22,907)**	(24,929)
At 31 December	**342,415**	356,390

The equity interests in the investments listed below are held by the Group at 31 December 2023 and 2022.

Name of entity	Place of business/ incorporation	Principal activities	% of ownership interest	Measurement method
Xinyi Solar (Lu'an) Company Limited ("Xinyi Solar (Lu'an)")	Anhui Province, the PRC	Management and operation of solar farm	50%	Equity accounting
Ultimate Luck Global Limited ("Ultimate Luck Global")	British Virgin Islands	Investment holding	40%	Equity accounting
Cheer Wise Investments Limited ("Cheer Wise")	Hong Kong	Property and car parks holding	40%	Equity accounting

Xinyi Solar (Lu'an), Ultimate Luck Global and Cheer Wise are private companies and there is no quoted market price available for their shares.

As at 31 December 2023 and 2022, there are no contingent liabilities relating to the Group's interest in Xinyi Solar (Lu'an), Ultimate Luck Global and Cheer Wise.

On 26 April 2016, Ultimate Luck Global 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.

17 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 2022							
Cost	199,037	1,893,925	8,183,107	17,529,655	19,857	2,187,415	30,012,996
Accumulated depreciation	—	(241,021)	(2,207,130)	(2,710,097)	(10,289)	—	(5,168,537)
Net book amount	199,037	1,652,904	5,975,977	14,819,558	9,568	2,187,415	24,844,459
Year ended 31 December 2022							
Opening net book amount	199,037	1,652,904	5,975,977	14,819,558	9,568	2,187,415	24,844,459
Additions	182,070	8,743	242,344	111,043	13,779	6,008,290	6,566,269
Transfers	—	292,197	2,543,501	1,476,144	800	(4,312,642)	—
Government grants netted off	—	—	(268,201)	—	—	—	(268,201)
Acquisition of subsidiaries	—	—	—	—	—	74,932	74,932
Disposals	—	(4,340)	(30,094)	(633)	—	—	(35,067)
Depreciation charge	—	(60,305)	(754,041)	(640,792)	(3,162)	—	(1,458,300)
Impairment loss	—	—	—	—	—	(15,277)	(15,277)
Currency translation differences	(12,710)	(139,575)	(570,617)	(1,290,085)	(1,240)	(256,701)	(2,270,928)
Closing net book amount	368,397	1,749,624	7,138,869	14,475,235	19,745	3,686,017	27,437,887
At 31 December 2022							
Cost	368,397	2,028,682	9,889,633	17,570,633	32,303	3,686,017	33,575,665
Accumulated depreciation	—	(279,058)	(2,750,764)	(3,095,398)	(12,558)	—	(6,137,778)
Net book amount	368,397	1,749,624	7,138,869	14,475,235	19,745	3,686,017	27,437,887

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	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 2023							
Cost	368,397	2,028,682	9,889,633	17,570,633	32,303	3,686,017	33,575,665
Accumulated depreciation	—	(279,058)	(2,750,764)	(3,095,398)	(12,558)	—	(6,137,778)
Net book amount	368,397	1,749,624	7,138,869	14,475,235	19,745	3,686,017	27,437,887
Year ended 31 December 2023							
Opening net book amount	368,397	1,749,624	7,138,869	14,475,235	19,745	3,686,017	27,437,887
Additions	8,263	32,771	99,408	67,216	9,572	11,458,847	11,676,077
Transfers	—	942,908	3,004,007	3,578,799	1,884	(7,527,598)	—
Government grants netted off	—	—	(206,906)	—	—	—	(206,906)
Disposals	—	—	(44,269)	(1,004)	(253)	—	(45,526)
Depreciation charge	—	(78,084)	(974,133)	(678,484)	(3,880)	—	(1,734,581)
Currency translation differences	(15,153)	(46,337)	(157,870)	(238,879)	(401)	(108,315)	(566,955)
Closing net book amount	361,507	2,600,882	8,859,106	17,202,883	26,667	7,508,951	36,559,996
At 31 December 2023							
Cost	361,507	2,952,856	12,463,755	20,962,039	43,785	7,508,951	44,292,893
Accumulated depreciation	—	(351,974)	(3,604,649)	(3,759,156)	(17,118)	—	(7,732,897)
Net book amount	361,507	2,600,882	8,859,106	17,202,883	26,667	7,508,951	36,559,996

In February 2023 and April 2023, the Group respectively completed the acquisition of two solar farm projects of Qujing Yingli Photovoltaic Power Development Limited and Lvdian Agricultural Development (Dongming) Limited in the PRC from two independent third parties respectively. The Group elected to apply the concentration test to assess above acquisition transactions individually. As substantially all of the fair value of the gross assets acquired is concentrated in property, plant and equipment of solar farms, the concentration tests were met and these acquisition transactions have been accounted for as asset acquisition.

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2023 HK$'000	2022 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	1,707,665	1,449,573
– Administrative and other operating expenses	24,896	39,004
	1,732,561	1,488,577
Depreciation charges capitalised in inventories as at 31 December	37,881	35,861
Depreciation of right-of-use assets capitalised in construction in progress (Note 18)	10,224	6,849

During the year ended 31 December 2023, the Group capitalised borrowing costs amounted to HK$127,775,000 (2022: HK$69,408,000) on qualifying assets (Note 10). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.21% (2022: 2.73%).

Accounting policy of depreciation methods and useful lives

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 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

See note 40.7 for the other accounting policies relevant to property, plant and equipment.

Notes to the Consolidated Financial Statements

18 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:

	2023 HK$'000	2022 HK$'000
Right-of-use assets		
Leasehold land and land use rights	2,300,242	2,124,302
Leases of factory, office premises and warehouses	26,504	4,808
Leases of rooftops	35,719	37,802
	2,362,465	2,166,912
Lease liabilities		
Current	85,261	50,051
Non-current	924,889	830,342
	1,010,150	880,393

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

	2023 HK$'000	2022 HK$'000
Right-of-use assets		
At 1 January	2,166,912	1,917,239
Additions	354,741	487,570
Depreciation charge	(100,422)	(70,590)
Acquisition of subsidiaries	—	17,604
Early termination of lease	(20,578)	—
Currency translation difference	(38,188)	(184,911)
At 31 December	2,362,465	2,166,912

18 LEASES (Continued)

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

	2023 HK$'000	2022 HK$'000
Depreciation charged in consolidated income statement (Note 7)	90,198	63,741
Depreciation capitalised in construction in progress (Note 17)	10,224	6,849
	100,422	70,590

	2023 HK$'000	2022 HK$'000
Lease liabilities		
At 1 January	880,393	840,591
Principal element of lease payments	(56,707)	(21,040)
Interest paid	(49,985)	(40,615)
Additions	198,330	111,440
Interest for lease liabilities (Note 10)	65,810	50,868
Acquisition of subsidiaries	—	17,775
Early termination of lease	(23,028)	—
Currency translation difference	(4,663)	(78,626)
At 31 December	1,010,150	880,393

19 INTANGIBLE ASSETS

	Goodwill HK$'000	Mining rights HK$'000	Software HK$'000	Total HK$'000
At 1 January 2022				
Cost	13,189	14,890	—	28,079
Accumulated amortisation	—	(3,998)	—	(3,998)
Net book amount	13,189	10,892	—	24,081
Year ended 31 December 2022				
Opening net book amount	13,189	10,892	—	24,081
Acquisition of subsidiaries	171	—	—	171
Amortisation charge	—	(1,629)	—	(1,629)
Currency translation differences	(323)	(823)	—	(1,146)
Closing net book amount	13,037	8,440	—	21,477
At 31 December 2022 and 1 January 2023				
Cost	13,037	13,604	—	26,641
Accumulated amortisation	—	(5,164)	—	(5,164)
Net book amount	13,037	8,440	—	21,477
Year ended 31 December 2023				
Opening net book amount	13,037	8,440	—	21,477
Additions	—	—	12,502	12,502
Amortisation charge	—	(1,494)	(729)	(2,223)
Currency translation differences	(156)	(144)	(77)	(377)
Closing net book amount	12,881	6,802	11,696	31,379
At 31 December 2023				
Cost	12,881	13,356	12,420	38,657
Accumulated amortisation	—	(6,554)	(724)	(7,278)
Net book amount	12,881	6,802	11,696	31,379

19 INTANGIBLE ASSETS (Continued)

	2023 HK$'000	2022 HK$'000
Amortisation charged in consolidated income statement:		
– Cost of sales (Note 7)	**1,494**	1,629
– Administrative and other operating expenses (Note 7)	**729**	—
	2,223	1,629

20 INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**1,079,775**	931,621
Work in progress	**394,107**	433,205
Finished goods	**650,969**	690,738
Less: Provision for impairment	**(27,148)**	(26,323)
	2,097,703	2,029,241

The cost of inventories excluding manufacturing overheads, included in cost of sales amounted to approximately HK$15,794,861,000(2022: HK$11,176,976,000).

During the year ended 31 December 2023, a provision of HK$5,236,000 (2022: HK$27,331,000) was made to write down the inventories and recognised as cost of goods sold in the consolidated income statement.

During the year ended 31 December 2023, the Group reversed HK$3,682,000 (2022: nil) of previous inventory write down, as the Group sold the relevant goods that had been written down to customers at original cost. The amount reversed has been included in cost of goods sold in the consolidated income statement.

Notes to the Consolidated Financial Statements

21 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	Note	2023 HK$'000	2022 HK$'000
Current contract assets relating to EPC services	(a)	**34,006**	42,298
Less: Provision for impairment		**(513)**	(588)
		33,493	41,710
Contract liabilities relating to sales of solar glass	(b)	**84,027**	109,656

Notes:

(a) 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.

As at 31 December 2023 and 2022, the carrying amounts of contract assets approximated their fair values.

(b) The contract liabilities primarily relate to payments received in advance for sales of solar 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 prior years.

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– Sales of goods	**109,656**	91,098
Revenue recognised from performance obligations satisfied in previous years		
– Adjustment of EPC revenue upon the final settlement with customers for EPC projects completed in prior years	—	5,156

22 TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables (Note (a))	8,140,310	7,267,050
Less: Loss allowance (Note (c))	(57,778)	(51,314)
Trade receivables, net	8,082,532	7,215,736
Bills receivables at amortised cost (Note (b))	3,360,613	2,353,144
Less: Loss allowance	(4,301)	(1,957)
Bills receivables at amortised cost, net	3,356,312	2,351,187
Bills receivables at FVOCI (Note (d))	512,439	858,689

(a) Trade receivables

Breakdown of trade receivables by segment is as follows:

	Sales of solar glass HK$'000	Solar farm business HK$'000	Others HK$'000	Total HK$'000
At 31 December 2023				
Sales of solar glass	3,465,208	—	—	3,465,208
Sales of electricity	—	234,801	—	234,801
Tariff adjustment	—	4,416,570	—	4,416,570
Other service revenue	—	—	23,731	23,731
Total	3,465,208	4,651,371	23,731	8,140,310
At 31 December 2022				
Sales of solar glass	3,483,978	—	—	3,483,978
Sales of electricity	—	152,089	—	152,089
Tariff adjustment	—	3,614,662	—	3,614,662
Other service revenue	—	—	16,321	16,321
Total	3,483,978	3,766,751	16,321	7,267,050

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.

22 TRADE AND BILLS RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

	2023 HK$'000	2022 HK$'000
0 to 90 days	8,086,733	7,123,702
91 days to 180 days	32,609	124,928
181 days to 365 days	9,361	9,357
1 to 2 years	5,210	234
Over 2 years	6,397	8,829
	8,140,310	7,267,050

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

	2023 HK$'000	2022 HK$'000
0 to 90 days	462,099	450,950
91 days to 180 days	413,225	442,087
181 days to 365 days	674,886	708,047
1 to 2 years	1,007,636	1,069,889
Over 2 years	2,093,525	1,095,778
	4,651,371	3,766,751

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

	2023 HK$'000	2022 HK$'000
RMB	7,849,759	6,947,075
US$	224,640	296,208
Other currencies	65,911	23,767
	8,140,310	7,267,050

22 TRADE AND BILLS RECEIVABLES (Continued)

(b) Bills receivables at amortised cost

The maturity of bills receivables is within 1 year. As at 31 December 2023, bills receivables of HK$5,485,000 (2022: HK$14,303,000) was pledged as collaterals for obtaining letter of credit facilities in the PRC.

Bills receivables of HK$1,095,999,000 (2022: HK$75,148,000) was transferred to banks for obtaining bank borrowings. The carrying amounts of bills receivables are denominated in RMB.

(c) Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables by segment. Information about the loss allowance of trade receivables is provided in Note 3.1(b).

(d) Fair value of bills receivables at FVOCI

As at 31 December 2023, bills receivables of HK$20,845,000 (2022: nil) was pledged as collaterals for obtaining bank acceptance bills.

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	**1,467,444**	1,544,814
Deposits and other receivables (Note (a))	**168,769**	315,380
Other tax receivables (Note (b))	**1,092,841**	287,691
	2,729,054	2,147,885
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	**(947,022)**	(1,124,167)
Current portion	**1,782,032**	1,023,718
Less: Loss allowance of deposits and other receivables	**(3,547)**	(5,252)
	1,778,485	1,018,466

Notes:

(a) The carrying amounts of the Group's deposits and other receivables are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
RMB	**165,588**	312,192
HK$	**—**	939
MYR	**1,058**	385
Other currencies	**2,123**	1,864
	168,769	315,380

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

(c) The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

24 FINANCE LEASE RECEIVABLES

Future receivables under finance leases as lessor are as follows:

	2023 HK$'000	2022 HK$'000
Non–current receivables		
Finance leases – gross receivables	342,993	366,146
Unearned finance income	(130,217)	(144,629)
	212,776	221,517
Less: Loss allowance	(1,687)	(1,697)
	211,089	219,820
Current receivables		
Finance leases – gross receivables	32,244	31,644
Unearned finance income	(19,090)	(19,520)
	13,154	12,124
Less: Loss allowance	(105)	(89)
	13,049	12,035
Gross receivables from finance leases:		
– No later than 1 year	32,244	31,644
– Later than 1 year and no later than 5 years	127,575	124,978
– Later than 5 years	215,418	241,168
	375,237	397,790
Unearned future finance income on finance leases	(149,307)	(164,149)
Net investment in finance leases	225,930	233,641
Less: Loss allowance	(1,792)	(1,786)
Total	224,138	231,855

Notes to the Consolidated Financial Statements

24 FINANCE LEASE RECEIVABLES (Continued)

	2023 HK$'000	2022 HK$'000
The net investment in finance leases before loss allowance may be analysed as follows:		
– No later than 1 year	**13,154**	12,124
– Later than 1 year and no later than 5 years	**62,326**	57,201
– Later than 5 years	**150,450**	164,316
	225,930	233,641

25 CASH AND BANK BALANCES

	2023 HK$'000	2022 HK$'000
Cash at bank	**2,821,902**	5,325,637
Cash on hand	**122**	77
Cash and cash equivalents (Note (b))	**2,822,024**	5,325,714
Restricted cash (Note (a))	**1,054,985**	44,731
Cash and bank balances	**3,877,009**	5,370,445

Notes:

(a) Restricted cash mainly includes pledged bank deposits for obtaining letter of credit facilities. These deposits have a maturity of six months with interest rates ranged from 1.48% to 1.95% per annum and were pledged as collaterals for obtaining letter of credit facilities in the PRC.

(b) As at 31 December 2023, funds of the Group amounting to HK$2,438,833,000, HK$183,564,000 and HK$3,210,000 (2022: HK$4,611,294,000, HK$318,279,000 and nil) were deposited in bank accounts opened with banks in the PRC, Malaysia and Indonesia respectively, where the remittance of funds is subject to foreign exchange control.

25 CASH AND BANK BALANCES (Continued)

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

	2023 HK$'000	2022 HK$'000
RMB	**3,496,715**	4,782,173
HK$	**85,548**	116,375
US$	**272,688**	454,012
Other currencies	**22,058**	17,885
	3,877,009	5,370,445

26 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	80,000,000	8,000,000
Issued:		
At 1 January 2022	8,890,763	889,076
Issuance of shares under employees' share option scheme (Note 27(a))	5,477	548
At 31 December 2022 and 1 January 2023	**8,896,240**	**889,624**
Issuance of shares under employees' share option scheme (Note 27(a))	**7,011**	**701**
At 31 December 2023	**8,903,251**	**890,325**

27 SHARE-BASED PAYMENTS

(a) Share option scheme of the Company

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.

Information in relation to the share options granted to a director of the Company and employees of the Group is as follows:

Date of grant	Number of share options granted (Note 1)	Exercise price (HK$)	Validity period	Expiry date
29 March 2018	7,805,000	3.18 (Note 2)	29 March 2018 to 31 March 2022	31 March 2022
28 March 2019	8,865,000	3.76 (Note 2)	28 March 2019 to 31 March 2023	31 March 2023
31 March 2020	8,589,000	4.39 (Note 3)	31 March 2020 to 31 March 2024	31 March 2024
31 March 2021	9,885,500	12.99 (Note 2)	31 March 2021 to 31 March 2025	31 March 2025
31 March 2022	17,753,500	13.82 (Note 3)	31 March 2022 to 31 March 2026	31 March 2026
31 March 2023	16,161,000	9.41 (Note 3)	31 March 2023 to 31 March 2027	31 March 2027

27 SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme of the Company (Continued)

Notes:

1. One third of the options will vest on each of the year-end date within the three years after the date of the grant of the share options.

2. The exercise prices of the share options are equal to the average closing price of the Company's share for the five trading days immediately preceding the respective dates of grant

3. The exercise price of the share options is equal to the closing price of the Company's share on the date of grant

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

	2023		2022	
	Average exercise price in HK$ per share	Options (in thousands)	Average exercise price in HK$ per share	Options (in thousands)
At 1 January	10.38	41,123	6.97	29,495
Granted	9.41	16,161	13.82	17,754
Forfeited	11.74	(1,187)	8.44	(640)
Exercised	3.89	(7,011)	3.45	(5,477)
Expired	3.76	(9)	3.18	(9)
At 31 December	10.95	49,077	10.38	41,123

During the year ended 31 December 2023, a total of 7,011,000 options (2022: 5,477,000) were exercised and a total of 1,187,000 options (2022: 640,000) were forfeited.

Out of the above outstanding share options, 6,668,000 options were exercisable at 31 December 2023 (2022: 5,578,000).

27 SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme of the Company (Continued)

These outstanding share options at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK$ per share	Options (in thousands) 2023	2022
31 March 2023	3.76	—	5,578
31 March 2024	4.39	**6,668**	8,206
31 March 2025	12.99	**9,356**	9,723
31 March 2026	13.82	**17,177**	17,616
31 March 2027	9.41	**15,876**	—
		49,077	41,123

The weighted average fair value of the share options granted during the year was determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$3.47 (2022: HK$4.93) per option. The significant inputs into the model are as follows:

	2023	2022
Share price, at the grant date (HK$)	**9.41**	13.82
Exercise price (HK$)	**9.41**	13.82
Volatility (%)	**53.98**	53.35
Dividend yield (%)	**2.13**	1.95
Expected share option life (years)	**3.50**	3.50
Annual risk-free interest rate (%)	**3.12**	1.89

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.

27 SHARE-BASED PAYMENTS (Continued)

(b) Share option scheme of a subsidiary

Xinyi Energy, a non-wholly owned subsidiary of the Group, adopted a share option scheme (the "XYE Share Option Scheme") in November 2018, which was approved by the shareholders at an extraordinary general meeting of Xinyi Energy held on 22 November 2018. The purpose of the XYE Share Option Scheme is to enable Xinyi Energy to grant options of Xinyi Energy ("XYE Share Options") to eligible participants ("XYE Participants") as incentives or rewards for their contribution or potential contribution to the XYE Group and to provide the XYE Participants an opportunity to have a personal stake in Xinyi Energy.

Information in relation to the XYE Share Options granted to a director of Xinyi Energy and employees of the XYE Group is as follows:

Date of grant	Number of XYE Share Options granted (Note 1)	Exercise price (HK$) (Note 2)	Validity period	Expiry date
31 March 2020	1,902,500	2.18	31 March 2020 to 31 March 2024	31 March 2024
31 March 2021	2,480,000	3.78	31 March 2021 to 31 March 2025	31 March 2025
31 March 2022	2,780,500	4.76	31 March 2022 to 31 March 2026	31 March 2026
31 March 2023	4,000,000	2.26	31 March 2023 to 31 March 2027	31 March 2027

Notes:

1. One third of the XYE Share Options will vest on each of the year-end date within the three years after the date of the grant of the XYE Share Options.
2. The exercise price of the XYE Share Options is equal to the closing price of the share of Xinyi Energy on the date of grant.

Notes to the Consolidated Financial Statements

28 SHARE PREMIUM AND OTHER RESERVES

		Other reserves							
	Share premium (Note (a)) HK$'000	Merger reserve (Note (b)) HK$'000	Capital reserve (Note (c)) HK$'000	Statutory reserve (Note (d)) HK$'000	Safety fund surplus reserve (Note (e)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2022	9,166,467	(209,495)	1,793,620	2,217,114	—	22,312	996,557	4,820,108	13,986,575
Currency translation differences	—	—	—	—	—	—	(2,856,868)	(2,856,868)	(2,856,868)
Share of other comprehensive loss of investments accounted for using the equity method	—	—	—	—	—	—	(24,929)	(24,929)	(24,929)
Employees' share option scheme:									
– exercise of employees' share options	22,470	—	—	—	—	(4,126)	—	(4,126)	18,344
– value of employee services	—	—	—	—	—	32,280	—	32,280	32,280
– release upon the lapse of share options	—	—	—	—	—	(6)	—	(6)	(6)
Appropriation to statutory reserve	—	—	—	439,682	—	—	—	439,682	439,682
Dividends:									
–2021 final dividend	(889,510)	—	—	—	—	—	—	—	(889,510)
Changes in ownership interest in subsidiaries without loss of control (Note 15)	—	—	225,882	—	—	—	—	225,882	225,882
At 31 December 2022	8,299,427	(209,495)	2,019,502	2,656,796	—	50,460	(1,885,240)	2,632,023	10,931,450

28 SHARE PREMIUM AND OTHER RESERVES (Continued)

	Share premium (Note (a)) HK$'000	Other reserves: Merger reserve (Note (b)) HK$'000	Capital reserve (Note (c)) HK$'000	Statutory reserve (Note (d)) HK$'000	Safety fund surplus reserve (Note (e)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2023	8,299,427	(209,495)	2,019,502	2,656,796	—	50,460	(1,885,240)	2,632,023	10,931,450
Currency translation differences	—	—	—	—	—	—	(421,137)	(421,137)	(421,137)
Share of other comprehensive loss of investments accounted for using the equity method	—	—	—	—	—	—	(22,907)	(22,907)	(22,907)
Employees' share option scheme:									
– exercise of employees' share options	32,556	—	—	—	—	(5,990)	—	(5,990)	26,566
– value of employee services	—	—	—	—	—	50,478	—	50,478	50,478
Appropriation to statutory reserve	—	—	—	445,211	—	—	—	445,211	445,211
Net movement of safety fund surplus reserve	—	—	—	—	14,415	—	—	14,415	14,415
Dividends:									
– 2022 final dividend	(890,254)	—	—	—	—	—	—	—	(890,254)
Changes in ownership interest in subsidiaries without loss of control (Note 15)	—	—	(36,668)	—	—	—	—	(36,668)	(36,668)
At 31 December 2023	7,441,729	(209,495)	1,982,834	3,102,007	14,415	94,948	(2,329,284)	2,655,425	10,097,154

28 SHARE PREMIUM AND 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 2023, the 2022 final dividend of HK$890,254,000 (2022: 2021 final dividend of HK$889,510,000) was paid out from share premium. Net proceeds received from exercise of share options exceeded the par value of the issued shares by approximately HK$32,556,000 (2022: HK$22,470,000) 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.

During the year ended 31 December 2020, an increase in equity attributable to owners of the Company, amounting to HK$231,990,000, was credited to the capital reserve in relation to the XYE Placing on 21 September 2020 and the disposal of Xinyi Solar Farm (3) to Xinyi Energy on 30 September 2020.

During the year ended 31 December 2021, an increase in equity attributable to owners of the Company, amounting to HK$163,338,000, was credited to the capital reserve in relation to the Group 6 Disposal and Group 7 Disposal to Xinyi Energy on 11 February 2021 and 15 December 2021.

28 SHARE PREMIUM AND OTHER RESERVES (Continued)

(c) Capital reserve (Continued)

During the year ended 31 December 2022, an increase in equity attributable to owners of the Company, amounting to HK$225,882,000, was credited to the capital reserve in relation to the transactions with non-controlling interests in Xinyi Energy.

During the year ended 31 December 2023, a decrease in equity attributable to owners of the Company, amounting to HK$36,668,000, was charged to the capital reserve in relation to the transactions with non-controlling interests in Xinyi Energy. For more details, please refer to Note 15.

(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 2023, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$445,211,000 (2022: HK$439,682,000) from retained earnings to statutory reserve.

(e) Safety fund surplus reserve

Pursuant to the relevant PRC laws and regulations, a subsidiary engaging in mining activities is required to establish a safety fund surplus reserve based on the volume of mine extracted, subsidiaries operating solar farm business are required to establish safety fund surplus reserve based on the revenue from sales of electricity.

The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment maintenance as well as safety production inspection, consultation and training.

During the year ended 31 December 2023, the net amount of appropriation to and utilisation of safety fund surplus reserve is HK$14,415,000.

Notes to the Consolidated Financial Statements

29 TRADE, BILLS AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables (Note (a))	**1,650,230**	1,664,697
Bills payables (Note (b))	**2,632,882**	873,254
Trade, and bills payables (Note (c))	**4,283,112**	2,537,951
Accruals and other payables (Note (d))	**4,024,075**	2,883,791
Current portion	**8,307,187**	5,421,742

	2023 HK$'000	2022 HK$'000
Deferred government grants (Note (e))	**142,622**	—
Retention payables for construction of solar farms	**471,599**	53,849
Non-current portion	**614,221**	53,849

Notes:

(a) The ageing analysis of the trade payables based on recognition date is as follows:

	2023 HK$'000	2022 HK$'000
0 to 90 days	**1,350,482**	1,501,983
91 days to 180 days	**275,107**	92,519
181 days to 365 days	**16,948**	51,669
Over 1 year	**7,693**	18,526
	1,650,230	1,664,697

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

29 TRADE, BILLS AND OTHER PAYABLES (Continued)

Notes: (Continued)

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

	2023 HK$'000	2022 HK$'000
RMB	**4,171,725**	2,423,769
Other currencies	**111,387**	114,182
	4,283,112	2,537,951

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

	2023 HK$'000	2022 HK$'000
Payables for property, plant and equipment	**3,361,499**	2,137,892
Accruals for employee benefits and welfare	**222,253**	200,845
Payables for transportation costs and other operating expenses	**155,548**	116,540
Provision for value added tax and other taxes	**162,265**	242,711
Payables for utilities	**44,636**	94,273
Others	**77,874**	91,530
	4,024,075	2,883,791

(e) Deferred government grants represent government grants related to the Group's purchase of property, plant and equipment in the PRC.

(f) The carrying amounts of trade, bills and other payables approximate their fair values.

30 BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured borrowings (Note (a))	2,169	—
Unsecured borrowings (Note (b))	10,500,688	8,032,260
Total borrowings	10,502,857	8,032,260

As at 31 December, the Group's borrowings were repayable as follows:

	2023 HK$'000	2022 HK$'000
Repayable on demand and within 1 year	6,882,769	4,358,088
Between 1 and 2 years	1,730,271	2,644,901
Between 2 and 5 years	1,015,237	1,029,271
Over 5 years	874,580	—
	10,502,857	8,032,260
Less: Non-current portion	(3,620,088)	(3,674,172)
Current portion	6,882,769	4,358,088

The carrying amount of the Group's borrowings are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
RMB	3,552,049	75,148
HK$	6,950,808	7,957,112
	10,502,857	8,032,260

Notes:

(a) As at 31 December 2023, borrowings amounting to HK$2,169,000 (2022: nil) are secured by fixed assets with carrying value of HK$3,648,000 (2022: nil).

(b) Corporate guarantee was provided by the Company and its subsidiaries for the borrowings.

30 BORROWINGS (Continued)

(c) As at 31 December 2023, HK$1,095,999,000 (2022: HK$75,148,000) of the current borrowings is related to transferred receivables recognised as bills receivables at amortised cost and bear a fixed annualised interest rate from 0.95% to 1.42% (2022: 1.08% to 1.4%). These amounts are denominated in RMB and approximate their fair values as at 31 December 2023, as the impact of discounting is not significant.

(d) The Group has complied with the financial covenants of its borrowing facilities during the years ended 31 December 2023 and 2022 reporting period.

(e) As at 31 December 2023, none of borrowings (2022: nil) containing repayment on demand clause and were classified as current liabilities.

Save as the aforementioned borrowings relating to transferred receivables, the remaining borrowings are repayable by instalments up to year 2038 (2022: year 2025). The carrying amounts are mainly denominated in HK$ and approximate their fair values as at 31 December 2023, as the impact of discounting is not significant.

(f) As at 31 December 2023, the majority of borrowings bore floating interest rates and were exposed to interest rate changes.

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

	2023	2022
Borrowings	5.12%	5.57%

Accounting policy of 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 removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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.

30 BORROWINGS (Continued)

Accounting policy of borrowings (Continued)

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.

Other borrowing costs are expensed in the period in which they are incurred.

31 DEFERRED INCOME TAX

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

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**156,995**	140,308
Deferred tax liabilities	**(192,787)**	(174,962)
Deferred income tax liabilities, net	**(35,792)**	(34,654)

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

	2023 HK$'000	2022 HK$'000
At 1 January	**(34,654)**	(7,312)
Charged to the consolidated income statement (Note 11)	**(5,070)**	(29,082)
Currency translation difference	**3,932**	1,740
At 31 December	**(35,792)**	(34,654)

31 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$188,690,000 (2022: HK$156,280,000) within the same tax jurisdiction are as follows:

Deferred income tax assets	Temporary difference arising from trade receivables and provisions HK$'000	Capital allowance and government grants HK$'000	Lease liabilities HK$'000	Unrealised Profit and others HK$'000	Safety fund HK$'000	Total HK$'000
At 1 January 2022	253	131,754	165,197	9,257	—	306,461
(Charged)/credited to the consolidated income statement	44,124	(56,132)	11,651	(477)	—	(834)
Currency translation difference	1,225	(7,365)	(2,899)	—	—	(9,039)
At 31 December 2022	45,602	68,257	173,949	8,780	—	296,588
At 1 January 2023	45,602	68,257	173,949	8,780	—	296,588
(Charged)/credited to the consolidated income statement	1,978	25,369	21,575	(475)	4,082	52,529
Currency translation difference	(1,376)	(1,892)	(137)	—	(27)	(3,432)
At 31 December 2023	46,204	91,734	195,387	8,305	4,055	345,685

31 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities	Accelerated depreciation allowance HK$'000	Right-of-use assets HK$'000	Finance lease income HK$'000	Unremitted earnings of subsidiaries and others HK$'000	Total HK$'000
At 1 January 2022	143,704	151,519	18,182	368	313,773
Charged/(credited) to the consolidated income statement	24,099	6,235	(2,086)	—	28,248
Currency translation difference	(8,236)	(1,474)	(1,045)	(24)	(10,779)
At 31 December 2022	159,567	156,280	15,051	344	331,242
At 1 January 2023	**159,567**	**156,280**	**15,051**	**344**	**331,242**
Charged/(credited) to the consolidated income statement	**3,924**	**33,407**	**(964)**	**21,232**	**57,599**
Currency translation difference	**(6,641)**	**(997)**	**383**	**(109)**	**(7,364)**
At 31 December 2023	**156,850**	**188,690**	**14,470**	**21,467**	**381,477**

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.

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 2023, deferred income tax liabilities of approximately HK$1,033,174,000 (2022: HK$ 892,453,000) 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% (2022: 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$20,663,487,000 (2022: HK$17,849,178,000).

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 2023, there was no significant unrecognised tax losses (2022: nil).

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	2023 HK$'000	2022 HK$'000
Profit before income tax	5,571,434	5,180,978
Adjustments for:		
Share options granted to employees (Note 8)	51,721	33,866
Interest income (Note 10)	(34,315)	(30,866)
Interest expense (Note 10)	383,760	198,392
Impairment losses on property, plant and equipment (Note 6)	—	15,277
Impairment losses on inventories, net (Note 20)	1,554	27,331
Impairment losses on financial and contract assets (Note 3.1 (b))	10,070	53,641
Amortisation of intangible assets (Note 7)	2,223	1,629
Depreciation of property, plant and equipment (Note 7)	1,732,561	1,488,577
Depreciation of right-of-use assets (Note 7)	90,198	63,741
Losses on disposal of property, plant and equipment and early termination of lease, net (Note 6)	31,039	4,612
Net fair value gains on financial assets at fair value through profit or loss (Note 6)	(30,020)	(94,695)
Share of net profits of investments accounted for using the equity method (Note 16)	(28,106)	(30,811)
	7,782,119	6,911,672
Changes in working capital:		
Inventories	(117,620)	(41,584)
Trade, bills and other receivables	(2,517,410)	(1,208,092)
Finance lease receivables	13,969	25,512
Trade, bills and other payables	2,100,329	1,008,371
Contract liabilities	(25,629)	18,558
Amounts due to related companies	(45,240)	149,567
Amounts due from related companies	(3,057)	1,835
Restricted cash	(11,968)	—
Contract assets	8,259	(3,311)
Cash generated from operations	7,183,752	6,862,528

Due to historical construction planning, some production sites share utilities such as water and electricity with some subsidiaries of Xinyi Glass, a related party of the Group, in aggregate basis and settled separately.

32 CASH FLOW INFORMATION (Continued)

(b) Non-cash investing activities and financing activities

	2023 HK$'000	2022 HK$'000
Acquisition of right-of-use assets	**354,741**	487,570

(c) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and early termination of lease comprise:

	2023 HK$'000	2022 HK$'000
Net book amount of the property, plant and equipment disposed and lease terminated	**43,076**	35,067
Losses on disposal of property, plant and equipment and early termination of lease, net (Note 6)	**(31,039)**	(4,612)
Proceeds from disposal of property, plant and equipment and early termination of lease	**12,037**	30,455

32 CASH FLOW INFORMATION (Continued)

(d) Analysis of changes in financing activities

	Liabilities from financing activities			
		Lease	Dividend	
	Borrowing	liabilities	payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2023	(8,032,260)	(880,393)	(8)	(8,912,661)
Cash (inflows)/outflows - net	(2,477,451)	106,692	1,930,091	(440,668)
Foreign exchange adjustments	24,595	4,663	—	29,258
Interest for lease liabilities (Note 18)	—	(65,810)	—	(65,810)
2022 final dividend and 2023 interim dividend	—	—	(1,930,091)	(1,930,091)
– Shareholders of the Company	—	—	(1,557,997)	(1,557,997)
– Non-controlling interests	—	—	(372,094)	(372,094)
Other non-cash movements	(17,741)	(175,302)	—	(193,043)
At 31 December 2023	(10,502,857)	(1,010,150)	(8)	(11,513,015)

	Liabilities from financing activities			
		Lease	Dividend	
	Borrowing	liabilities	payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	(8,007,895)	(840,591)	(8)	(8,848,494)
Cash (inflows)/outflows - net	(6,023)	61,655	2,280,507	2,336,139
Foreign exchange adjustments	—	78,626	—	78,626
Acquisition of subsidiaries	—	(17,775)	—	(17,775)
Interest for lease liabilities (Note 18)	—	(50,868)	—	(50,868)
2021 final dividend and 2022 interim dividend	—	—	(2,280,507)	(2,280,507)
– Shareholders of the Company	—	—	(1,779,072)	(1,779,072)
– Non-controlling interests	—	—	(501,435)	(501,435)
Other non-cash movements	(18,342)	(111,440)	—	(129,782)
At 31 December 2022	(8,032,260)	(880,393)	(8)	(8,912,661)

Notes to the Consolidated Financial Statements

33 OPERATING LEASE COMMITMENTS

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

	2023 HK$'000	2022 HK$'000
Not later than one year	9,420	1,328
Later than 1 year and not later than 5 years	14,483	2,069
Over 5 years	280	365
	24,183	3,762

34 CAPITAL COMMITMENTS

Capital expenditures of HK$5,273,732,000 (2022: HK$4,551,699,000) was contracted for at the end of the year but not yet incurred.

35 BANKING FACILITIES

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

	2023		2022	
	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	3,104,692	9,423,508	3,213,203	8,892,521

36 RELATED PARTY TRANSACTIONS

As at 31 December 2023, the Group is controlled by Dr. LEE Yin Yee, S.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.,* Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "Controlling Shareholders"), which in aggregate owns 26.19% (2022: 26.04%) of the Company's shares. 23.40% (2022: 23.23%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 50.41% (2022: 50.73%) of the shares are widely held.

36 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the transactions carried out between the Group and its related parties in the ordinary course of business during the year.

	Note	2023 HK$'000	2022 HK$'000
Related party transactions with subsidiaries of Xinyi Glass*			
– Purchases of machineries	i, ii	236,347	239,435
– Purchases of glass products	i, iii	5,926	6,781
– Sales of silica sand	i, iv	75,803	79,743
– Purchases of silica sand	i, v	7,282	15,854
– Rental expenses paid	vii, ix	5,674	8,825
– Sales of consumables	vii, viii	573	2,377
– Purchases of and processing of raw materials	vii, viii	—	2,153
– Purchases of fixed assets	vii, viii	1,458	1,841
– EPC service income received	vii, x	4,190	1,443
– Purchases of consumable products	vii, viii	273	1,299
– Rental income received	vii, ix	4,027	1,076
– Consultancy fee paid	vii, viii	—	388
– Purchases of packing materials	vii, viii	2,145	8
– Acquisition of right-of-use assets	xi	72,454	—
Related party transactions with a subsidiary of Xinyi Energy^			
– Solar farm management fee paid	i, xii	10,181	9,926
Related party transactions with subsidiaries of Xinyi Electric Storage Holdings Limited#			
– Purchases of and processing of battery pack, chargers and energy storage facilities	i, vi	76,716	14,368
– Operation and management service fee paid	vii, viii	1,264	2,634
– Rental expenses paid	vii, ix	—	33
– Purchases of consumable products	vii, viii	51	6
Related party transactions with controlling shareholders and/or their controlled corporations			
– Purchases of properties	vii, viii	14,950	—

36 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

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

Subsidiaries of 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, S.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, Mr. LI Man Yin and their respective associates.

^ Connected subsidiary of the Company.

Notes:

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

(ii) The purchases of machineries were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 28 December 2022.

(iii) 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 28 December 2022.

(iv) The sales of silica sand were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 5 January 2023.

(v) The purchases of silica sand were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 5 January 2023.

(vi) The purchases of and processing of battery pack, chargers and energy storage facilities was charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 8 April 2021.

(vii) 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.

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

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

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

(xi) The transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules. The acquisition of right of-use assets were conducted at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 30 June 2023.

(xii) The management fee was charged in accordance with the renewal memorandum dated 31 December 2021 to confirm the renewal of the solar farm operation and management agreement dated 5 December 2018. Details of the transactions were disclosed in the Company's announcement dated 31 December 2021.

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	2023 HK$'000	2022 HK$'000
Amounts receivable from an investment accounted for using the equity method		
– Xinyi Solar (Lu'an)	—	101,129
Less: Loss allowance	—	(758)
	—	100,371
Amounts due from related companies		
– Guangxi Xinyi Supply Chain Management Limited*	9,856	6,942
– Polaron Energy Corp. #	660	1,018
– Xinyi Glass (Guangxi) Company Limited*	549	405
– Xinyi Glass (Jiangsu) Company Limited*	22	45
– Xinyi Glass (Tianjin) Company Limited*	13	28
– Xinyi Glass (Hainan) Company Limited*	101	—
– Xinyi Ultra-thin Glass (Dongguan) Company Limited*	49	—
– Xinyi Special Glass (Jiangmen) Company Limited*	54	—
– Xinyi Energy Smart (Wuhu) Limited*	53	—
Less: Loss allowance	(31)	(35)
	11,326	8,403
Amounts due to related companies		
– Xinyi Automobile Glass (Shenzhen) Company Limited*	(1,262,317)	(242,854)
– Wuhu Jinsanshi Numerical Control Technology Company Limited*	—	(152,380)
– Xinyi Energy Smart (Wuhu) Limited*	—	(42,678)
– Anhui Xinyi Intelligent Machinery Company Limited*	(59,895)	(5,342)
– Xinyi Power (Suzhou) Limited #	(37,315)	(3,494)
– Xinyi Energy Smart (Malaysia) Sdn Bhd*	(3,100)	(3,376)
– Xinyi Group (Glass) Company Limited*	(288,837)	(81)
– Xinyi Energy Smart (Sichuan) Company Limited*	(570)	—
	(1,652,034)	(450,205)

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

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

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

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

(c) Key management compensation

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

	2023 HK$'000	2022 HK$'000
Basic salaries, bonus, other allowances and benefits	**43,230**	41,552
Retirement benefits-defined contribution scheme	**69**	75
Share options granted	**3,688**	2,588
	46,987	44,215

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

37 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 HK$'000	2022 HK$'000
Financial Assets		
Financial assets at amortised cost		
Trade receivables, deposits and other receivables excluding prepayments and other tax receivables	**8,247,754**	7,525,864
Bills receivables at amortised cost (Note 22)	**3,356,312**	2,351,187
Finance lease receivables (Note 24)	**224,138**	231,855
Restricted cash (Note 25)	**1,054,985**	44,731
Cash and cash equivalents (Note 25)	**2,822,024**	5,325,714
Amounts due from related companies (Note 36)	**11,326**	8,403
Amount due from investments accounted for using the equity method (Note 36)	**—**	100,371
	15,716,539	15,588,125
Financial assets at fair value		
Bills receivables at FVOCI (Note 22)	**512,439**	858,689
Securities private fund product (Note3.3(a))	**55,784**	—
	16,284,762	16,446,814
Financial Liabilities		
Financial Liabilities at amortised cost		
Trade and other payables excluding accruals of staff cost, other taxes payable and deferred government grants	**5,761,386**	4,158,781
Bills payables (Note 29)	**2,632,882**	873,254
Borrowings (Note 30)	**10,502,857**	8,032,260
Lease liabilities (Note 18)	**1,010,150**	880,393
Amounts due to related companies (Note 36)	**1,652,034**	450,205
	21,559,309	14,394,893

Notes to the Consolidated Financial Statements

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2023 HK$'000	2022 HK$'000
Assets			
Non-current assets			
Interests in subsidiaries		1,724,701	1,677,742
Current assets			
Amounts due from subsidiaries		7,097,131	8,633,935
Prepayments and other receivables		8,261	7,539
Cash and cash equivalents		2,249	2,644
Total current assets		7,107,641	8,644,118
Total assets		8,832,342	10,321,860
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	26	890,325	889,624
Share premium	(a)	7,441,729	8,299,427
Share option reserve	(a)	92,034	48,933
Retained earnings	(a)	405,524	1,081,055
Total equity		8,829,612	10,319,039
Liabilities			
Current liabilities			
Accruals and other payables		2,730	2,821
Total current liabilities		2,730	2,821
Total equity and liabilities		8,832,342	10,321,860

The balance sheet of the Company was approved by the Board of Directors on 28 February 2024 and was signed on its behalf.

LEE Yin Yee, S.B.S.
Chairman and Non-Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

38 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 2022	9,166,467	22,312	1,976,959
Loss for the year	—	—	(6,348)
Employees' share option scheme:			
– exercise of employees' share options	22,470	(4,126)	—
– value of employee services	—	30,753	—
– release upon the lapse of share options	—	(6)	6
Dividend:			
– 2021 final dividend	(889,510)	—	—
– 2022 interim dividend	—	—	(889,562)
At 31 December 2022	8,299,427	48,933	1,081,055
At 1 January 2023	**8,299,427**	**48,933**	**1,081,055**
Loss for the year	**—**	**—**	**(7,788)**
Employees' share option scheme:			
– exercise of employees' share options	**32,556**	**(5,990)**	**—**
– value of employee services	**—**	**49,091**	**—**
Dividend:			
– 2022 final dividend	**(890,254)**	**—**	**—**
– 2023 interim dividend	**—**	**—**	**(667,743)**
At 31 December 2023	**7,441,729**	**92,034**	**405,524**

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

39 EVENTS AFTER THE REPORTING PERIOD

On 28 February 2024, the Group entered into four sale and purchase agreements for the disposals of eight solar farm projects with an aggregate approved capacity of 790 MW in the PRC to Xinyi Energy. Further details of which are disclosed in the joint announcement of the Company and Xinyi Energy dated 28 February 2024.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Xinyi Solar Holdings Limited and its subsidiaries.

40.1 Subsidiaries

40.1.1 Consolidation

Subsidiaries are all entities (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 to direct the activities of the entity. Subsidiaries are fully 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 consolidated balance sheet respectively.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations. 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.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.1 Subsidiaries (Continued)

40.1.1 Consolidation (Continued)

(a) Business combinations (Continued)

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

The excess of the:

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

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

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

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.1 Subsidiaries (Continued)

40.1.1 Consolidation (Continued)

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

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

(c) *Changes in ownership interests in subsidiaries with loss of control*

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

40.1.2 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.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.2 Associates

Associates are all entities over which the Group has significant influence but not control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

40.3 Joint arrangements

Under HKRFS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

40.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amounts of equity-accounted investments is tested for impairment in accordance with the policy described in Note 40.10.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.5 Segment reporting

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

40.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.6 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of foreign operations (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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

40.7 Property, plant and equipment

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

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

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

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 40.10).

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.8 Dividend distribution

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

40.9 Intangible assets

(a) Goodwill

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

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

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

(b) Mining rights

Separately acquired mining licences are stated at historical cost less accumulated amortisation and impairment losses. The Group amortises mining licences with a finite useful life using the straight-line method over nine years.

(c) Softwares

Separately acquired softwares are stated at historical cost less accumulated amortisation and impairment losses. The Group amortises softwares with a finite useful life using the straight-line method over ten years.

40.10 Impairment of non-financial assets

Goodwill has an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

40.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.11 Financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial assets not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains – net" and impairment expenses are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other (losses)/gains – net" in the period in which it arises.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.11 Financial assets (Continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 set forth how the Group determines whether there has been a significant increase in credit risk.

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

For the other financial assets, expected credit losses are assessed according to change in credit quality since initial recognition, which 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.

(e) Cash flows

The Group reports its financing and investing cash flows on a gross basis, except for cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

The Group enters into a series of discounting and endorsement agreements that transfers to a third party ("Transferee") its rights to cash to be collected from bills receivables in exchange for an immediate cash payment or a purchase of raw materials.

In a discounting arrangement where the Group de-recognises the discounted bills receivables and receives cash from the Transferee, the cash receipt is classified as an operating cash inflow, since the Group considers they has received cash in exchange for receivables that arose from its operating activities.

Where the Group continues to recognise the bills receivables, the amount received from the Transferee is recorded as a financial liability (the "Separate Financing Transaction"), and the cash received is classified as a financing cash inflow. Management considers that in substance the Transferee collects the bills receivable on the Group's behalf and retains the cash in settlement of the Separate Financing Transaction. The Group presents the cash inflows received from the Transferee as financing cash inflows and the subsequent payments by the debtor as both operating cash inflows and financing cash outflows respectively.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.12 Offsetting financial instruments

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

40.13 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). Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

40.14 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.

40.15 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the Group 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 21.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

Contract assets and liabilities are offset, and the net amount reported in the consolidated balance sheet when they are attributable to the same counterparties.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.16 Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

40.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. 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.

40.18 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.

40.19 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.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.20 Provisions

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

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

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

40.21 Current and deferred income tax

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

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.21 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the 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 if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

(c) *Offsetting*

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

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.22 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets as part of "other (losses)/gains – net".

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, details are disclosed in Note 10.

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

40.23 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

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

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

40.23 Employee benefits (Continued)

(c) Employees 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.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that take into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

40.24 Share-based payments

(a) Equity-settled share-based payment transactions

Share-based compensation benefits are provided to employees via the share option scheme. 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); and
- 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).

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 vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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).

(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.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

40 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

40.26 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.

40.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profits attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Financial Summary

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Result					
Revenue	**26,628,754**	20,544,041	16,064,655	12,315,829	9,096,101
Cost of sales	**(19,539,056)**	(14,385,531)	(9,022,057)	(6,032,303)	(5,449,087)
Gross profit	**7,089,698**	6,158,510	7,042,598	6,283,526	3,647,014
Profit before income tax	**5,571,434**	5,180,978	6,568,321	5,758,394	3,092,654
Income tax expense	**(870,888)**	(835,212)	(987,210)	(735,268)	(294,059)
Profit for the year	**4,700,546**	4,345,766	5,581,111	5,023,126	2,798,595
Profit attributable to:					
– the equity holders of the company	**4,187,127**	3,820,144	4,924,347	4,560,853	2,416,462
– non-controlling interest	**513,419**	525,622	656,764	462,273	382,133
	4,700,546	4,345,766	5,581,111	5,023,126	2,798,595

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	**60,432,994**	50,575,058	49,070,353	43,423,389	28,397,020
Total liabilities	**22,574,587**	15,343,681	13,172,932	11,398,871	9,823,891
	37,858,407	35,231,377	35,897,421	32,024,518	18,573,129
Equity					
Equity attributable to equity holders of the Company	**31,974,575**	29,748,412	30,312,083	26,521,806	14,176,846
Non-controlling interests	**5,883,832**	5,482,965	5,585,338	5,502,712	4,396,283
	37,858,407	35,231,377	35,897,421	32,024,518	18,573,129