



信義玻璃控股有限公司

XINYI GLASS HOLDINGS LIMITED *Since 1988*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 00868.hk

ANNUAL
REPORT
2020



商界展關懷
caringcompany[®] 2020/21
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Corporate Information

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (Chairman) ø~
Mr. TUNG Ching Bor (Vice Chairman)
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*
(Chief Executive Officer) <ø
Mr. LEE Shing Kan

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, G.B.S. *+ <
Mr. WONG Chat Chor Samuel # <ø
Dr. WONG Ying Wai, G.B.S., J.P. # <ø
Dr. TRAN Chuen Wah, John #
Mr. TAM Wai Hung, David #

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

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. LAU Sik Yuen, FCPA, AICPA

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2101-2108, 21st Floor
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Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edingburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of East Asia
Citibank, N.A.
China Construction Bank
Credit Industriel et Commercial (Hong Kong Branch)
DBS Bank
Hang Seng Bank
HSBC
Hua Nan Commercial Bank (Macau Branch)
Huaxia Bank
Industrial Bank
Korean Development Bank Asia
Malayan Banking Berhad
Mizuho Bank
MUFG Bank
Nanyang Commercial Bank
Shinhan Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Taipei Fubon Commercial Bank
United Overseas Bank
Bank of China
Bank of Communications
Ping An Bank
China Citic Bank
Huishang Bank
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
State Bank of India (Hong Kong Branch)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

WEBSITE

<http://www.xinyiglass.com>

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange
of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK\$23.70
Market capitalisation as at the date of this annual report:
Approximately HK\$95.7 billion

KEY DATES

Closure of register of members for the purpose of determining the entitlements to attend and vote at the Annual General Meeting: From Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive)

Date of Annual General Meeting: Friday, 28 May 2021

Closure of register of members for the purpose of determining the entitlements to the final dividend: From Thursday, 3 June 2021 to Monday, 7 June 2021 (both days inclusive)

Proposed final dividend payable date:

On or about Tuesday, 6 July 2021



Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Xinyi Glass Holdings Limited (the "Company"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2020.

In comparison with 2019, the Group's turnover increased by about 14.5% to HK\$18,615.9 million in 2020. The net profit attributable to equity holders of the Company from the continuing operation increased significantly by about 43.4% to HK\$6,422.2 million in 2020. Basic earnings per share (the "Share") was 159.5 HK cents, as compared with 111.8 HK cents last year.

We are pleased with the results achieved by the Group in 2020 and propose payment of a final dividend of 62.0 HK cents per Share upon approval by the shareholders (the "Shareholders") at the forthcoming annual general meeting (the "Annual General Meeting").

I present below an overview of the business of the Group during 2020 and key development highlights for the coming year.

BUSINESS REVIEW

China's glass industry is poised for a strong rebound in the post COVID-19 period, underpinned by supply-side reform, environmental, economic and monetary policies, the Sino-US trade dispute and fluctuation of the Renminbi

Since the middle of 2020, China's economy has shown a rebound following the COVID-19 pandemic. The Group's operations in the automobile glass, architectural glass and the float glass segments encountered challenges of different degrees and more importantly, emerging opportunities. In spite of the challenges, the Group managed to achieve remarkable operating results because of its stringent control over production costs, provision of more value-added and structure upgraded glass products, refinement in the product mix of float glass, addition of new float glass production capacities in Beihai and Zhangjiagang, rationalisations of the production logistics and adoption of effective marketing strategy for the architectural glass and automobile glass divisions. The appreciation of Renminbi also creates a favourable environment for the business growth of the Group.

The New property projects and the increasing sales volume of glass products posted a stable growth during the year, while completion of construction projects slowed down slightly during the year due to the adverse impact of the COVID-19 pandemic. Most building projects have already resumed operations after lockdown-induced those halted in the first quarter of the year. This positive development boosted the demand for construction energy-saving Low-E glass since the second quarter of the year. As a result, the Group has maintained a reasonable growth in sales of the architectural glass segment which is supported by aggressive marketing strategy and a wide range of value-added and advanced structured glass products.

China's float glass sector has experienced a strong demand which is reflected in the significant rebound of the average selling prices following the COVID-19 pandemic. The strong market rebound from May has compensated the slowdown in the first quarter of the year. The Group started supplying ultra-clear float glass for use as back glass in solar panels in response to the strong market demand since the fourth quarter of 2020.

To achieve a moderate sales growth amid the adverse impacts of the COVID-19 pandemic and the additional import tariff imposed by the US government, the Group has launched proactive and flexible marketing and production strategies for its automobile glass business. The Group's sales team keeps on constant communications with the overseas customers via video and audio conferencing around-the-clock for new business opportunities in the areas of new product development for applications on advanced driver assistance systems ("ADAS"), head-up display ("HUD"), sound proofing, low-e coating, sunroof and value-added parts which are suitable for new and existing car models.

The Group also liaises with new domestic and overseas customers for the purpose of strengthening the business relationship with the existing customers and exploring new business opportunities with new customers, so as to increase the sales volumes. The Group's automobile glass products are currently being sold to customers in more than 130 countries and territories.

As one of the major players in the global glass industry, the Group has secured its market-leading position and enhanced its economies of scale through strategic expansion of its production capacities across different product segments that incorporate streamlined and the state of the art production process at different locations both in China and overseas. The Group has also acquired additional float glass production facilities in China for the purpose of increasing the production capacity under the national supply-side reform policy during the year.

The Group has also implemented a series of measures, aimed at enhancing the cost controls on the supply and consumption of raw materials, recycling of principal raw materials, re-engineering of the production process to boost the production efficiency and employing the distributed solar power system and the low-temperature recycling residual heat system to generate electricity for internal consumption.

The appreciation of Renminbi has improved the Group's revenue growth when Renminbi sales were converted to our reporting currency of the HK dollar during the second half of the year.

Improved productivity, technology and economies of scale to enhance production efficiency and new product development by additional investments in research and development ("R&D")

The Group's continuous investments in research and development in production engineering, information technology, big data analyses and operational management, along with the continuous improvements in the production process, automation and well-planned equipment maintenance programs, have enhanced its productivity and the yield rate, thus reducing the overall labour, production and energy costs during the year.

The Group's engineering and design division has designed the latest world-class and larger capacity float glass production lines in China and overseas. The economies of scale have enabled the generation of significant cost savings in the procurement and production process and they also facilitated the increased efficiency in use of fuel and principal raw materials. To further control the energy costs, the Group increasingly uses the clean environment-friendly energy by employing the rooftop distributed solar power generation system and the low-temperature recycling residual heat system to support the electricity consumption.

In addition, the use of natural gas as fuel for the production of high-quality float glass can reduce carbon emissions for a better air quality environment, improve float glass quality and enhance the Group's energy cost structure.

The R&D team of the Group continuous to develop new glass products to capture new market opportunities.

Chairman's Statement

Expansion of the high value-added product mix and the global coverage which enhances the overall competitiveness

During the year, the consolidated revenue generated from the Group's automobile glass, architectural glass and high-quality float glass businesses has performed remarkably as compared with the peers in spite of the COVID-19 pandemic. This remarkable performance has shown that the Group's combination of its diversified business segments, global market coverage, upgraded product structure and its expanded high value-added product mix are all important to alleviate the operational pressures and the risks in any specific business segment or country despite an uncertain and competitive market environment.

BUSINESS OUTLOOK

The Group will continue to adopt and enhance flexible strategies in the production, logistics and marketing strategies amid the increasing extent of automation and upgrading by adopting the advanced technologies at its production facilities to maintain its leadership and competitive position at the forefront of the global glass manufacturing industry.

The PRC government has continued its tightened supply-side reform policy on the establishment of new float glass production lines, acquisition of existing idle capacity and phase-out the obsolete and the non-compliant float glass production lines because of stricter environmental standards on air emissions. The Group is embarking on prudent and flexible strategies in response to the current situation in the float glass market in China and in global markets.

The Group expects that the prices for the low soda ash will continue to be maintained, as compared to 2020 levels, due to the sufficient supply in China. Energy costs may also be higher than 2020 levels as China's economy has substantially recovered from COVID-19's adverse impacts. Thus, the Group is cautiously optimistic on prospects for the float glass market, as well as on the average selling price trend in 2021.

As the supply of COVID-19 vaccines and rate of vaccinations gather pace across the world in the first quarter of 2021, the Group expects gradual recovery of the global economy which will also be accompanied by improved global demand for glass products.

The Group has been operating its first silica sand mine and processing factory in Beihai, Guangxi Zhuang Autonomous Region since the end of 2020. It represents that the Group will be able to achieve a higher integration of glass production flow and better control of major raw material costs and quality. The Group will continue exploring more opportunities on new sources of raw materials in the future.

The Sino-US trade dispute has had an adverse impact on the additional import tariff pressures on both the US aftermarket automobile glass customers and our Company, and this impact may persist until the completion of the Sino-US trade negotiations.

It is expected that the China's government would launch additional proactive economic and monetary policies to stimulate the internal economic consumption cycle in 2021 and encourage more construction activities after the COVID-19 pandemic. This will represent a significant increase in the demand for the float glass and architectural glass businesses.

The Directors are also optimistic on the prospects for the sustained healthy performance of its automobile glass aftermarket business in the global markets, as well as on the upbeat prospects of increased sales in the energy-saving and single and double insulated Low-E glass segments in the future.

After years of expanding its production facilities in major economic zones in China and Southeast Asia, the Group is exploring acquisitions and new expansion opportunities in China and overseas which can provide attractive and larger markets, lower raw material costs, better production and energy cost and more favourable tax treatments and other incentives.

The first phase of the production facilities in Beihai, Guangxi Zhuang Autonomous Region and Zhangjiagang, Jiangsu Province has commenced full operations in the second half of 2020. It will strengthen the Group's market coverage in Eastern and Western China. The second phase in both the Beihai production complex and the Yingkou production complex are due to be built in 2021.

The Group will continue ensuring that adequate resources are to be allocated to the research and development, enhancement of the product quality and introduction of the new products, as well as for exploring new markets, boosting production efficiency and for conducting staff training in order to maintain its competitiveness and, ultimately, boost its profitability.

CONCLUSION

The Group continues to tackle and overcome challenges of different degrees amidst changes in the global markets and the adverse impact of the COVID-19 pandemic by bolstering its efficiency and increasing its profitability through more effective management across its information technology, logistics, operational and marketing activities, as well as the expansion of its business and continued collaboration with its customers and suppliers. The Directors believe that these approaches enable the Group to maximise the benefits from both the domestic emerging market and overseas business opportunities, and they are also cautiously optimistic on the Group's long-term business development prospects.

The Group will also continue to adopt the proven business strategies to sustain and strengthen the growth with new business concepts. To maintain its industry-leading position, the Group is also exploring the increase in the business presence in the global glass markets across a wider spectrum of industries, applications and products as well as in other opportunities that can be mutually beneficial for business partnerships.

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

Chairman

1 March 2021

Management's Discussion and Analysis

INTRODUCTION

The Group is engaged in the production and sales of a wide range of glass products, including automobile glass, energy-saving architectural glass, high-quality float glass and other glass products for different commercial and industrial applications. These glass products are manufactured at production facilities which are strategically located in the PRC and the Malaysia. In the PRC, the Group's facilities are established in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province, Tianjin, Yingkou in Liaoning Province, Deyang in Sichuan Province, Zhangjiagang in Jiangsu Province and Beihai in Guangxi Zhuang Autonomous Region. In Malaysia, the Group operates a production facility in Malacca. In addition to glass product, the Group also produces rubber and plastic components for automobiles.

The Group's customers are in over 140 countries and territories, including the PRC, Hong Kong, the United States, Canada, Australia, New Zealand and other countries in Asia, the Middle East, Europe, Africa and the Americas. The Group's customers include companies engaged in the businesses of automobile glass manufacturing, wholesale and distribution, automobile repair, motor vehicle manufacturing, curtain wall engineering and installation, architectural and furniture glass manufacturing, electronic and household appliance manufacturing and float glass wholesale and distribution.

BUSINESS REVIEW

The Group continues to maintain its leading position in the global glass industry in 2020 by tapping the strong demand for high-quality float glass in the PRC market from the mid of 2020 and automobile glass in the global markets. In 2020, the revenue and the net profit attributable to equity holders of the Company amounted to HK\$18,615.9 million and HK\$6,422.2 million, respectively, representing an increase of 14.5% and 43.4%, as compared with HK\$16,258.5 million and HK\$4,477.8 million, respectively, in 2019. The compound annual growth rate of the Group's sales during the five-year period including 2020 was 9.7%.

Due to the outbreak of the COVID-19 pandemic in 2020, the appreciation of the RMB in the second half of the year and the trend for deleveraging in the global markets, the Group's three glass product businesses, namely float glass, automobile glass and architectural glass, has achieved different growth rates in the year of 2020 from the increases in the sales volume and the selling prices.

OPERATIONAL REVIEW

Sales

Sales increased by 14.5% in 2020, principally due to the sales volume growth of float glass, architectural glass and automobile glass products in the PRC and in the global market.

The tables below set forth the Group's sales by products and by geographical regions:

	Year Ended 31 December			
	2020		2019	
	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%
By Products				
Float glass products	11,794.7	63.4	9,645.5	59.3
Automobile glass products <i>(Note (a))</i>	4,609.0	24.8	4,502.6	27.7
Architectural glass products	2,212.2	11.8	2,110.4	13.0
	18,615.9	100.0	16,258.5	100.0

Note:

- (a) Included sales of automobile glass and automobile rubber and plastic components on an original equipment manufacturing ("OEM") basis and on aftermarkets basis, respectively.

	Year Ended 31 December			
	2020		2019	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
By Geographical Regions				
Greater China <i>(Note (a))</i>	13,636.3	73.3	11,190.2	68.8
North America	1,964.0	10.5	1,949.1	12.0
Europe	591.0	3.2	664.1	4.1
Others <i>(Note (b))</i>	2,424.6	13.0	2,455.1	15.1
	18,615.9	100.0	16,258.5	100.0

Notes:

- (a) China and Hong Kong.
 (b) Australia, New Zealand, Africa, the Middle East, Central America, South America and other countries.

Management's Discussion and Analysis

Cost of Sales

Average production costs have declined mainly due to the drop in average costs of soda ash and energy in the PRC in 2020. Also, improved production efficiency, successful cost control measures and use of cost-effective renewable energy have led to a slight increase in the cost of sales in 2020 by 4.5% to HK\$10,844.4 million, compared with HK\$10,375.2 million in 2019. Since the rate of increase in the cost of sales was lower than the rate of increase in sales, this indicates that the management has been able to improve profitability despite the challenging global market environment.

Gross profit in 2020 was HK\$7,771.4 million, representing an increase of 32.1%, compared with HK\$5,883.3 million in 2019. The overall gross profit margin has increased from 36.2% to 41.7% principally due to the increase in the average sales price of float glass products.

Other Income

Other income decreased to HK\$464.0 million, compared with HK\$528.7 million in 2019. The decrease was mainly due to lesser PRC government grants received in 2020.

Other Gains – Net

Net other gains increased by 14.2% and amounted to HK\$889.0 million in 2020, compared with net other gains of HK\$778.2 million in 2019. The upturn was principally due to two one-off dilution gains from Xinyi Solar's share placements in the second half of 2020.

Selling and Marketing Costs

The Group's selling and marketing costs increased by 2.0% to HK\$958.7 million in 2020, principally due to the increase in overseas transportation costs and the additional import tariff imposed by the US.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by 6.6% to HK\$1,804.7 million in 2020, and this was mainly due to the increase in employee expenses for the new production complexes under construction, as well as increase in research and development expenses.

Share of Profits of Associates

Share of profits of associates were mainly from the associate companies of Xinyi Solar Holdings Limited and Xinyi Energy Holdings Limited. The share profits increased to HK\$1,124.3 million, compared to HK\$639.6 million in 2019. The increase was mainly due to stronger demand of solar glass and solar farm businesses in 2020.

Finance Costs

The Group's finance costs significantly decreased by 29.6% to HK\$192.8 million in 2020 mainly due to the drop in the HIBOR rate during the year. A portion of the interest expense incurred as construction-in-progress and acquisition of plant and machinery at the production complexes in Beihai and Zhangjiagang was capitalised under construction-in-progress and will be depreciated subsequently when the related production facilities and the new production lines commence commercial operation. An interest expense amounting to HK\$63.9 million was capitalised under construction-in-progress in 2020, which was relatively stable compared to the amount of HK\$70.6 million in 2019.

Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA")

EBITDA increased by 38.0% to HK\$8,654.9 million for the year ended 31 December 2020, compared with HK\$6,272.0 million in 2019.

Income Tax Expense

The Group's income tax expense significantly increased by 68.6% to HK\$899.1 million in 2020 due to higher profits generated and more PRC dividend withholding tax paid during the year. The effective tax rate increased to 12.3%. The effective tax rate was lower than the standard tax rates mainly due to more profits generated by our subsidiaries that are qualified for the preferential PRC high-tech enterprise CIT tax rate of 15% and the one-off non-taxable dilution gains related to Xinyi Solar shares placements.

The PRC dividend withholding tax of HK\$109.1 million was paid in 2020.

A total amount of RMB413.0 million dividends from the Group's PRC subsidiaries were re-invested in other PRC subsidiaries that no withholding tax has been recognised in according to the PRC dividend withholding tax rules under current PRC taxation policies in 2020.

Net Profit

Net profit attributable to equity holders of the Company was HK\$6,422.2 million in 2020, representing an increase of 43.4%, compared with HK\$4,477.8 million in 2019. Net profit margin slightly increased to 34.5% in 2020.

CURRENT RATIO

The Group's current ratio as of 31 December 2020 was 1.49, compared with 1.22 as of 31 December 2019.

NET CURRENT ASSETS

As of 31 December 2020, the Group had net current assets of HK\$4,246.4 million, compared with HK\$1,883.6 million as of 31 December 2019. The increase was in line with the increases in the current ratio and net profit.

Management's Discussion and Analysis

CAPITAL EXPENDITURE AND COMMITMENTS

For the year ended 31 December 2020, the Group incurred an aggregate capital expenditure of HK\$3,772.9 million (2019: HK\$3,099.8 million) for the purchase of plant and machinery and the construction of factory premises at its production complexes in China and Malaysia. Capital commitments contracted for but not incurred by the Group as of 31 December 2020 amounted to HK\$862.4 million (2019: HK\$1,413.8 million), which were mainly related to the new capacities of architectural glass, automobile glass and float glass to be added in China and Malaysia.

CAPITAL STRUCTURE

Save as disclosed in this report, there has been no material change in the capital structure of the Company during the year. The capital of the Group companies are only the ordinary shares.

FINANCIAL RESOURCES AND LIQUIDITY

In 2020, the Group's primary source of funding included cash generated from its operating activities and the new banking facilities provided by its principal banks in Hong Kong and the PRC. Net cash inflow from operating activities amounted to HK\$4,504.3 million (2019: HK\$3,779.1 million) as a result of a substantial increase in net profit for the year and efficient working capital management which led to a net cash surplus from operations. As of 31 December 2020, the Group had cash and bank balances (including fixed deposits and pledged bank deposits) of HK\$5,304.1 million (2019: HK\$5,142.1 million).

BANK BORROWINGS

As of 31 December 2020, the Group's bank and other borrowings amounted to HK\$11,574.0 million representing an increase of 7.1% compared with a balance of HK\$10,809.5 million as of 31 December 2019 because of the increase in capital expenditure during the year.

The Group's net debt gearing ratio as of 31 December 2020 was 22.4% (31 December 2019: 27.1%). This ratio was calculated by dividing the net bank debt, which is calculated as total borrowings less cash, bank balances and pledged bank deposits, by the total equity of the Group as of 31 December 2020.

For the Group's bank borrowings which were denominated in Hong Kong dollars, the interest rates of these bank borrowings are calculated in HIBOR plus a particular percentage. The Group will closely monitor the interest rate movements and regularly review its banking facilities so as to mitigate the expected interest rate risk.

PLEDGE OF ASSETS

As of 31 December 2020, a bank balance of HK\$59.5 million has been pledged as collateral principally for import duties payable to the US government.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the Group had 14,334 full-time employees of whom 13,526 were based in China and 808 were based in Hong Kong and other countries and territories. The Group maintains good relationship with all of its employees. It provides employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good client relationship. Remuneration packages offered to the Group's employees are consistent with prevailing markets terms and reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of individual staff.

Pursuant to applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by responsible government authorities in the PRC for its employees there. As regards the Group's employees in Hong Kong, all arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the Board held on Monday, 1 March 2021, the Directors proposed a final cash dividend (the "Final Dividend") of 62.0 HK cents per Share for the year ended 31 December 2020. The recommendation of payment of the Final Dividend is subject to the approval of the Shareholders at the Annual General Meeting to be held on Friday, 28 May 2021. If so approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Tuesday, 6 July 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, 7 June 2021.

The register of members of the Company will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 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, 2 June 2021.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES

The Group has adopted treasury policies for the purpose of optimising the use of readily-available financial resources for the business needs of its different subsidiaries. The Directors believe that such treasury policies are an integral part of the business operations of the Group and are beneficial to the Group as a whole by reducing the costs and interests that may otherwise be borne by its relevant subsidiaries in arranging the required banking facilities to meet obligations. For example, the Group has adopted a centralised approach in managing funds available to its headquarters, subsidiaries and branches, including cash, bank deposits, securities, bills and other financial instruments. These assets, such as bills and financial instruments, are managed and arranged amongst subsidiaries of the Group through proper endorsements or transfers to the different subsidiaries so they can be fully utilised to meet the Group's payment obligations with minimal financing cost. The Group closely monitors the level of use and the value of each of these transactions only represents an immaterial part of its total assets and undertakings. The Directors believe that these policies promote the efficient use of the Group's financial resources.

Management's Discussion and Analysis

In addition, the treasury policies of the Group also include mechanisms to mitigate its foreign exchange risks. The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and in US Dollars ("USD"). Given the pegged exchange rate between the Hong Kong dollar ("HKD") and the USD, the Directors do not foresee the Group being subjected to significant foreign exchange risks for transactions conducted in HKD or USD. However, exchange rate fluctuations between the RMB and the HKD or the RMB and the USD could affect the Group's performance and asset value. The Group also has float glass production facilities in Malaysia. Exchange rate fluctuations between the Malaysian Ringgit ("MYR") and the HKD could also affect the Group's performance and asset value.

Because of the appreciation in the exchange rate converting the RMB to the HKD in the second half of 2020, the Group reported non-cash translation increases in the exchange reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2020, an exchange reserve increase of HK\$2,366.2 million was recorded as foreign currency translations reserve movement. As a result, the balance of the consolidated foreign currency translations reserve account recorded a credit balance of HK\$741.6 million as of 31 December 2020 compared with a debit balance of HK\$1,624.7 million as of 31 December 2019.

Relating to the Group's PRC business, revenue from the sales of glass products is denominated in RMB whilst most bank borrowings are denominated in HKD. In implementing its treasury policies, the Group maintained a well-designed balance between the currency risk and the interest savings arising from HKD-denominated bank borrowings. As of 31 December 2020, all bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity issues resulting from currency exchange fluctuations. During the year ended 31 December 2020, the Group has not used any financial instrument for hedging purposes.

CONTINGENT LIABILITIES

As of 31 December 2020, the Group did not have any significant contingent liability (31 December 2019: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this report, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2020.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2020 and up to the date of this report.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (李賢義) aged 68, is our Chairman and founder, responsible for the Group's business strategy. Dr. LEE Yin Yee, B.B.S. has more than 31 years' experience in the automobile glass industry. Prior to establishing the Group, Dr. LEE Yin Yee, B.B.S. was involved in the trading of automobile parts. Dr. LEE Yin Yee, B.B.S. has been the national committee member of the Tenth, Eleventh, Twelfth and Thirteenth Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Dr. LEE Yin Yee, B.B.S. obtained a honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Dr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Dr. LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Kan, our executive Director. Dr. LEE Yin Yee, B.B.S. is also the brother-in-law of Mr. TUNG Ching Bor, our vice-chairman and executive Director and brother-in-law of Tan Sri Datuk TUNG Ching Sai J.P., our chief executive officer and executive Director. Dr. LEE Yin Yee, B.B.S. was appointed as our executive Director on 25 June 2004. Dr. LEE Yin Yee, B.B.S. is the chairman and executive Director of Xinyi Solar Holdings Limited ("Xinyi Solar"), a company listed on the main board of the Stock Exchange (stock code: 968). Dr. LEE Yin Yee, B.B.S. was the chairman and non-executive Director of Xinyi Energy Holdings Limited ("Xinyi Energy"), a company listed on the main board of the Stock Exchange (stock code: 3868) from 28 May 2019 to 4 August 2020.

Save as disclosed above, Dr. LEE Yin Yee, B.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Dr. LEE Yin Yee, B.B.S. has not held any directorship in other publicly listed companies in the last three years.

Mr. TUNG Ching Bor (董清波), aged 58, is our vice-chairman and chief purchasing officer, responsible for managing our daily operations and overseeing our purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 15 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Tenth Chinese People's Political Consultative Conference of Anhui Province since 1 January 2011 and also a member of Nanping Committee of Fujian Province. Mr. TUNG Ching Bor is the brother-in-law of Dr. LEE Yin Yee, B.B.S., our executive Director, brother of Tan Sri Datuk TUNG Ching Sai J.P., our chief executive officer and executive Director, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Bor was appointed as our executive Director on 25 June 2004.

Save as disclosed above, Mr. TUNG Ching Bor has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Mr. TUNG Ching Bor has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* (董清世), aged 55, is our executive Director and chief executive officer. Tan Sri Datuk TUNG Ching Sai, J.P. has been with us for over 31 years since our inception in November 1988 and is responsible for overseeing our daily operations. Tan Sri Datuk TUNG Ching Sai, J.P. is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, (中國人民政治協商會議第十二屆廣西壯族自治區委員會常委) a member of the executive committee of the twelve session of the All-China Federation of Industry and Commerce (第十二屆全國工商聯執行委員會委員), chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association, vice chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur 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 an executive master degree of business administration in 2007. Tan Sri Datuk TUNG Ching Sai, J.P. is the brother-in-law of Dr. LEE Yin Yee, B.B.S., brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Kan, all of them are our executive Directors. Tan Sri Datuk TUNG Ching Sai, J.P. was appointed as our executive Director on 25 June 2004. Tan Sri Datuk TUNG Ching Sai, J.P. is the vice chairman and non-executive director of Xinyi Solar, a company listed on the main board of the Stock Exchange (stock code: 968), the vice chairman and executive director of Xinyi Energy, a company listed on the main board of the Stock Exchange (stock code: 3868) and the chairman and non-executive director of Xinyi Electric Storage Holdings Limited ("**Xinyi Electric Storage**") a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange (stock code: 8328).

Save as disclosed above, Tan Sri Datuk TUNG Ching Sai, J.P. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Tan Sri Datuk TUNG Ching Sai, J.P. has not held any directorship in other publicly listed companies in the last three years.

Mr. LEE Shing Kan (李聖根), aged 41, is our executive Director and is responsible for overseeing the overall automobile glass operation. Mr. LEE Shing Kan joined the Company in January 2005. Mr. LEE Shing Kan holds a bachelor's degree in commerce from The University of Melbourne, Australia and a master's degree in applied finance from Monash University, Australia. Mr. LEE Shing Kan is the member of the Fujian Province Committee of Chinese People's Political Consultative Conference and chief supervisor of the Federation of HK Sichuan Community organisations. Mr. LEE Shing Kan was the director (2012-2014) of Tung Wah Group of Hospitals. Mr. LEE Shing Kan has been the executive committee member and the vice chairman of the Lok Sin Tong Benevolent Society, Kowloon since 2018 and April 2020 respectively. Mr. LEE Shing Kan is the son of Dr. LEE Yin Yee, B.B.S., nephew of Mr. TUNG Ching Bor and Tan Sri Datuk TUNG Ching Sai, J.P., all of them are our executive Director. Mr. LEE Shing Kan was appointed as our executive Director on 15 October 2008. Mr. LEE Shing Kan is a non-executive director of Xinyi Electric Storage, a company listed on the GEM of the Stock Exchange (stock code: 8328).

Save as disclosed above, Mr. LEE Shing Kan has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Mr. LEE Shing Kan has not held any directorship in other publicly listed companies in the last three years.

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai (李清懷), aged 63, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. LI Ching Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Mr. LI Ching Wai has not held any directorship in other publicly listed companies in the last three years.

Mr. SZE Nang Sze (施能獅), aged 63, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. SZE Nang Sze has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Mr. SZE Nang Sze has not held any directorship in other publicly listed companies in the last three years.

Mr. LI Ching Leung (李清涼), aged 64, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu production complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005. Save as disclosed above, Mr. LI Ching Leung has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Mr. LI Ching Leung has not held any directorship in other publicly listed companies in the last three years.

Mr. NG Ngan Ho (吳銀河), aged 56, is our non-executive Director and has joined us since August 2003. Mr. NG Ngan Ho was responsible for overseeing the financial and purchasing matters of our Dongguan production complex. Mr. NG Ngan Ho was appointed as our executive Director on 25 June 2004 and was re-designated as non-executive Director on 1 July 2007. Mr. NG Ngan Ho is the executive director of Xinyi Electric Storage, a company listed on GEM of the Stock Exchange (stock code: 8328). Save as disclosed above, Mr. NG Ngan Ho has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company and Mr. NG Ngan Ho has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, G.B.S. (林廣兆), aged 87, is the vice chairman of BOC International Holdings Limited, the honorary chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the honorary president of the Chinese Bankers Club of Hong Kong and thus has the appropriate professional expertise required under Rule 3.10 (2) of the Listing Rules. Mr. LAM Kwong Siu has also been the director of Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002, an independent non-executive director of Fujian Holdings Limited (stock code: 0181) since December 2003, Yuzhou Properties Company Limited (now known as Yuzhou Group Holdings Company Limited, stock code: 1628) since October 2009, Far East Consortium International Limited (stock code: 0035) since September 2011 and Skymission Group Holdings Limited (stock code: 1429) since November 2019. Mr. LAM Kwong Siu, G.B.S. was independent non-executive director of China Overseas Land & Investment Limited (stock code: 0688) and Vico International Holdings Limited (stock code: 1621). Mr. LAM Kwong Siu was awarded the HKSAR Gold Bauhinia Star and Silver Bauhinia Star in 2016 and 2003 respectively. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. Fujian Holdings Limited, Yuzhou Properties Company Limited, Far East Consortium International Limited, Skymission Group Holdings Limited, China Overseas Land & Investment Limited and Vico International Holdings Limited are companies whose shares are being listed on the Stock Exchange.

Mr. LAM Kwong Siu, G.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. LAM Kwong Siu, G.B.S. has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. WONG Chat Chor Samuel (王則左), aged 71, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, is the present president of the Hong Kong Institute of Arbitrators, is a member of the International Chamber of Commerce ("ICC") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Shenzhen Court of International Arbitration, Shanghai Court of International Arbitration, Guangzhou and Huizhou of China. Mr. WONG Chat Chor Samuel is a member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, the PRC. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degree in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004.

Mr. WONG Chat Chor Samuel has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. WONG Chat Chor Samuel has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. WONG Ying Wai, G.B.S., JP (王英偉), aged 68, is the President and Executive Director of Sands China Limited (stock code: 1928), the shares of which are listed on the Stock Exchange.

Dr. WONG Ying Wai joined the Administrative Officer grade of the Hong Kong Government in 1975 and served in a number of key positions including Deputy Secretary for the Civil Service and Deputy Director General of Industry. Dr. WONG Ying Wai joined the private sector in 1992 and since then, he has held top management positions in a number of Hong Kong listed companies in the property development and construction business sectors including K. Wah International Holdings Limited, Henderson China Holdings Limited, Shui On Group and Hsin Chong Construction Group Ltd.

Dr. WONG Ying Wai started his political career at the national level when he was appointed a member of The Basic Law Consultative Committee (1985-1990) by the Central People's Government. He was subsequently appointed by the National People's Congress as a member of the Preliminary Working Committee for the Hong Kong SAR Preparatory Committee in 1993 and a member of the Hong Kong SAR Preparatory Committee in 1995, both bodies were responsible for the transitional policies and arrangements relating to the establishment of the HKSAR Government in 1997. Dr. WONG Ying Wai was a Deputy to the National People's Congress of the PRC during 1997-2013.

Dr. WONG Ying Wai's public service continues through his participation in a number of councils and committees in Hong Kong and Macao. He is currently the chairman of Hong Kong Arts Development Council, the chairman of the Hong Kong Film Development Council, the chairman emeritus of the Hong Kong Baptist University Foundation, the chairman and director of The Hong Kong International Film Festival Society Limited, Asian Film Awards Academy Limited and Hong Kong Institute for Public Administration, a director and the chairman emeritus of Pacific Basin Economic Council Limited, a member of the Committee of Cultural Industries and a member of the Tourism Committee of the Government of the Macao Special Administrative Region. He was the chairman of the Court and Council of the Hong Kong Baptist University during the period from 2007 to 2012.

Dr. WONG Ying Wai was awarded the Gold Bauhinia Star and Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2015 and 2007. He was educated at Harvard University (MPA), Oxford University, University of Hong Kong (BSoc.Sc.) and the Chinese University of Hong Kong. Dr. WONG was conferred the honorary degree for doctor of humanities by the Hong Kong Baptist University in November 2013.

Dr. WONG Ying Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Dr. WONG Ying Wai has not held any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Profile of Directors and Senior Management

Dr. TRAN Chuen Wah, John (陳傳華), aged 49, obtained a bachelor's degree in business administration from Simon Fraser University in June 1993 and obtained a doctorate degree of ministry from Fuller Theological Seminary in 2017. Dr. TRAN Chuen Wah, John is currently a minister of Evangelical Free Churches of China Jachin Church Limited. Dr. TRAN Chuen Wah, John has over 16 years of experience in accounting and investment banking industry, during which Dr. TRAN Chuen Wah, John had worked in Price Waterhouse (now known as PricewaterhouseCoopers) and various financial institutions and investment banks in Hong Kong. During the period between 2003 and 2006, Dr. TRAN Chuen Wah, John was the Managing Director and the Head of Investment Banking of Kingsway Financial Services Group Limited ("Kingsway Group"). Dr. TRAN Chuen Wah, John was a consultant to Kingsway Group during the period from 2006 to 2009. Dr. TRAN Chuen Wah, John became a member of each of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1996 and 1997, respectively. Dr. TRAN Chuen Wah, John became a Chartered Financial Analyst (granted by the Association for Investment Management and Research) in September 1999.

Dr. TRAN Chuen Wah, John has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Dr. TRAN Chuen Wah, John has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. TAM Wai Hung, David (譚偉雄), aged 71, has more than 40 years of experience in commercial banking industry in Hong Kong and the PRC. Mr. TAM Wai Hung, David started his career in 1968 when he joined The Hongkong and Shanghai Banking Corporation ("HSBC"). During his career with HSBC, Mr. TAM Wai Hung, David held various senior positions in Hong Kong and overseas and his last position with HSBC was Senior Executive — Payments and Cash Management-Asia Pacific in 1999. Since March 1999, Mr. TAM Wai Hung, David worked with Hang Seng Bank Limited and held various senior positions in corporate and commercial banking and risk management. Mr. TAM Wai Hung, David retired from Hang Seng Bank Limited in January 2012 as a Deputy General Manager and his last position with the bank was Chief Risk Officer. Mr. TAM Wai Hung, David was a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC from December 2012 to June 2017. Mr. TAM Wai Hung, David is currently a non-executive director of Nameson Holdings Limited, which shares are listed on the Stock Exchange (stock code: 1982). Mr. TAM Wai Hung, David is currently an independent non-executive director of Dah Sing Financial Holdings Limited, which shares are listed on the Stock Exchange (stock code: 0440). Mr. TAM Wai Hung, David is currently an independent non-executive director of Dah Sing Bank Limited. Mr. TAM Wai Hung, David became a fellow member of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in 1986 and 1995, respectively. Mr. TAM Wai Hung, David received a master's degree in business administration from the University of Toronto in 1991.

Mr. TAM Wai Hung, David has no relationship with any Directors, senior management or substantial Shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. TAM Wai Hung, David has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. LAU Sik Yuen (劉錫源), aged 54, is the Group company secretary, chief financial officer and qualified accountant. Prior to joining the Group in April 2003, Mr. LAU Sik Yuen had over thirteen years' experience in auditing and financial accounting industry. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for over five years, and had been the financial controller of a subsidiary of a company listed on the main board of the Stock Exchange for over three years. Mr. LAU Sik Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Mr. XU Bi Zhong (許必忠), aged 52, is the executive vice president of the Group and is mainly overseeing the group logistics and electronic glass operations. Mr. XU Bi Zhong obtained a diploma of administrative management from Shenzhen University. Prior to joining the Group in May 2004, Mr. XU Bi Zhong worked for a float glass trading company and a float glass plant in PRC for over twelve years.

Mr. ZHANG Ming (張明), aged 60, is the vice president of the Group and overseeing the construction and operations of Beihai production complex. Mr. ZHANG Ming has obtained qualification as a senior engineer. Prior to joining the Group in February 1998, Mr. ZHANG Ming worked at a float glass plant in the PRC. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics. Mr. ZHANG obtained a master degree in business administration from Peking University in 2010.

Mr. YANG Yi (楊逸), aged 48, is the vice president of the Group and is responsible for overseeing the group administrative and human resources operations. Mr. YANG Yi obtained a diploma of applied material from South China University of Technology. Prior to joining the Group in July 2001, Mr. YANG Yi worked for a float glass plant in PRC for eight years.

Mr. GUO Jian Lin (郭建林), aged 52, is the vice president of the Group and is mainly overseeing the group information and technology centre and supply chain management. Mr. GUO obtained a bachelor degree in industrial management from Jiangxi University of Finance and Economics. Mr. GUO is a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Group in March 2008, Mr. GUO worked in accounting and auditing sector.

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 14 to The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. For corporate governance purpose, the Company has adopted the CG Code throughout the year of 2020.

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

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, four non-executive Directors and five independent non-executive Directors. Further information on the Directors is set forth on pages 15 to 20 of this annual report.

The four executive Directors are Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai J.P. and Mr. LEE Shing Kan. Dr. LEE Yin Yee, B.B.S., is the father of Mr. LEE Shing Kan, and also the brother-in-law of Mr. TUNG Ching Bor and Tan Sri Datuk TUNG Ching Sai J.P.. Mr. TUNG Ching Bor is the elder brother of Tan Sri Datuk TUNG Ching Sai J.P.. Hence, Mr. LEE Shing Kan is the son of Dr. LEE Yin Yee, B.B.S. and nephew of Mr. TUNG Ching Bor and Tan Sri Datuk TUNG Ching Sai J.P..

The four non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho.

The five independent non-executive Directors are Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., J.P., Dr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David.

Chairman and Chief Executive Officer

Dr. LEE Yin Yee, B.B.S. is the Chairman of the Group and Tan Sri Datuk TUNG Ching Sai J.P. is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Dr. LEE Yin Yee, B.B.S. is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Tan Sri Datuk TUNG Ching Sai J.P. 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. Tan Sri Datuk TUNG Ching Sai J.P. is also responsible for formulating the future business plans and strategies of the Group for the Board’s approval.

Board Diversity Policy

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

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

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 15 to 20 in this annual report.

The Board considers that its diversity is a vital asset to the business. The Board 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.

All of the four non-executive Directors were appointed for a term of three years, commencing from 1 January 2020. Two of the independent non-executive Directors, Mr. LAM Kwong Siu, G.B.S. and Mr. WONG Chat Chor Samuel, were appointed for a term of three years commencing from 3 February 2020. The independent non-executive Director, Dr. WONG Ying Wai, G.B.S., J.P., was appointed for a term of three years commencing from 1 November 2020. Two of the independent non-executive Directors, Dr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David, were appointed for a term of three years commencing from 31 December 2018. The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines 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.

Corporate Governance Report

Attendance records of the Directors at board meetings and general meeting in 2020 are as follows:

	Meetings attended/held	
	Annual general meeting	Board meetings
Executive Directors		
LEE Yin Yee	1/1	4/4
TUNG Ching Bor	1/1	4/4
TUNG Ching Sai	1/1	4/4
LEE Shing Kan	1/1	4/4
Non-executive Directors		
LI Ching Wai	1/1	4/4
LI Ching Leung	1/1	4/4
SZE Nang Sze	1/1	4/4
NG Ngan Ho	1/1	4/4
Independent non-executive Directors		
LAM Kwong Siu	1/1	4/4
WONG Ying Wai	1/1	3/4
WONG Chat Chor Samuel	1/1	3/4
TRAN Chuen Wah, John	1/1	4/4
TAM Wai Hung, David	1/1	4/4

During the financial year ended 31 December 2020, the Board has four meetings, which were held on 16 March 2020, 3 August 2020, 2 December 2020 and 9 December 2020, respectively, and majority of the Directors had attended these meetings. At least four Board meetings are scheduled to be held during the financial year ending 31 December 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2020 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., J.P., Dr. LEE Yin Yee, B.B.S., and Tan Sri Datuk TUNG Ching Sai J.P.. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu, G.B.S.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. Its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2020, a meeting of the Remuneration Committee was held on 16 March 2020 and all the committee members attended this meeting.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2020 is set forth below:

In the band of	Number of individuals
Over HK\$5,000,000	4
HK\$2,000,001 to HK\$5,000,000	5

Details of the Directors’ remuneration is set out in Note 34 to the consolidated financial statements of the Group on pages 159 to 161 in this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee of the Board comprises five independent non-executive Directors, namely Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., J.P., Dr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David. Mr. LAM Kwong Siu, G.B.S. is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial information and reporting process, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. Its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee has held three meetings during the year ended 31 December 2020 on 16 March 2020, 3 August 2020 and 24 November 2020, respectively, for reviewing the annual and interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai J.P., Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel and Dr. WONG Ying Wai, G.B.S., J.P. The chairman of the Nomination Committee is Dr. LEE Yin Yee, B.B.S.

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The nomination committee held a meeting on 16 March 2020 with all the committee members attended this meeting for the year ended 31 December 2020.

NOMINATION POLICY

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- Reputation for integrity;
- Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Merit and contribution that candidate will bring to the Board;
- Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director; and
- Able to devote sufficient time and attention to the Company's business.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the audit committee and audited by the external auditor, PricewaterhouseCoopers. 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 statement of the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group is set forth in the Independent Auditor's Report on pages 49 to 53 of this annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

For the year under review, the professional fees charged by the auditors of the group companies in respect of the auditing services is disclosed in the notes to the financial statements. The remuneration paid to the auditor of the Group is solely for audit of consolidated financial statements of the Group during the year, which amounted to approximately HK\$3.1 million.

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 2020.

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

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

INSIDE INFORMATION POLICY

The Company has established an inside information policy 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

We provide 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. During the period under review, all Directors participated in various trainings organised by the Company, including the "Disclosure Obligation for Listed Companies and Officers" and "Update on the requirements under the Hong Kong Listing Rules, Hong Kong Companies Ordinance, and Hong Kong Securities and Futures Ordinance". According to the training records maintained by the Company, each Director has confirmed that he has obtained reading and training materials during the year under review and has attended the trainings in relation to various aspects, including but not limited to, director's duties, update on Listing Rules amendments and corporate governance practices.

COMPANY SECRETARY

The company secretary is Mr. LAU Sik Yuen, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. LAU is also the chief financial officer 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. He has taken not less than 15 hours of relevant professional training in 2020, in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

- (i) the Annual General Meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the Annual General Meetings of the Company to address Shareholders' queries;
- (ii) the Company maintains a website at www.xinyiglass.com, where updated key information/news of the Group is available for public access;
- (iii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;
- (iv) investor, analyst and media briefing are held as early as practicable after the publication of the interim and annual results;
- (v) the Company's management may meet with shareholders, potential investors and research analysts upon request and provide update of the latest business development of the Group and answer their queries in accordance with the Group's Inside Information Policy;
- (vi) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xinyiglass.com.hk"; and
- (vii) Shareholders may direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 64 of the articles of association (the "Articles") of the Company, an extraordinary general meeting ("EGM") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

INVESTOR RELATIONS

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2020.



Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of float glass products, automobile glass products, construction glass products and a variety of related products in the PRC and Malaysia. Particulars of the subsidiaries of the Company are set forth in Note 10 to the consolidated financial statements in this annual report.

The analysis of the Group's performance for the financial year ended 31 December 2020 by operating segments is set forth in Note 5 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2020 are set forth in the consolidated income statement on page 56 in this annual report. During the financial year, an interim dividend of 17.0 HK cents per Share, amounting to a total of approximately HK\$685.9 million of cash dividend, was paid to shareholders on Tuesday, 1 September 2020.

The Board proposes the payment of a final dividend of 62.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 7 June 2021. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or about Tuesday, 6 July 2021.

The register of members of the Company will be closed for the purpose of determining the entitlements to attend and vote at the Annual General Meeting from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 24 May 2021.

The register of members of the Company will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, both days inclusive, during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 2 June 2021 for such purpose.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2020 and its future development is set out in the Chairman's Statement from pages 4 to 7 and Management's Discussion and Analysis from pages 8 to 14 of this annual report.

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set forth in Note 18 to the consolidated financial statements in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

- *Energy* – Natural gas has been used as the principal energy source for the Group's glass melting furnaces.
- *Power generation from residual heat* – The Group's float 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 float glass products.

Over the past few years, the Group has owned in one wind farm project in Anhui Province several small solar farm projects inside the production complexes, which can help to improve air quality and the environment by reducing the consumption of fossil fuels and emission of carbon dioxide.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

The Group is in the process of preparing its ESG report for the year ended 31 December 2020 and will publish it on the Hong Kong Stock Exchange's website and the Company's website upon completion of preparation for ESG report.

Report of the Directors

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 2020, there were no material dispute between the Group and its customers, suppliers and employees.

Customers are the Company's greatest assets. Xinyi Glass is committed to the production of quality float glass, automobile glass and architectural 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 Glass has been maintaining the harmonious partnership of equal footing, honest cooperation and mutual benefits with suppliers. Supplier management has been standardised. Supplier assessment system has been improved through tendering and procurement. This is to create a fair and just competition environment for suppliers. Xinyi Glass 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.

PRINCIPAL RISK AND UNCERTAINTIES

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

Float glass business

- The levels of demand and supply of float glass are not entirely within the Group's control and are generally affected by construction and building materials industries, the overall macroeconomic factors in the principal property market, and the production capacity of other float glass manufacturers.
- The Group may not be able to adjust its production levels promptly in response to the changing market environment and as a result, any unbalance between the demand and supply of float glass could create significant pressure on the selling prices.
- As a float glass manufacturer, the Group follows the technology development which may cause demand for its float glass products to be reduced significantly.
- The Group also relies on a constant supply of energy and raw materials for its production requirement.
- The PRC environmental policies on air emission would affect the industry capacity and production costs.
- The lockdown of domestic and overseas economies by COVID-19 pandemic would affect the domestic and overseas sales.

Automobile glass business

- The international trade war or extra import tariff or anti-dumping tax would affect the overseas sales.
- The fluctuation of USD exchange rate would affect the overseas demand.
- The international oil price would affect the transportation cost.
- The lockdown of domestic and overseas economies by COVID-19 pandemic would affect the domestic and overseas sales.

Architectural glass business

- The PRC property and financial policies would affect the demand of the architectural glass.
- The levels of demand and supply of architectural glass are not entirely within the Group's control and generally affected by the property and building industries.
- The Group also relies on a constant supply of energy and raw materials for its production requirement.
- The lockdown of domestic and overseas economies by COVID-19 pandemic would affect the domestic and overseas sales.

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

Details of the Group's exposure to foreign exchange and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates" in the Management's Discussion and Analysis on page 13 and section headed "Financial Risk Management" in the consolidated financial statements from page 83 to 91 of this annual report.

FINANCIAL SUMMARY

A summary of the operating 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.

INVESTMENT PROPERTIES

Details of this movement in investment properties of the Group during the year are set forth in Note 7 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set forth in Note 6 to the consolidated financial statements in this annual report.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK\$6,175,000 (2019: HK\$843,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set forth in Note 17 to the consolidated financial statements in this annual report.

Report of the Directors

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2020, Share premium amounting to HK\$535.6 million (2019: HK\$388.2 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2020, the Company had distributable reserves available for distribution to Shareholders amounting to HK\$380.4 million (2019: HK\$289.4 million) other than mentioned above.

DIVIDEND POLICY

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

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

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

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

Mr. TUNG Ching Bor (Vice Chairman)

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* (Chief Executive Officer)

Mr. LEE Shing Kan

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, G.B.S.
Mr. WONG Chat Chor Samuel
Dr. WONG Ying Wai, G.B.S., J.P.
Dr. TRAN Chuen Wah, John
Mr. TAM Wai Hung, David

In accordance with article 108 of the Company's articles of association (the "Articles"), Mr. TUNG Ching Bor, Mr. SZE Nang Sze, Mr. NG Ngan Ho, Dr. WONG Ying Wai, G.B.S., J.P. and Dr. TRAN Chuen Wah, John will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The 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, as part of their remuneration package; and
- (iv) annual director fee of HK\$300,000 for the year ended 31 December 2020, and HK\$300,000 for the year ending 31 December 2021.

Report of the Directors

Save for the annual director fee of HK\$300,000 for each non-executive Director in 2020, none of the non-executive Directors received any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual director fee of HK\$300,000 for each independent non-executive Director in 2020, none of the independent non-executive Directors received any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM Kwong Siu, G.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., J.P. Dr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David and their mutual agreement with the Company.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

No contracts, transactions and arrangements 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 financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

SHARE OPTION SCHEME

The share option scheme ("Old Share Option Scheme") adopted by the Company on 18 January 2005, being valid for a period of 10 years from the date of adoption, expired on 17 January 2015. Pursuant to the extraordinary general meeting of the Company held on 15 January 2015, a new share option scheme (the "Share Option Scheme") was approved and adopted.

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

(i) Purpose

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants (as defined below) and for such other purposes as the Directors may approve from time to time.

(ii) Participants

For the purpose of the Share Option Scheme, participants (the “**Participants**”) include (i) any employees (whether full-time or part-time) of the Company or any of its subsidiaries, associated companies, jointly controlled entities and related companies from time to time (collectively, the “**Extended Group**”); (ii) any directors (whether executive directors or non-executive directors or independent non-executive directors) of the Extended Group; (iii) customers of the Extended Group or any of the subsidiaries or associated companies of such customers; and (iv) any consultants, professionals and other advisers to each member of the Extended Group.

(iii) Maximum number of shares

The total number of Shares which may be allotted and 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 aggregate exceed 10% (the “**Scheme Mandate Limit**”) of the total number of Shares in issue as of 18 January 2015.

The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and other share option schemes of the Company in issue shall not exceed 10% (the “**Refreshed Limit**”) of the issued share capital of the Company on the date the refreshment of such limit is approved.

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

(iv) Maximum entitlement of each Participant

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

(v) Option period

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date on which the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof.

(vi) Acceptance and payment on acceptance

An option may be accepted by a Participant within 30 days from the date of the offer for the grant of the option and the amount payable on acceptance of the grant of an option is HK\$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

Report of the Directors

(vii) Option price for subscription of shares

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

- (a) the official closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong (the "Business Day");
- (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Business Days immediately preceding the date of the 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 10 years commencing from 18 January 2015.

Pursuant to the Old Share Option Scheme and the Share Option Scheme, several tranches of options were granted to employees of the Group, the details of the effective tranches are set forth as follows:

In March 2011, the sixth tranche of 23,718,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,566,000 options have lapsed. The exercise price of these options is HK\$6.44 per Share and the option holders may exercise the options between 1 April 2014 and 31 March 2015, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2015.

In May 2012, the seventh tranche of 26,250,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,909,000 options have lapsed. The exercise price of these options is HK\$4.34 per Share and the option holders may exercise the options between 1 April 2015 and 31 March 2016, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2016.

In April 2013, the eighth tranche of 26,500,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 6,341,000 options have lapsed. The exercise price of these options is HK\$5.55 per Share and the option holders may exercise the options between 1 April 2016 and 31 March 2017, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2017 shall lapse.

In February 2014, the ninth tranche of 26,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 5,224,000 options have lapsed. The exercise price of these options is HK\$6.84 per Share and the option holders may exercise the options between 1 April 2017 and 31 March 2018, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2018 shall lapse.

In March 2015, the tenth tranche of 28,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 6,220,000 options have lapsed. The exercise price of these options is HK\$4.55 per Share and the option holders may exercise the options between 1 April 2018 and 31 March 2019, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2019 shall lapse.

In March 2016, the eleventh tranche of 28,500,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 4,327,500 options have lapsed. The exercise price of these options is HK\$4.81 per Share and the option holders may exercise the options between 1 April 2019 to 31 March 2020, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2020 shall lapse.

In March 2017, the twelfth tranche of 29,264,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 4,865,000 options have lapsed. The exercise price of these options is HK\$7.28 per Share and the option holders may exercise the options between 1 April 2020 to 31 March 2021, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2021 shall lapse.

In February 2018, the thirteenth tranche of 29,600,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 2,186,000 options have lapsed. The exercise price of these options is HK\$11.74 per Share and the option holders may exercise the options between 1 April 2021 to 31 March 2022, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2022 shall lapse.

In February 2019, the fourteenth tranche of 33,900,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 932,000 options have lapsed. The exercise price of these options is HK\$9.53 per Share and the option holders may exercise the options between 1 April 2022 to 31 March 2023, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2023 shall lapse.

In March 2020, the fifteenth tranche of 32,000,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 409,000 options have lapsed. The exercise price of these options is HK\$8.82 per Share and the option holders may exercise the options between 1 April 2023 to 31 March 2024, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2024 shall lapse.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set forth on pages 15 to 21 of this annual report.

Report of the Directors

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

INTERESTS IN THE COMPANY

Long position in the Shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest of a controlled corporation (Note a)	725,209,552	17.95%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
	Interest of a controlled corporation (Note b)	12,530,000	0.31%
	Personal interest (Note c)	129,804,000	3.21%
Mr. TUNG Ching Bor	Interest of a controlled corporation (Note d)	266,766,456	6.60%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
	Personal interest (Note e)	39,086,000	0.97%
Tan Sri Datuk TUNG Ching Sai J.P.	Interest of a controlled corporation (Note f)	246,932,579	6.11%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
	Personal interest	2,908,000	0.07%
Mr. LI Ching Wai	Personal interest (Note g)	157,834,000	3.91%
	Interest of a controlled corporation (Note h)	116,580,868	2.89%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
Mr. SZE Nang Sze	Personal interest	5,000,000	0.12%
	Interest of a controlled corporation (Note i)	105,928,781	2.62%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
Mr. NG Ngan Ho	Personal interest	11,490,000	0.28%
	Interest of a controlled corporation (Note j)	79,205,912	1.96%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
Mr. LI Ching Leung	Personal interest	3,100,000	0.08%
	Interest of a controlled corporation (Note k)	77,853,911	1.93%
	Interest of a controlled corporation (Note n)	49,636,000	1.23%
	Personal interest	5,494,000	0.14%
Dr. TRAN Chuen Wah, John	Personal interest (Note l)	400,000	0.01%
	Personal interest	10,000	0.0002%
	Personal interest (Note m)	90,000	0.002%

Notes:

- (a) Dr. LEE Yin Yee, B.B.S.'s interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 2 July 2004 and wholly-owned by Dr. LEE Yin Yee, B.B.S..
- (b) Dr. LEE Yin Yee, B.B.S.'s interests in the Shares are held through Xin Yuen Investment Limited ("**Xin Yuen**"), a company incorporated in the BVI with limited liability on 17 January 2019. Xin Yuen is 100% owned by Xin Wong Investment Limited ("**Xin Wong**"), a company incorporated in the BVI with limited liability. Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S. and 50% owned by his spouse, Madam TUNG Hai Chi.
- (c) Dr. LEE Yin Yee, B.B.S.'s interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (d) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.
- (e) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (f) Tan Sri Datuk TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Tan Sri Datuk TUNG Ching Sai, J.P..
- (g) Tan Sri Datuk TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tan Hung.
- (h) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("**Goldbo**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.
- (i) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("**Goldpine**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.
- (j) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.
- (k) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited ("**Herosmart**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.
- (l) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.
- (m) Dr. TRAN Chuen Wah, John's interest in the Shares are held through his spouse, Madam LAM Ying.
- (n) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din 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%.

Report of the Directors

INTERESTS IN ASSOCIATED CORPORATIONS

<u>Name of associated corporation</u>	<u>Name of Director</u>	<u>Class and number of shares held in the associated corporation</u>	<u>Approximate percentage of the associated corporation's issued share capital</u>
Realbest (Note o)	Dr. LEE Yin Yee, B.B.S.	2 ordinary shares	100%
Xin Wong (Note p)	Dr. LEE Yin Yee, B.B.S.	1 ordinary share	50%
High Park (Note q)	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark (Note r)	Tan Sri Datuk TUNG Ching Sai J.P.	2 ordinary shares	100%
Goldbo (Note s)	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall (Note t)	Mr. NG Ngan Ho	2 ordinary shares	100%
Goldpine (Note u)	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart (Note v)	Mr. LI Ching Leung	2 ordinary shares	100%
Full Guang (Note w)	Dr. LEE Yin Yee, B.B.S.	734,000 ordinary shares	33.98%
	Mr. TUNG Ching Bor	350,000 ordinary shares	16.20%
	Tan Sri Datuk TUNG Ching Sai J.P.	350,000 ordinary shares	16.20%
	Mr. LI Ching Wai	120,000 ordinary shares	5.56%
	Mr. NG Ngan Ho	80,000 ordinary shares	3.70%
	Mr. SZE Nang Sze	110,000 ordinary shares	5.09%
	Mr. LI Ching Leung	80,000 ordinary shares	3.70%

Notes:

- (o) Realbest is wholly-owned by Dr. LEE Yin Yee, B.B.S..
- (p) Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S..
- (q) High Park is wholly-owned by Mr. TUNG Ching Bor.
- (r) Copark is wholly-owned by Tan Sri Datuk TUNG Ching Sai J.P.
- (s) Goldbo is wholly-owned by Mr. LI Ching Wai.
- (t) Linkall is wholly-owned by Mr. NG Ngan Ho.
- (u) Goldpine is wholly-owned by Mr. SZE Nang Sze.
- (v) Herosmart is wholly-owned by Mr. LI Ching Leung.
- (w) Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai J.P. as to 16.20%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Save as disclosed above, as at 31 December 2020, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in any of the Shares, underlying Shares 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 recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

The Company

Long position in the Shares

Name of Substantial Shareholders	Number of Shares held	Nature of interest	Approximate percentage of the Company's issued share capital
Realbest	725,209,552	Registered and beneficial owner	17.95%
High Park	266,766,456	Registered and beneficial owner	6.60%
Copark	246,932,579	Registered and beneficial owner	6.11%
Telerich Investment Limited <i>(Note)</i>	251,595,089	Registered and beneficial owner	6.23%

Note: These Shares are registered in the name of Telerich Investment Limited, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, brother-in-law of Dr. LEE Yin Yee, B.B.S.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person having an interests or short positions in the Shares and the underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

Report of the Directors

PERMITTED INDEMNITY PROVISIONS

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

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 percentage of sales and purchases for continuing operation for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	3.5%
– five largest customers in aggregate	9.5%

Purchases

– the largest supplier	13.0%
– five largest suppliers in aggregate	26.7%

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

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2020 amounted to HK\$11,574.0 million (2019: HK\$10,809.5 million). Particulars of the bank borrowings are set forth in Note 20 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2020, we employed 14,334 employees in the PRC, Hong Kong, Malaysia, Canada and Japan. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programs to promote training.

RELATED PARTY/CONNECTED TRANSACTIONS

Details of the related party/connected transactions of the Group for the year ended 31 December 2020 are set forth in note 32 to the consolidated financial statements in this annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company has established an audit committee, comprising five 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 financial year ended 31 December 2020.



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

During the year ended 31 December 2020, the Company repurchased a total of 6,212,000 Shares on the Stock Exchange. The repurchased shares were cancelled in 2020. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets forth further information of such repurchase:

<u>Month of Repurchase</u>	<u>Number of Shares of HK\$0.10 each</u>	<u>Highest price per Share HK\$</u>	<u>Lowest price per Share HK\$</u>	<u>Aggregate consideration paid HK\$'000</u>
<u>January 2020</u>	<u>6,212,000</u>	<u>10.60</u>	<u>10.40</u>	<u>65,300</u>

SUFFICIENCY OF PUBLIC FLOAT

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

Report of the Directors

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2020 and up to the date of this annual report.

AUDITOR

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 28 May 2021, at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 10:30 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be despatched to the Shareholders in due course.

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

Hong Kong, 1 March 2021

Independent Auditor's Report



羅兵咸永道

Independent Auditor's Report

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

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 161, which comprise:

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



OUR OPINION

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

BASIS FOR OPINION

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

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

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Independent Auditor's Report

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 matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 the matter.

Key audit matter identified in our audit is summarised as follows:

- Impairment of trade receivables

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment of trade receivables

Refer to Notes 2.10, 4 and 15 to the consolidated financial statements.

As at 31 December 2020, the carrying amount of trade receivables of the Group amounting to approximately HK\$1,448,055,000. The Group made provision for loss allowance of trade receivables of approximately HK\$37,444,000 based on an estimate of the recoverability of these receivables.

Provisions are made for loss allowance of trade receivables where the Group expected the balances will not be collectible. The provision for loss allowance of trade receivables requires management judgements and estimations. Where the provision for loss allowance is materially different from the actual debt that is not collectible, such difference will adversely impact the carrying amount of receivables and the provision for loss allowance in the period in which such estimate has been changed.

We obtained, understood and evaluated management's provision for loss allowance assessment, including the methodology of the assessment.

We read the management's assessment for loss allowance and agreed with management's assessment result that certain loss allowance are being made.

On a sample basis, we evaluated management's provision for loss allowance assessment by checking the key information adopted in the provision for loss allowance assessment to supportable evidence such as aging analysis, individual customer's creditability assessment, historical payment track records, looking forward factors, correspondence on any disputes or claims with the customers and subsequent settlement records to assess whether management judgements involved in determining the collectability of receivables are appropriate and the amount of loss allowance provided were supported by 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 the Corporate Information, Chairman's Statement, Management's Discussion and Analysis, Profile of Directors and Senior Management, Report of the Directors, Corporate Governance Report and Financial Summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Environmental, Social and Governance Report, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Kwok Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 March 2021

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	6	17,141,977	14,202,835
Right-of-use assets	6 (B)	3,813,922	3,593,739
Investment properties	7	1,734,122	1,671,971
Prepayments for property, plant and equipment and right-of-use-assets	15	654,196	769,043
Intangible assets	8	484,375	65,334
Financial assets at fair value through other comprehensive income	11	29,006	51,752
Investments in associates	13	8,230,998	5,554,275
Loans to an associate	13	—	1,004
Deferred income tax assets	21	41,790	39,023
		<u>32,130,386</u>	<u>25,948,976</u>
Current assets			
Inventories	14	2,496,254	2,044,629
Loans to an associate	13	657	32,681
Trade and other receivables	15	4,916,167	3,085,866
Financial assets at fair value through profit and loss	12	223,553	—
Pledged bank deposits	16	59,518	44,222
Cash and cash equivalents	16	5,244,554	5,097,924
		<u>12,940,703</u>	<u>10,305,322</u>
Total assets		<u>45,071,089</u>	<u>36,254,298</u>
Equity			
Equity attributable to the equity holders of the Company			
Share capital	17	403,950	401,922
Share premium	17	535,560	388,161
Other reserves	18	3,661,450	867,623
Retained earnings	18	23,280,614	19,188,635
		<u>27,881,574</u>	<u>20,846,341</u>
Non-controlling interests		<u>91,775</u>	<u>81,085</u>
Total equity		<u>27,973,349</u>	<u>20,927,426</u>

	<i>Note</i>	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	20	7,794,815	6,350,418
Deferred income tax liabilities	21	409,954	419,404
Lease liabilities	6(B)	52,417	3,364
Other payables	19	146,211	131,996
		<u>8,403,397</u>	<u>6,905,182</u>
Current liabilities			
Trade, other payables and contract liabilities	19	3,917,129	3,349,206
Current income tax liabilities		967,180	609,661
Lease liabilities	6(B)	30,841	3,730
Bank and other borrowings	20	3,779,193	4,459,093
		<u>8,694,343</u>	<u>8,421,690</u>
Total liabilities		<u>17,097,740</u>	<u>15,326,872</u>
Total equity and liabilities		<u>45,071,089</u>	<u>36,254,298</u>

The financial statements on pages 54 to 161 were approved by the Board of Directors on 1 March 2021 and were signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Revenue	5	18,615,879	16,258,489
Cost of sales	22	(10,844,444)	(10,375,212)
Gross profit		7,771,435	5,883,277
Other income	24	463,961	528,684
Other gains - net	25	888,996	778,182
Selling and marketing costs	22	(958,661)	(939,680)
Administrative and other operating expenses	22	(1,804,735)	(1,692,329)
Operating profit		6,360,996	4,558,134
Finance income	26	37,773	91,989
Finance costs	26	(192,768)	(273,920)
Share of profits of associates	13	1,124,341	639,608
Profit before income tax		7,330,342	5,015,811
Income tax expense	27	(899,083)	(533,132)
Profit for the year		6,431,259	4,482,679
Profit attributable to:			
– Equity holders of the Company		6,422,213	4,477,792
– Non-controlling interests		9,046	4,887
Profit for the year		6,431,259	4,482,679
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
– Basic	28	159.49	111.77
– Diluted	28	158.84	111.43

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	6,431,259	4,482,679
Other comprehensive income, net of tax:		
Items that will not be reclassified subsequently to the consolidated income statement:		
Changes in fair value of financial assets at fair value through other comprehensive (loss)/income	(22,746)	13,239
Deregistration of a subsidiary	—	(546)
Disposal of interest in an associate	—	12,421
Dilution of interest in an associate	14,050	6,100
Items that may be reclassified subsequently to the consolidated income statement:		
Currency translation differences	1,945,649	(533,528)
Share of other comprehensive income/(loss) of investments accounted for using the equity method	408,834	(95,041)
Total comprehensive income for the year	8,777,046	3,885,324
Total comprehensive income for the year is attributable to:		
– Equity holders of the Company	8,765,710	3,880,512
– Non-controlling interests	11,336	4,812
Total comprehensive income for the year	8,777,046	3,885,324

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the Year Ended 31 December 2020

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2020		401,922	388,161	867,623	19,188,635	20,846,341	81,085	20,927,426
Comprehensive income								
Profit for the year		—	—	—	6,422,213	6,422,213	9,046	6,431,259
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive loss	11	—	—	(22,746)	—	(22,746)	—	(22,746)
Currency translation differences		—	—	1,943,359	—	1,943,359	2,290	1,945,649
Dilution of interest in an associate		—	—	14,050	—	14,050	—	14,050
Share of other comprehensive income of investments accounted for using the equity method	13	—	—	408,834	—	408,834	—	408,834
Total comprehensive income		—	—	2,343,497	6,422,213	8,765,710	11,336	8,777,046
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	17(A)	2,649	212,078	(32,153)	—	182,574	—	182,574
– value of employee services	17(A)	—	—	44,514	—	44,514	—	44,514
– adjustment relating to forfeiture of share options		—	—	(131)	131	—	—	—
Repurchase and cancellation of shares	17(B)	(621)	(64,679)	621	(621)	(65,300)	—	(65,300)
Transfer to reserve	18(a)	—	—	437,479	(437,479)	—	—	—
Dividends relating to 2019		—	—	—	(1,206,344)	(1,206,344)	—	(1,206,344)
Dividends relating to 2020	29	—	—	—	(685,921)	(685,921)	—	(685,921)
Dividends paid to non-controlling interests		—	—	—	—	—	(646)	(646)
Total transactions with owners		2,028	147,399	450,330	(2,330,234)	(1,730,477)	(646)	(1,731,123)
Balance at 31 December 2020		403,950	535,560	3,661,450	23,280,614	27,881,574	91,775	27,973,349

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2019		399,320	249,821	938,284	17,037,302	18,624,727	77,534	18,702,261
Comprehensive income								
Profit for the year		—	—	—	4,477,792	4,477,792	4,887	4,482,679
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income								
	11	—	—	13,239	—	13,239	—	13,239
Currency translation differences		—	—	(533,453)	—	(533,453)	(75)	(533,528)
Deregistration of a subsidiary		—	—	(546)	—	(546)	—	(546)
Disposal of interest in an associate		—	—	12,421	—	12,421	—	12,421
Dilution of interest in an associate		—	—	6,100	—	6,100	—	6,100
Share of other comprehensive loss of investments accounted for using the equity method	13	—	—	(95,041)	—	(95,041)	—	(95,041)
Total comprehensive income		—	—	(597,280)	4,477,792	3,880,512	4,812	3,885,324
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	17(A)	2,902	163,343	(29,379)	—	136,866	—	136,866
– value of employee services	17(A)	—	—	41,549	—	41,549	—	41,549
– adjustment relating to forfeiture of share options		—	—	(26)	26	—	—	—
Repurchase and cancellation of shares	17(B)	(300)	(25,003)	300	(300)	(25,303)	—	(25,303)
Transfer to reserve	18(a)	—	—	242,251	(242,251)	—	—	—
Dividends relating to 2018		—	—	—	(1,082,087)	(1,082,087)	—	(1,082,087)
Dividends relating to 2019	29	—	—	—	(1,001,847)	(1,001,847)	—	(1,001,847)
Dividends paid to non-controlling interests		—	—	—	—	—	(1,261)	(1,261)
Share of gain on changes in ownership in subsidiaries of an associate	13	—	—	271,924	—	271,924	—	271,924
Total transactions with owners		2,602	138,340	526,619	(2,326,459)	(1,658,898)	(1,261)	(1,660,159)
Balance at 31 December 2019		401,922	388,161	867,623	19,188,635	20,846,341	81,085	20,927,426

The notes on pages 62 to 161 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	5,348,347	4,689,444
Interest paid		(253,988)	(343,620)
Income tax paid		(590,030)	(566,703)
Net cash generated from operating activities		4,504,329	3,779,121
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,199,029)	(2,874,715)
Purchase of intangible assets		(415,489)	—
Proceeds from disposal of property, plant and equipment	30(b)	28,727	10,026
Proceeds from disposal of investment properties	30(c)	22,986	—
Additions to investment property		—	(32,229)
Payment for right-of-use assets in relation to land use right		(1,011)	(37,416)
Payment for right-of-use assets in relation to building		(13,433)	—
Purchase of financial assets at fair value through profit and loss		(288,444)	(403,614)
Proceeds from disposal of financial assets at fair value through profit and loss		144,641	542,167
Proceeds from disposal of equity interest in an associate		—	1,164,456
Addition to investment in an associate	13	(374,323)	(798,226)
Dividends received from associates	13	402,128	227,274
Loan repayment from an associate		33,118	2,425
Increase in pledged bank deposits		(15,296)	(30,089)
Decrease in fixed deposits		—	79,699
Interest received		37,773	91,989
Net cash used in investing activities		(3,637,652)	(2,058,253)

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from financing activities			
Proceeds from bank and other borrowings		6,785,000	5,850,000
Repayment of bank and other borrowings		(6,020,503)	(5,009,863)
Repayment of lease liabilities		(13,624)	(2,796)
Shares repurchased and cancelled		(65,300)	(25,303)
Net proceeds from issuance of ordinary shares by share options		182,574	136,866
Dividends paid to shareholders of the Company		(1,892,265)	(2,083,934)
Dividends paid to non-controlling interests		(646)	(1,261)
Net cash used in financing activities		(1,024,764)	(1,136,291)
Net (decrease)/increase in cash and cash equivalents		(158,087)	584,577
Cash and cash equivalents at the beginning of the year		5,097,924	4,598,506
Effect of foreign exchange rate changes on cash and cash equivalents		304,717	(85,159)
Cash and cash equivalents at end of year	16	5,244,554	5,097,924

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in the production and sales of float glass, automobile glass, architectural glass products, which were carried out internationally, through the production complexes located in Mainland China (the “PRC”) and Malaysia in 2020.

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 dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 1 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and in compliance with 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 other comprehensive income (“FVOCI”), financial assets at fair value through profit and loss (“FVTPL”) and investment properties, which are measured at fair values.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

- (a) The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2020. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group:

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

- (b) New standards and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contract	1 January 2023
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-Scope Amendments	1 January 2022
Annual Improvements Project	Annual Improvements 2018 – 2020 Cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power 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.

(a) *Business combinations*

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

(a) *Business combinations* (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

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

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

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

(b) *Changes in ownership interests*

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

(c) *Separate financial statements*

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

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

2.3 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint 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.

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 the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When 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 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.

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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 makes strategic decisions.

2.5 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 Hong Kong dollars ("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 gains - net".

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as FVOCI are included in other comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 FOREIGN CURRENCY TRANSLATION (Continued)

(c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Construction in progress represents buildings and plants, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at cost which includes development and construction expenditure 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.7 INVESTMENT PROPERTIES

Investment properties, principally comprising leasehold lands and office buildings, are held for long-term rental yields, capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including related transaction costs and interest expense capitalised. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as fair value gain or loss in "Other gains - net".

2.8 INTANGIBLE ASSETS

(a) Goodwill

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 INTANGIBLE ASSETS (Continued)

(b) *Trademark, customer relationship and patent*

Trademark, customer relationship and patent acquired in a business combination are recognised at fair value at the acquisition date. Trademark, customer relationship and patent have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademark, customer relationship and patent over their estimated useful lives of 3 - 20 years.

(c) *Float glass production capacity*

Float glass production capacity acquired from external parties are recognised at fair value at the acquisition date. The management considered that the float glass production capacity has indefinite useful life because it is expected to contribute to net cash inflows indefinitely. It has no foreseeable limit to the period over which the Group can use to generate net cash flows. The float glass production capacity will not be amortised until its useful life is determined to be finite. Float glass production capacity is subjected to impairment test annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Float glass production capacity is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the using of the float glass production capacity. The units or groups of units are identified at the lowest level at which float glass production capacity is monitored for internal management purposes, being the operating segments.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have 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 tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 inflows which are highly independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER 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 or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group'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 the consolidated income statement or other comprehensive income. 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.

(b) *Recognition and derecognition*

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

(c) *Measurement*

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) Measurement (Continued)

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 the consolidated income statement and presented in "Other 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 other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in "Other 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 gains - net" and impairment expenses are presented as separate line item in the consolidated income statement.

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of HKFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies. If an entity makes the election, changes in fair value recognised in other comprehensive income will not be reclassified to profit and loss.

- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in consolidated income statement and presented within "Other gains - net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) *Measurement* (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains - net" or "Other income" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.



(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.

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

2.11 OFFSETTING FINANCIAL INSTRUMENTS

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVENTORIES

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

2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.14 CASH AND BANK BALANCES

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

2.15 SHARE CAPITAL

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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 facilities 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 facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2.17 BORROWINGS COSTS

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

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

All other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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 year 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 end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered either through sale or through use.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 CURRENT AND DEFERRED INCOME TAX (Continued)

(c) *Offsetting*

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

(d) *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.



2.19 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 obligation at the end of the reporting period. The discount rate used to determine the present value is 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 EMPLOYEE BENEFITS

(a) *Pension obligations*

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

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee leave entitlements*

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

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

(c) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 SHARE-BASED PAYMENTS

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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 entity revises its 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 (nominal value) and share premium when the options are exercised.

(b) *Share-based payment transactions among group entities*

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

2.22 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. The amounts are unsecured and are usually paid within 30-90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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.

2.24 GOVERNMENT GRANTS

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

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

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

2.25 REVENUE RECOGNITION

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

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

Receivable is recognised when the goods are delivered as this is the point in time that the consideration become unconditional and only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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 following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 LEASES (Continued)

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 of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases 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.

Lease income from operating leases where the Group is a lessor is recognised in other income on a straight-line basis over the lease term (Note 6(B)). The respective leased assets are included in the balance sheet based on their nature.

2.27 DIVIDEND DISTRIBUTION

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

2.28 INTEREST INCOME

Interest income on financial assets at amortised cost, calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (Note 26). Any other interest income is included in other income.

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).

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, price 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 in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("RMB") and HK\$. Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade and other receivables, pledged bank deposits, fixed deposits, cash and bank balances, trade and other payables, and bank and other borrowings are disclosed in Notes 15, 16, 19 and 20 to the consolidated financial statements.

As at 31 December 2020, if RMB had strengthened/weakened by 5% (2019: 5%) against the HK\$ with all other variables held constant, profit after income tax for the year would have been approximately HK\$123,000 (2019: HK\$936,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents, fixed deposits, pledged bank deposits and bank and other borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents, fixed deposits, pledged bank deposits and bank and other borrowings have been disclosed in Notes 16 and 20 to the consolidated financial statements.

As at 31 December 2020, if HK\$ interest rates on cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings had been 25 (2019: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK\$23,970,000 (2019: HK\$22,366,000) lower/higher, mainly as a result of higher/lower net interest expense on cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2020, if RMB interest rates on cash and cash equivalents, fixed deposits and pledged bank deposits had been 25 (2019: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK\$9,290,000 (2019: HK\$9,227,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

As at 31 December 2020, if USD interest rates on cash and bank balances and pledged bank deposits had been 25 (2019: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK\$1,333,000 (2019: HK\$1,072,000) higher/lower, mainly as a result of higher net interest income on cash and cash equivalents and pledged bank deposits.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, fixed deposits, pledged bank deposits, trade and other receivables and loans to an associate and cash flows from derivative financial instruments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents at bank	5,239,532	5,094,711
Pledged bank deposits (<i>Note 16</i>)	59,518	44,222
Trade and other receivables excluding non-financial assets	3,979,125	2,377,455
Loans to an associate (<i>Note 13</i>)	657	33,685
Maximum exposure to credit risk	<u>9,278,832</u>	<u>7,550,073</u>

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

As at 31 December 2020 and 2019, most of the bank deposits are deposited with reputable banks in Hong Kong and state-owned banks in the PRC. The credit quality of cash and bank balances 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.

In respect of trade and other receivables and loans to an associate, the Group has policies in place to ensure that the loans or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and its customers.

The credit period of the majority of the Group's trade receivables is within 90 days and largely comprises amounts receivable from business customers.

There is some concentration of credit risks of the Group (Note 15(b)).

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for expected credit losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

- cash and cash equivalents at bank
- fixed deposits
- pledged bank deposits
- trade and other receivables
- loans to an associate

While cash and cash equivalents, fixed deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on aging.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2020 and 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for trade receivables:

	0 - 90 days	91 - 180 days	181 - 365 days	1 - 2 years	Over 2 years	Total
31 December 2020						
Expected loss rate	0%	0%	0%	21%	100%	
Gross carrying amount (HK\$'000)	1,127,390	157,229	69,325	71,836	22,275	1,448,055
Loss allowance (HK\$'000)	—	—	—	15,169	22,275	37,444
	0 - 90 days	91 - 180 days	181 - 365 days	1 - 2 years	Over 2 years	Total
31 December 2019						
Expected loss rate	0%	0%	0%	30%	100%	
Gross carrying amount (HK\$'000)	1,003,803	166,458	185,198	77,939	18,096	1,451,494
Loss allowance (HK\$'000)	—	—	—	23,385	18,096	41,481

Movements of loss allowance of trade receivables are set out in Note 15(b).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

Trade receivables (Continued)

Trade receivables 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 of greater than 2 years past due.

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

Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of bills receivables are assessed to be close to zero and no provision was made as at 31 December 2020 and 2019.

For other financial assets at amortised cost, management considers that their credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

(c) *Price risk*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVOCI (Note 11) and financial assets at FVTPL (Note 12).

The Group does not have formal policy to manage its price risk arising from investments in equity securities.

With all other variables held constant, if the market price of financial assets at FVOCI measured at fair value had been 10% higher/lower than the actual closing price as at year end, the equity as at 31 December 2020 would increase/decrease by approximately HK\$2,901,000 (2019: HK\$5,175,000).

With all other variables held constant, if the market price of financial assets at FVTPL measured at fair value had been 10% higher/lower than the actual closing price as at year end, the equity as at 31 December 2020 would increase/decrease by approximately HK\$22,355,000.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 December 2020				
Bank borrowings and interest payables	3,889,688	4,562,801	3,314,476	11,766,965
Trade and other payables excluding non-financial liabilities	2,789,489	146,211	—	2,935,700
Lease liabilities	33,855	26,303	27,378	87,536
Total	6,713,032	4,735,315	3,341,854	14,790,201
At 31 December 2019				
Bank borrowings and interest payables	4,781,687	3,178,903	3,440,432	11,401,022
Trade and other payables excluding non-financial liabilities	2,513,941	131,996	—	2,645,937
Lease liabilities	4,045	2,129	1,483	7,657
Total	7,299,673	3,313,028	3,441,915	14,054,616

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 the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings 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, fixed deposits and pledged bank deposits.

The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020 HK\$'000	2019 HK\$'000
Total bank and other borrowings (<i>Note 20</i>) and lease liabilities (<i>Note 6(B)</i>)	11,657,266	10,816,605
Less: cash and cash equivalents, fixed deposits and pledged bank deposits (<i>Note 16</i>)	(5,304,072)	(5,142,146)
Net debt	6,353,194	5,674,459
Total equity	27,973,349	20,927,426
Gearing ratio	22.7%	27.1%

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities (other than investments properties disclosed in Note 7) that are measured at fair value at 31 December 2020 and 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2020				
Assets				
Financial assets at FVOCI				
– Equity securities	29,006	—	—	29,006
Financial assets at FVTPL				
– Equity securities	223,553	—	—	223,553
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2019				
Assets				
Financial assets at FVOCI				
– Equity securities	51,752	—	—	51,752

There were no transfers among levels 1, 2 and 3 during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices for financial assets at FVOCI and FVTPL used by the Group are the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.



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 addressed below.

(A) PROPERTY, PLANT AND EQUIPMENT

(i) Useful lives

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

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(A) PROPERTY, PLANT AND EQUIPMENT (Continued)

(ii) *Impairment assessment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information, past experience and the sustainability of the financial performance in the foreseeable future.

(B) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group makes provision for expected credit losses of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for expected credit losses in the period in which such estimate has been changed.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(C) 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 consolidated financial statements. Deferred income tax liabilities of the Group mainly arise from fair value gain from investment properties and unremitted earnings of the PRC subsidiaries. The realisability of the deferred income tax liabilities and assets mainly depends on its subsidiaries' dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates have been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(D) FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are carried at their fair values at 31 December 2020 amounting to HK\$1,734,122,000 (2019: HK\$1,671,971,000). The fair values were based on valuation on these properties conducted by independent professionally qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated income statement. Information about the valuation of investment properties is provided in Note 7.

5 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 an operational perspective. Generally, the executive directors consider the performance of business of each operating segment within the Group separately. Thus, each business within the Group is an individual operating segment.

Among these operating segments, they are aggregated into three segments based on the products sold: (1) float glass; (2) automobile glass; and (3) architectural glass.

Due to the change in market trend and operational perspective, the Group has reclassified the semi-finished large sheet low emission coating glass ("Low-E glass") business from architectural glass segment to float glass segment during the year of 2020. Low-E glass, the energy saving glass with a metallic coating from float glass, is considered to have more similar economic characteristics to float glass segment, including the type and class of customers, key performance indicators of the operating results and chief decision maker. The Group has adopted the new segment reporting format effective from the year ended 31 December 2020. The comparative segment information has been re-presented to reflect changes of reclassification of the Low-E glass business.

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.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2020 is as follows:

	Float glass HK\$'000	Automobile glass HK\$'000	Architectural glass HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue	14,169,688	4,608,976	2,212,161	—	20,990,825
Inter-segment revenue	(2,374,946)	—	—	—	(2,374,946)
Revenue from external customers (Note)	11,794,742	4,608,976	2,212,161	—	18,615,879
Cost of sales	(7,170,288)	(2,432,070)	(1,242,086)	—	(10,844,444)
Gross profit	4,624,454	2,176,906	970,075	—	7,771,435
Depreciation charge					
– property, plant and equipment (Note 22)	820,080	144,532	102,105	2,322	1,069,039
– right-of-use assets (Note 22)	37,590	6,167	1,236	53,774	98,767
Amortisation charge					
– intangible assets (Note 22)	—	1,791	—	—	1,791
Increase in provision for loss allowance, net (Note 22)	—	3,130	12,750	—	15,880
Share of profits of associates (Note 13)	—	—	—	1,124,341	1,124,341

Note:

The Group's revenue from all segments during year ended 31 December 2020 have been recognised at point in time.

5 SEGMENT INFORMATION (Continued)

	Assets and liabilities				
	Automobile		Architectural		Total
	Float glass	glass	glass	Unallocated	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total assets	<u>20,203,797</u>	<u>7,134,112</u>	<u>2,079,505</u>	<u>15,653,675</u>	<u>45,071,089</u>
Total assets included:					
Investments in associates (Note 13)	—	—	—	8,230,998	8,230,998
Loan to an associate (Note 13)	—	—	—	657	657
Investment properties (Note 7)	—	—	—	1,734,122	1,734,122
Additions to non-current assets (other than financial assets at FVOCI)	<u>3,337,087</u>	<u>137,519</u>	<u>109,050</u>	<u>235,709</u>	<u>3,819,365</u>
Total liabilities	<u>2,138,481</u>	<u>1,150,421</u>	<u>1,013,840</u>	<u>12,794,998</u>	<u>17,097,740</u>

The re-presented segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2019 is as follows:

	Automobile		Architectural		Total
	Float glass	glass	glass	Unallocated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	11,596,590	4,502,599	2,110,427	—	18,209,616
Inter-segment revenue	(1,951,127)	—	—	—	(1,951,127)
Revenue from external customers (Note)	9,645,463	4,502,599	2,110,427	—	16,258,489
Cost of sales	(6,798,905)	(2,413,214)	(1,163,093)	—	(10,375,212)
Gross profit	<u>2,846,558</u>	<u>2,089,385</u>	<u>947,334</u>	<u>—</u>	<u>5,883,277</u>
Depreciation charge					
– property, plant and equipment (Note 22)	774,369	124,708	82,871	5,779	987,727
– right-of-use assets (Note 22)	21,225	4,798	3,696	54,666	84,385
Amortisation charge					
– intangible assets (Note 22)	—	2,119	—	—	2,119
Increase in provision for loss allowance, net (Note 22)	—	315	4,659	—	4,974
Share of profits of associates (Note 13)	—	—	—	639,608	639,608

Note:

The Group's revenue from all segments during year ended 31 December 2019 have been recognised at point in time.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The re-presented segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2019 is as follows: (Continued)

	Assets and liabilities				Total HK\$'000
	Float glass	Automobile glass	Architectural glass	Unallocated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total assets	15,357,331	6,911,576	1,783,944	12,201,447	36,254,298
Total assets included:					
Investments in associates (<i>Note 13</i>)	—	—	—	5,554,275	5,554,275
Loans to an associate (<i>Note 13</i>)	—	—	—	33,685	33,685
Investment properties (<i>Note 7</i>)	—	—	—	1,671,971	1,671,971
Additions to non-current assets (other than financial assets at FVOCI)	2,619,094	208,775	71,878	200,007	3,099,754
Total liabilities	1,817,197	1,319,422	487,641	11,702,612	15,326,872

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

	2020 HK\$'000	2019 HK\$'000
Segment gross profit	7,771,435	5,883,277
Unallocated:		
Other income	463,961	528,684
Other gains - net	888,996	778,182
Selling and marketing costs	(958,661)	(939,680)
Administrative and other operating expenses	(1,804,735)	(1,692,329)
Finance income	37,773	91,989
Finance costs	(192,768)	(273,920)
Share of profits of associates	1,124,341	639,608
Profit before income tax	7,330,342	5,015,811

5 SEGMENT INFORMATION (Continued)

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

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment assets/(liabilities)	29,417,414	24,052,851	(4,302,742)	(3,624,260)
Unallocated:				
Property, plant and equipment	1,478,451	1,403,437	—	—
Right-of-use assets	2,190,874	2,107,433	—	—
Investment properties	1,734,122	1,671,971	—	—
Prepayments for property, plant and equipment and right-of-use assets	1,633	1,791	—	—
Financial assets at FVOCI	29,006	51,752	—	—
Financial assets at FVTPL	223,553	—	—	—
Investments in associates	8,230,998	5,554,275	—	—
Balances with associates	657	33,685	—	—
Prepayments, deposits and other receivables	775,093	674,396	—	—
Cash and bank balances	989,288	702,707	—	—
Other payables	—	—	(626,354)	(351,442)
Current income tax liabilities	—	—	(185,118)	(122,996)
Deferred income tax liabilities	—	—	(409,518)	(418,663)
Bank and other borrowings	—	—	(11,574,008)	(10,809,511)
Total assets/(liabilities)	45,071,089	36,254,298	(17,097,740)	(15,326,872)

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

Breakdown of the revenue from the sales of products is as follows:

	2020 HK\$'000	2019 HK\$'000
Sales of float glass	11,794,742	9,645,463
Sales of automobile glass	4,608,976	4,502,599
Sales of architectural glass	2,212,161	2,110,427
Total	18,615,879	16,258,489

The Group's revenue is mainly derived from customers located in Greater China (including Hong Kong and the PRC), North America and Europe whilst the Group's business activities are conducted predominately in Greater China. An analysis of the Group's sales by geographical area of its customers is as follows:

	2020 HK\$'000	2019 HK\$'000
Greater China	13,636,338	11,190,197
North America	1,963,977	1,949,120
Europe	591,024	664,105
Other countries	2,424,540	2,455,067
Total	18,615,879	16,258,489

An analysis of the Group's non-current assets other than financial assets at FVOCI by geographical area in which the assets are located is as follows:

	2020 HK\$'000	2019 HK\$'000
Greater China	30,025,323	23,819,648
North America	7,450	15,071
Malaysia	2,068,201	2,061,732
Other countries	406	773
Total	32,101,380	25,897,224

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2020 (2019: None).

Sales of goods are recognised at a point in time when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

6 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Freehold land HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 January 2019						
Cost	505,335	126,836	4,477,832	14,135,357	94,876	19,340,236
Accumulated depreciation	—	—	(969,448)	(5,212,156)	(79,190)	(6,260,794)
Net book amount	505,335	126,836	3,508,384	8,923,201	15,686	13,079,442
Year ended 31 December 2019						
Opening net book amount	505,335	126,836	3,508,384	8,923,201	15,686	13,079,442
Currency translation differences	(9,441)	(592)	(47,965)	(147,957)	(1,082)	(207,037)
Additions	2,058,587	17,167	52,773	312,010	13,099	2,453,636
Transfers	(824,319)	—	68,803	751,675	3,841	—
Transfer to investment properties (<i>Note 7</i>)	—	—	(6,983)	—	—	(6,983)
Disposals	(4,717)	—	—	(31,906)	(462)	(37,085)
Depreciation charge	—	—	(181,506)	(885,126)	(12,506)	(1,079,138)
Reclassification	—	—	(43,529)	43,385	144	—
Closing net book amount	1,725,445	143,411	3,349,977	8,965,282	18,720	14,202,835
At 31 December 2019						
Cost	1,725,445	143,411	4,487,738	14,845,148	106,211	21,307,953
Accumulated depreciation	—	—	(1,137,761)	(5,879,866)	(87,491)	(7,105,118)
Net book amount	1,725,445	143,411	3,349,977	8,965,282	18,720	14,202,835

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Construction in progress HK\$'000	Freehold land HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Total HK\$'000
Year ended 31 December 2020						
Opening net book amount	1,725,445	143,411	3,349,977	8,965,282	18,720	14,202,835
Currency translation differences	106,293	1,850	173,648	479,778	274	761,843
Additions	2,823,183	—	7,608	597,481	25,724	3,453,996
Transfers	(3,598,046)	—	754,803	2,827,634	15,609	—
Disposals	(17,174)	—	(60)	(62,791)	(75)	(80,100)
Depreciation charge	—	—	(182,784)	(996,133)	(17,680)	(1,196,597)
Reclassification	—	—	(460)	280	180	—
Closing net book amount	<u>1,039,701</u>	<u>145,261</u>	<u>4,102,732</u>	<u>11,811,531</u>	<u>42,752</u>	<u>17,141,977</u>
At 31 December 2020						
Cost	1,039,701	145,261	5,482,910	19,010,440	154,294	25,832,606
Accumulated depreciation	—	—	(1,380,178)	(7,198,909)	(111,542)	(8,690,629)
Net book amount	<u>1,039,701</u>	<u>145,261</u>	<u>4,102,732</u>	<u>11,811,531</u>	<u>42,752</u>	<u>17,141,977</u>

Depreciation expense of approximately HK\$966,862,000 (2019: HK\$891,253,000) has been charged in cost of sales, HK\$102,177,000 (2019: HK\$96,474,000) in selling and marketing costs and administrative and other operating expenses and HK\$561,493,000 (2019: HK\$433,935,000) has been capitalised in inventories.

During the year, the Group capitalised borrowing costs amounted to HK\$63,907,000 (2019: HK\$70,583,000) on qualifying assets (Note 26). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.2% (2019: 3.1%) per annum.

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

6(B) LEASES

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

(i) *Amounts recognised in the consolidated balance sheet*

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

	2020 HK\$'000	2019 HK\$'000
Right-of-use assets		
Leasehold lands and land-use rights	3,736,876	3,588,141
Buildings	77,046	5,598
	<u>3,813,922</u>	<u>3,593,739</u>
	2020 HK\$'000	2019 HK\$'000
Lease liabilities		
Current	30,841	3,730
Non-current	52,417	3,364
	<u>83,258</u>	<u>7,094</u>

Notes:

- (a) Depreciation charge of HK\$5,964,000 (2019: HK\$11,682,000) were capitalised as direct cost of construction in progress during the year ended 31 December 2020 when the buildings thereon were not yet ready for production purposes. For the year ended 31 December 2020, depreciation of the Group's right-of-use assets amounted to HK\$98,767,000(2019: HK\$84,385,000) were charged to the consolidated income statement (Note 22).

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

6(B) LEASES (Continued)

(II) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets		
Leasehold land and land use rights	91,307	92,658
Buildings	13,424	3,409
	104,731	96,067
Unwinding of interest on lease liabilities (Note 26)	2,687	883

The total cash outflow for leases in 2020 was HK\$13,624,000 (2019:HK\$2,796,000).

(III) The group's leasing activities and how these are accounted for

Lands in the PRC are state-owned. The Group acquired leasehold lands from mainland China government by one-off prepayment with lease terms of 1 to 50 years. The leasehold lands were classified as "right-of-use assets". The Group also leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 year to 4.6 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 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.

7 INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
At 1 January	1,671,971	1,674,495
Currency translation differences	109,200	(32,396)
Disposal (<i>Note 30(c)</i>)	(50,280)	—
Fair value gains (<i>Note 25</i>)	3,231	22,061
Transferred from property, plant and equipment (<i>Note 6</i>)	—	6,983
Transferred from right-of-use assets (<i>Note 6(B)</i>)	—	828
At 31 December	1,734,122	1,671,971

Amounts recognised in profit or loss for investment properties:

	2020 HK\$'000	2019 HK\$'000
Rental income from operating lease (<i>Note 24</i>)	35,861	17,618
Fair value gains recognised in other gains, net (<i>Note 25</i>)	3,231	22,061

The investment properties are leased to tenants under operating leases with rentals payable monthly.

Minimum lease payments receivable on leases of investment properties are set out in Note 31.

As at 31 December 2020, the Group had four (2019: five) investment properties located in the PRC and one (2019: one) investment property in Hong Kong. The Group obtained independent valuations from Graval Consulting Limited for three investment properties located in the PRC and an investment property in Hong Kong (2019: Grant Sherman Appraisal Limited for four investment properties located in the PRC and an investment property in Hong Kong).

Notes to the Consolidated Financial Statements

7 INVESTMENT PROPERTIES (Continued)

VALUATION PROCESSES OF THE GROUP

The Group's investment properties were valued at 31 December 2020 and 2019 by independent professionally qualified valuers who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

At each financial year end the Group's finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

The following table analyses the investment properties carried at their fair values, by valuation method, and an investment property carried at cost.

	2020 HK\$'000	2019 HK\$'000
Fair value hierarchy (level 3):		
– Commercial building - Xiamen, the PRC	1,416,180	1,325,376
– Commercial building 1 - Shenzhen, the PRC	—	47,072
– Commercial building 3 - Shenzhen, the PRC	130,347	119,576
– Office unit - Wuhu, the PRC	114,382	106,928
– Office unit - Hong Kong	70,160	70,160
	1,731,069	1,669,112
At cost:		
– Commercial building 2 - Shenzhen, the PRC (<i>Note</i>)	3,053	2,859
	1,734,122	1,671,971

Note: As at 31 December 2020 and 2019, the fair value of this investment property could not be reliably measured as the market for comparable properties was inactive due to the Group was in the process of obtaining the property ownership certificate in respect of property interest held. In addition, alternative for reliably measurement of fair value of the property was not available. In the opinion of directors, the absence of the property ownership certificate to this property interest does not impair the carrying amount to the Group as the Group has paid the full purchase consideration of this property interest and the probability of being evicted on the ground of an absence of property ownership certificate is remote.

There were no transfers among levels 1, 2 and 3 during the year.

7 INVESTMENT PROPERTIES (Continued)

VALUATION PROCESSES OF THE GROUP (Continued)

	Commercial building - Xiamen, the PRC HK\$'000	Commercial building 1 - Shenzhen, the PRC HK\$'000	Commercial building 3 - Shenzhen, the PRC HK\$'000	Office unit - Wuhu, the PRC HK\$'000	Office unit - Hong Kong HK\$'000	Total HK\$'000
At 1 January 2020	1,325,376	47,072	119,576	106,928	70,160	1,669,112
Currency translation differences	90,332	3,208	8,176	7,290	—	109,006
Disposal for the year	—	(50,280)	—	—	—	(50,280)
Fair value gains (Note 25)	472	—	2,595	164	—	3,231
At 31 December 2020	1,416,180	—	130,347	114,382	70,160	1,731,069
Total gains for the year included in the consolidated income statement for assets held at the end of year	472	—	2,595	164	—	3,231
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of year	472	—	2,595	164	—	3,231

Notes to the Consolidated Financial Statements

7 INVESTMENT PROPERTIES (Continued)

VALUATION PROCESSES OF THE GROUP (Continued)

Fair value measurement using significant unobservable input (level 3)

	Commercial building - Xiamen, the PRC HK\$'000	Commercial building 1 - Shenzhen, the PRC HK\$'000	Commercial building 3 - Shenzhen, the PRC HK\$'000	Office unit - Wuhu, the PRC HK\$'000	Office unit - Hong Kong HK\$'000	Total HK\$'000
At 1 January 2019	1,331,323	49,072	116,816	98,487	75,880	1,671,578
Currency translation differences	(26,985)	(998)	(2,360)	(1,995)	—	(32,338)
Transfer from property, plant and equipment (<i>Note 6</i>)	—	—	—	6,983	—	6,983
Transfer from right-of-use assets (<i>Note 6(B)</i>)	—	—	—	828	—	828
Fair value gains/(losses) (<i>Note 25</i>)	21,038	(1,002)	5,120	2,625	(5,720)	22,061
At 31 December 2019	1,325,376	47,072	119,576	106,928	70,160	1,669,112
Total gains/(losses) for the year included in the consolidated income statement for assets held at the end of year	21,038	(1,002)	5,120	2,625	(5,720)	22,061
Change in unrealised gains/(losses) for the year included in the consolidated income statement for assets held at the end of year	21,038	(1,002)	5,120	2,625	(5,720)	22,061

7 INVESTMENT PROPERTIES (Continued)

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Description	Fair value at 31 December 2020	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Commercial building – Xiamen, the PRC	HK\$1,416,180,000 (2019: HK\$1,325,376,000)	Based on current prices in an active market for similar properties in the same location and condition and subject to similar lease (2019: same)	Market value (2019: same)	HK\$26,212 per square meter (2019: HK\$24,271 per square meter)	The higher the market value, the higher the fair value
Commercial building 3 – Shenzhen, the PRC	HK\$130,347,000 (2019: HK\$119,576,000)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2019: same)	Recent market price (2019: same)	HK\$42,438 per square meter (2019: HK\$38,817 per square meter)	The higher the market value, the higher the fair value
Office unit - Wuhu, the PRC	HK\$114,382,000 (2019: HK\$106,928,000)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2019: Same)	Market value (2019: Same)	HK\$9,310 per square meter (2019: HK\$8,646 per square meter)	The higher the market value, the higher the fair value
Office unit - Hong Kong	HK\$70,160,000 (2019: HK\$70,160,000)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2019: same)	Recent market price (2019: same)	HK\$ 18,500 per square feet (2019: HK\$18,500 per square feet)	The higher the market value, the higher the fair value
			Level adjustment (2019: same)	3.5% (2019:same)	The higher the level, the higher the fair value
			View adjustment (2019: same)	5% (2019: same)	The better the view, the higher the fair value

There were no changes to the valuation techniques during the year.

Notes to the Consolidated Financial Statements

8 INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademark HK\$'000	Customer relationship HK\$'000	Patent HK\$'000	Float Glass Production Capacity HK\$'000	Total HK\$'000
At 1 January 2019						
Cost	55,877	20,306	5,404	7,892	—	89,479
Accumulated amortisation and impairment	—	(12,112)	(3,223)	(6,670)	—	(22,005)
Net book amount	55,877	8,194	2,181	1,222	—	67,474
Year ended 31 December 2019						
Opening net book amount	55,877	8,194	2,181	1,222	—	67,474
Currency translation differences	—	—	—	(21)	—	(21)
Amortisation charge (<i>Note 22</i>)	—	(1,069)	(289)	(761)	—	(2,119)
Closing net book amount	55,877	7,125	1,892	440	—	65,334
At 31 December 2019						
Cost	55,877	20,306	5,404	7,731	—	89,318
Accumulated amortisation and impairment	—	(13,181)	(3,512)	(7,291)	—	(23,984)
Net book amount	55,877	7,125	1,892	440	—	65,334
Year ended 31 December 2020						
Opening net book amount	55,877	7,125	1,892	440	—	65,334
Currency translation difference	—	—	—	—	5,343	5,343
Additions (<i>Note</i>)	—	—	—	—	415,489	415,489
Amortisation charge (<i>Note 22</i>)	—	(1,062)	(289)	(440)	—	(1,791)
Closing net book amount	55,877	6,063	1,603	—	420,832	484,375
At 31 December 2020						
Cost	55,877	20,306	5,404	7,731	420,832	510,150
Accumulated amortisation and impairment	—	(14,243)	(3,801)	(7,731)	—	(25,775)
Net book amount	55,877	6,063	1,603	—	420,832	484,375

8 INTANGIBLE ASSETS (Continued)

Amortisation charge of HK\$1,791,000 (2019: HK\$2,119,000) has been included in administrative and other operating expenses in the consolidated income statement (Note 22).

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. For the purposes of impairment testing, goodwill has been allocated to the automobile glass operating segment.

The recoverable amount of the automobile glass operating segment is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with estimated compound annual growth rate of 5.0% (2019: 5.0%). Cash flows beyond the five-year period are extrapolated using the terminal growth rate of 3.0% (2019: 3.0%).

Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 11.4% (2019: 11.4%) per annum. The discount rate used is pre-tax and reflects specific risks relating to this operating segment.

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

Notes to the Consolidated Financial Statements

9 FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK\$'000	2019 HK\$'000
Financial assets as per consolidated balance sheet		
Financial assets at FVOCI (<i>Note 11</i>)	29,006	51,752
Financial assets at FVTPL (<i>Note 12</i>)	223,553	—
Loans to an associate (<i>Note 13</i>)	657	33,685
Trade and other receivables excluding non-financial assets	3,979,125	2,377,455
Pledged bank deposits (<i>Note 16</i>)	59,518	44,222
Cash and cash equivalents (<i>Note 16</i>)	5,244,554	5,097,924
Total	9,536,413	7,605,038
Financial liabilities as per consolidated balance sheet		
Liabilities at amortised cost		
Bank and other borrowings (<i>Note 20</i>)	11,574,008	10,809,511
Trade and other payables excluding non-financial liabilities	2,935,700	2,645,937
Lease liabilities (<i>Note 6(B)</i>)	83,258	7,094
Total	14,592,966	13,462,542

10 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2020:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interest (%)
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%	—	100%	—
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,403,049	100%	—	100%	— ^(R)
Dongguan Benson Automobile Glass Company Limited (Formerly known as "Xinyi Automobile Glass Company (Dongguan) Limited")	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US\$22,000,000	100%	—	100%	—
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB353,807,000	100%	—	100%	—
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US\$29,800,000	100%	—	100%	—
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of float glass and architectural glass in the PRC	Registered and paid up capital of US\$126,000,000	100%	—	100%	—

Notes to the Consolidated Financial Statements

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2020: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interest (%)
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US\$80,000,000	100%	—	100%	—
Xinyi Glass Japan Company Limited	Japan, limited liability company	Trading of automobile glass in Japan	Authorised and paid up capital of 400 common shares of JP¥50,000 each	55%	—	55%	45%
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Trading of automobile glass in Canada	Authorised and paid up capital of 100,000 common shares of CAD0.1 each	70%	—	70%	30%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 ordinary shares	100%	—	100%	—
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	10,000 ordinary shares	100%	—	100%	—
Xinyi Automobile Glass (BVI) Company Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 55,000 ordinary shares of US\$1 each	100%	100%	100%	—
Xinyi Energy Smart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and architectural glass in the PRC	Registered and paid up capital of US\$58,500,000	100%	—	100%	—

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2020: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interest (%)
Xinyi Special Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US\$180,800,000	100%	—	100%	—
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of RMB2,000,000	100%	—	100%	— ^(R)
Xinyi Glass Engineering (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of architectural glass in the PRC	Registered and paid up capital of US\$60,000,000	100%	—	100%	—
Xinyi Glass (Yingkou) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and architectural glass in the PRC	Registered capital of US\$99,000,000 and total paid up capital of US\$98,999,652	100%	—	100%	—
Xinyi Automobile Parts (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US\$57,150,000 and total paid up capital of US\$13,429,995	100%	—	100%	—
Xinyi Glass (Xiamen) Co. Ltd	The PRC, limited liability company	Conducting research and trading of glass in the PRC	Registered and paid up capital of HK\$120,000,000	100%	100%	100%	—
Xinyi Electronic Glass (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of electronic glass in the PRC	Registered and paid up capital of US\$60,630,000	100%	—	100%	—

Notes to the Consolidated Financial Statements

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2020: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interest (%)
Xinyi Energy Smart (Sichuan) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and architectural glass in the PRC	Registered and paid up capital of US\$99,000,000	100%	—	100%	—
Xinyi Energy Smart (Malaysia) SDN.BHD	Malaysia, limited liability company	Manufacturing of float glass in Malaysia	Registered and paid up capital of RM\$20,000,000	100%	—	100%	—
Xinhe Logistics (Wuhu) Company Limited	The PRC, limited liability company	Provision of logistic and related services	Registered and paid up capital of RMB1,250,000	100%	—	100%	—
Xinyi Wind Power (Jinzhai) Company Limited	The PRC, limited liability company	Operate wind farm for electricity generation	Registered and paid up capital of RMB10,000,000	82%	—	82%	18%
Wuhu Jinshanshi Numerical Control Technology Co. Ltd	The PRC, limited liability company	Manufacturing of automatic machines for solar glass factory and other glass related industry	Registered and paid up capital of RMB30,000,000	85.66%	—	85.66%	14.34%
Xinyi Glass (Bozhou) Company Limited	The PRC, limited liability company	Manufacturing and sales of glass product	Registered capital of RMB 10,000,000 and total paid up capital of RMB5,721,000	100%	—	100%	—
Xinyi Glass (GuangXi) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of RMB 650,000,000	100%	—	100%	—

10 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2020: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interest (%)
Guangxi Xinyi Supply Chain Management Company Limited	The PRC, limited liability company	Provision of supply chain services in the PRC	Registered and paid up capital of RMB3,000,000	100%	—	100%	—
Beihai Xinhe Logistics Company Limited	The PRC, limited liability company	Provision of logistic and related services	Registered and paid up capital of RMB1,500,000	100%	—	100%	— ^(R)
Xinyi (Jiangsu) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US\$100,000,000	100%	—	100%	—
Ultimate Luck Global Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 50,000 ordinary shares of US\$1 each	60%	—	60%	40%
Cheer Wise Investment Limited	Hong Kong, limited liability company	Property and car parks holding in Hong Kong	1 ordinary share	60%	—	60%	40%

Notes to the Consolidated Financial Statements

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(A) EQUITY INVESTMENT AT FVOCI

	2020 HK\$'000	2019 HK\$'000
At 1 January	51,752	38,513
Fair value (losses)/gains recognised in other comprehensive income (Note 18)	<u>(22,746)</u>	<u>13,239</u>
At 31 December	29,006	51,752
Less: Non-current portion	<u>(29,006)</u>	<u>(51,752)</u>
Current portion	<u>—</u>	<u>—</u>

Classification of financial assets at FVOCI

Financial assets at FVOCI represents equity security listed in Hong Kong - ZMFY Automobile Glass Services Limited ("ZMFY") which is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

The Group's shareholding in ZMFY as at 31 December 2020 is approximately 15.17% (2019: approximately 15.17%).

(B) FAIR VALUE

The fair value hierarchy of listed equity securities are categorised under level 1. The fair value of listed securities is based on the current bid price. These listed equity securities are denominated in HK\$.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

(A) CLASSIFICATION OF FINANCIAL ASSETS AT FVTPL

The Group classifies the following financial assets at FVTPL:

- equity investments that are held for trading,
- equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income, and
- financial products that do not qualify for measurement at either amortised cost or FVOCI.

As at 31 December, financial assets measured at FVTPL include the following:

	2020 HK\$'000	2019 HK\$'000
Current assets		
Hong Kong listed equity securities	223,553	—

As at 31 December 2020, financial assets at FVTPL represents equity securities listed in Hong Kong – Kingboard Holdings Limited, Agile Group Holdings Limited and HSBC Holdings plc which are held for trading, and which the Group has not elected at initial recognition to recognise in FVOCI.

(B) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains/(losses) were recognised in consolidated income statement:

	2020 HK\$'000	2019 HK\$'000
Unrealised fair value losses of financial assets at FVTPL (<i>Note 25</i>)	(24,697)	—
Gain on disposal of financial assets at FVTPL (<i>Note 25</i>)	1,984	20,347
Realised income from financial products at FVTPL (<i>Note 24</i>)	102,463	74,116

(C) RISK EXPOSURE AND FAIR VALUE MEASUREMENTS

Information about the Group's exposure to price risk is provided in Note 3.1(c). For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

Notes to the Consolidated Financial Statements

13 INTERESTS IN AND BALANCES WITH ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Investments in associates		
At 1 January	5,554,275	4,679,890
Currency translation differences	1,485	(483)
Addition to interests in an associate (<i>Note (a)</i>)	374,323	798,226
Dilution of interests in associates (<i>Note (b)</i>)	1,169,868	153,801
Disposal of interests in an associate (<i>Note (c)</i>)	—	(666,376)
Share of profits of associates	1,124,341	639,608
Share of other comprehensive income/(loss)	408,834	(95,041)
Dividends received	(402,128)	(227,274)
Share of gain on changes in ownership in subsidiaries of an associate (<i>Note (a)</i>)	—	271,924
At 31 December	8,230,998	5,554,275
Loans to an associate (<i>Notes (d) & (e)</i>)		
– Current portion	657	32,681
– Non-current portion	—	1,004
	657	33,685

Notes:

(a) On 28 May 2019, Xinyi Energy Holdings Limited (“Xinyi Energy”) - a subsidiary of Xinyi Solar Holdings Limited (“Xinyi Solar”), was successfully spun-off from Xinyi Solar and listed on The Main Board of The Stock Exchange. During the year ended 31 December 2019, the Group subscribed 393,074,211, 10,612,000 and 3,716,000 ordinary shares of Xinyi Energy during May, November and December 2019 respectively, representing a total of 6.03% of ordinary shares of Xinyi Energy. Upon and after listing on The Main Board of The Stock Exchange, Xinyi Energy remains a subsidiary of Xinyi Solar while the Group has significant influence over Xinyi Solar. As a result, the Group has significant influence over Xinyi Energy.

On 25 May 2020, Xinyi Solar recommended the declaration and payment of 2019 final dividend of 8.5 HK cents per share of the Company to the shareholders. As a result, the Group as the eligible shareholders elected to receive the scrip shares of 29,658,185 shares at the market price of HK\$5.34 per share, totaled HK\$158,375,000.

On 23 September 2020, Xinyi Solar recommended the declaration and payment of 2020 interim dividend of 8.5 HK cents per share of the Company to the shareholders. As a result, the Group as the eligible shareholders elected to receive the scrip shares of 19,959,900 shares at the market price of HK\$8.49 per share, totaled HK\$169,460,000.

During the year of 2020, the Group also subscribed 20,944,000 new shares in Xinyi Energy, and the new addition of investment in Xinyi Energy amount to HK\$46,488,000.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Notes: (Continued)

- (b) In September 2020, Xinyi Solar allotted and issued 282,000,000 shares by way of placing to investors other than the Group. The Group's interest in Xinyi Solar was diluted and resulting in an increase in the investment of approximately HK\$475,148,000, comprising a dilution gain of approximately HK\$463,673,000 and the reclassification of currency translation gains of approximately HK\$11,475,000 from reserves to consolidated income statement. (Note 25)

In December 2020, Xinyi Solar allotted and issued 300,000,000 shares by way of placing to investors other than the Group. The Group's interest in Xinyi Solar was diluted and resulting in an increase in the investment of approximately HK\$696,805,000, comprising a dilution gain of approximately HK\$694,411,000 and the reclassification of currency translation gains of approximately HK\$2,394,000 from reserves to consolidated income statement. (Note 25)

In September 2020, Xinyi Energy allotted and issued 357,520,000 shares by way of placing to investors other than the Group. The Group's interest in Xinyi Energy was diluted and resulting in an increase in the investment of approximately HK\$11,966,000, comprising a dilution gain of approximately HK\$11,784,000 and the reclassification of currency translation gains of approximately HK\$182,000 from reserves to consolidated income statement. (Note 25)

In March 2019, Xinyi Solar allotted and issued 380,000,000 shares by way of placing to investors other than the Group. The Group's interest in Xinyi Solar was diluted and resulting in an increase in the investment of approximately HK\$147,701,000, comprising a dilution gain of approximately HK\$153,801,000 and the reclassification of currency translation losses of approximately HK\$6,100,000 from reserves to consolidated income statement. (Note 25)

- (c) There was no disposal of interests in associates during the year of 2020. On 18 June 2019, the Group announced its disposal of 314,000,000 shares in Xinyi Solar at a price of HK\$3.75 per share to a third party, for a consideration received (net of transaction cost) of HK\$1,164,456,000. As a result of the disposal, the Group recognised a gain on disposal of HK\$485,659,000, including reclassification of currency translation losses of HK\$12,421,000 from reserves to consolidated income statement. (Note 25)
- (d) As at 31 December 2020, the loan to an associate amounted to HK\$657,000 (2019: HK\$9,928,000) which is unsecured, interest-free and repayable by installments up to 2021. As at 31 December 2019, there is another loan amounted to HK\$23,757,000 which is secured, interest bearing at 9.7% per annum and repayable by installments up to 2020. The balances are denominated in RMB.
- (e) The carrying amounts of balances with associates approximate their fair values.

Notes to the Consolidated Financial Statements

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

The following is a list of the principal associates as at 31 December 2020:

Name	Particulars of registered share capital	Principal activities and place of operation	Interest held
Xinyi Solar (Note (i))	Authorised capital of HK\$8,000,000,000 and total paid up capital of HK\$880,925,000 (2019: HK\$8,000,000,000 and total paid up of HK\$808,186,000)	Production and sales of solar glass products in the PRC, and development and operation of solar farms and provision of engineering procurement and construction services	22.86%
Xinyi Energy (Note (ii))	Authorised capital of HK\$8,000,000,000 and total paid up capital of HK\$71,100,000 (2019: HK\$8,000,000,000 and total paid of HK\$67,524,785)	Management and operations of solar farms in the PRC	6.02%
Beihai Yiyang Mineral Company Limited	Registered and paid up capital of RMB25,454,500 (2019: same)	Exploration, mining and trading of silica in the PRC	45%
Dongyuan County Xinhuali Quartz Sand Company Limited	Registered and paid up capital of RMB10,500,000 (2019: same)	Exploration, mining and trading of silica in the PRC	20%
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	Registered and paid up capital of RMB10,000,000 (2019: same)	Provision of natural gas in the PRC	25%

Notes:

- (i) As at 31 December 2020, the fair value of the Group's interest in Xinyi Solar, which is listed on the Stock Exchange, was HK\$40,775,436,000 (2019: HK\$10,860,830,000) and the carrying amount of the Group's interest was HK\$7,217,767,000 (2019: HK\$4,650,057,000).
- (ii) As at 31 December 2020, the fair value of the Group's interest in Xinyi Energy, which is listed on the Stock Exchange, was HK\$2,253,101,000 (2019: HK\$831,101,000) and the carrying amount of the Group's interest was HK\$913,871,000 (2019: HK\$800,779,000).

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

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES

- (a) Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method:

Summarised balance sheet

	2020 HK\$'000	2019 HK\$'000
Current		
Cash and cash equivalents	9,291,194	2,221,055
Other current assets (excluding cash)	10,586,847	7,246,135
Total current assets	19,878,041	9,467,190
Current liabilities	(7,725,245)	(5,290,052)
Non-current		
Assets	23,545,348	18,929,830
Liabilities	(3,673,626)	(4,533,839)
Net assets	32,024,518	18,573,129

Summarised statement of comprehensive income

	2020 HK\$'000	2019 HK\$'000
Revenue	12,315,829	9,096,101
Depreciation and amortisation	(903,780)	(835,432)
Interest income	60,532	49,088
Interest expense	(190,954)	(303,507)
Profit before income tax	5,758,394	3,092,654
Income tax expense	(735,268)	(294,059)
Post-tax profit from operations	5,023,126	2,798,595
Other comprehensive profit/(loss)	1,905,232	(436,683)
Total comprehensive income	6,928,358	2,361,912
Dividend received from Xinyi Solar	336,398	203,694

Notes to the Consolidated Financial Statements

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

- (a) Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method: (Continued)

Reconciliation of summarised financial information of Xinyi Solar presented to the carrying amount of interest in an associate:

	2020 HK\$'000	2019 HK\$'000
Opening net assets	18,573,129	12,058,918
Total comprehensive income for the year	6,928,358	2,361,912
Transactions with owners	6,523,031	4,152,299
Closing net assets	32,024,518	18,573,129
Less: non-controlling interests	(5,502,712)	(4,396,283)
Closing net assets attributable to owners of Xinyi Solar	26,521,806	14,176,846
The Group's ownership interest	22.86%	24.30%
Goodwill	6,062,302	3,445,133
Intangible assets and other assets and liabilities	1,125,807	1,180,115
	24,945	24,809
Carrying amount	7,213,054	4,650,057

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

- (b) Set out below is the summarised financial information for Xinyi Energy which is accounted for using the equity method:

Summarised balance sheet

	2020 HK\$'000	2019 HK\$'000
Current		
Cash and cash equivalents	1,312,419	1,631,244
Other current assets (excluding cash)	3,911,830	3,055,304
Total current assets	5,224,249	4,686,548
Current liabilities	(3,780,908)	(2,889,899)
Non-current		
Assets	12,036,714	10,316,524
Liabilities	(1,433,242)	(1,882,260)
Net assets	12,046,813	10,230,913

Summarised statement of comprehensive income

	2020 HK\$'000	Period from 28 May to 31 December 2019 HK\$'000
Revenue	1,722,051	1,139,857
Depreciation and amortisation	(408,051)	(231,794)
Interest income	41,086	24,103
Interest expense	(163,844)	(153,018)
Profit before income tax	1,084,464	750,038
Income tax expense	(165,676)	(90,961)
Post-tax profit from operations	918,788	659,077
Other comprehensive income/(loss)	978,672	(281,801)
Total comprehensive income	1,897,460	377,276
Dividend received from Xinyi Energy	62,110	19,654

Notes to the Consolidated Financial Statements

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR MATERIAL ASSOCIATES (Continued)

(b) Set out below is the summarised financial information for Xinyi Energy which is accounted for using the equity method: (Continued)

Reconciliation of summarised financial information of Xinyi Energy presented to the carrying amount of interest in an associate:

	2020 HK\$'000	2019 HK\$'000
Opening net assets	10,230,913	9,950,958
Total comprehensive income for the year and the period from 28 May 2019 to 31 December 2019	1,897,460	377,276
Transactions with owners	(81,560)	(97,321)
Closing net assets attributable to owners of Xinyi Energy	12,046,813	10,230,913
The Group's ownership interest	6.02%	6.03%
Goodwill	725,218	616,924
	188,653	183,855
Carrying amount	913,871	800,779

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, if any.

INDIVIDUALLY IMMATERIAL ASSOCIATES

In addition to the interests in the material associates disclosed above, the Group also has interests in three individually immaterial associates that are accounted for using the equity method.

	2020 HK\$'000	2019 HK\$'000
Aggregate carrying amount of individually immaterial associates	104,073	103,439
Aggregate amounts of the Group's share of:		
Profit from continuing operations	2,767	1,627
Total comprehensive income	2,767	1,627

14 INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	1,258,955	884,687
Work in progress	228,823	211,989
Finished goods	1,008,476	947,953
	<u>2,496,254</u>	<u>2,044,629</u>

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately HK\$7,746,153,000 (2019: HK\$7,708,998,000) (Note 22).

15 TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables (Note (a))	1,448,055	1,451,494
Less: provision for loss allowance (Note (b))	(37,444)	(41,481)
	<u>1,410,611</u>	<u>1,410,013</u>
Bills receivables (Note (c))	1,821,724	303,812
Trade and bills receivables - net	3,232,335	1,713,825
Prepayments, deposits and other receivables	2,338,028	2,141,084
	<u>5,570,363</u>	<u>3,854,909</u>
Less: non-current portion		
Prepayments for property, plant and equipment and right-of-use assets	(654,196)	(769,043)
Current portion	<u>4,916,167</u>	<u>3,085,866</u>

Notes:

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2020 and 2019, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2020 HK\$'000	2019 HK\$'000
0 - 90 days	1,127,390	1,003,803
91 - 180 days	157,229	166,458
181 - 365 days	69,325	185,198
1 - 2 years	71,836	77,939
Over 2 years	22,275	18,096
	<u>1,448,055</u>	<u>1,451,494</u>

Notes to the Consolidated Financial Statements

15 TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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

	2020 HK\$'000	2019 HK\$'000
RMB	842,062	863,585
USD	531,110	522,900
HK\$	3,916	782
Other currencies	70,967	64,227
	<u>1,448,055</u>	<u>1,451,494</u>

(b) Movements in the Group's provision for loss allowance of trade receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	41,481	36,953
Currency translation differences	2,123	141
Increase in provision for loss allowance of trade receivables, net (Note 22)	15,880	4,974
Receivables written off during the year	(22,040)	(587)
At 31 December	<u>37,444</u>	<u>41,481</u>

The provision for loss allowance of trade receivables has been included in "administrative and other operating expenses" in the consolidated income statement (Note 22). The amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group applies HKFRS 9 simplified approach to measure provision for loss allowance which uses a lifetime expected loss allowance for all trade receivables. Details on the calculation of loss allowance is set out in Note 3.1(b).

The top five customers and the largest customer accounted for approximately 21.6% (2019: 28.6%) and 7.3% (2019: 13.1%) of the trade receivables balance as at 31 December 2020, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

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

- (c) All bills receivables are issued by licensed banks in the PRC with maturities within 12 months (2019: 6 months).
- (d) The carrying amounts of trade and other receivables approximate at their fair values.
- (e) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16 CASH AND BANK BALANCES

	2020 HK\$'000	2019 HK\$'000
Total cash at bank and on hand	1,908,441	2,733,172
Bank deposits with maturity less than three months		
- Structured bank deposits (Note (a))	3,336,113	2,364,752
Cash and cash equivalents	5,244,554	5,097,924
Pledged bank deposits (Note (b))	59,518	44,222
Total cash and bank balances	5,304,072	5,142,146

Notes:

(a) The Group placed structured bank deposits with major licensed bank in the PRC, with fixed maturities; fixed interest rates and with their principal guaranteed. HK\$3,336,113,000 (2019: HK\$2,364,752,000) of the Group's structured bank deposits will mature within 3 months and was qualified as cash and cash equivalents.

(b) Pledged bank deposits represent deposits pledged as collateral principally as security for import duties payable to the US Customs.

The effective interest rate on short-term bank deposits was 2.64% in 2020 (2019: 3.42%) per annum. These short-term bank deposits have an average maturity of 11 days (2019: 28 days).

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

	2020 HK\$'000	2019 HK\$'000
RMB	4,370,690	4,372,608
USD	689,960	520,973
HK\$	91,556	95,458
Malaysia ringgit ("MYR")	22,483	15,276
Other currencies	129,383	137,831
Total	5,304,072	5,142,146

RMB and MYR are currently not freely convertible currencies in international market. The conversion of RMB and MYR into foreign currencies and remittance of RMB out of the PRC and MYR out of Malaysia, respectively, are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government and Malaysian government.

Notes to the Consolidated Financial Statements

16 CASH AND BANK BALANCES (Continued)

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2020 HK\$'000	2019 HK\$'000
Total cash and bank balances	5,304,072	5,142,146
Less:		
- Pledged bank deposits	(59,518)	(44,222)
	<u>5,244,554</u>	<u>5,097,924</u>

17 SHARE CAPITAL AND PREMIUM

	<i>Note</i>	Number of shares	Ordinary shares of HK\$0.1 each HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised:					
At 1 January 2019,					
31 December 2019 and					
31 December 2020		20,000,000,000	2,000,000	—	2,000,000
At 1 January 2019		3,993,202,147	399,320	249,821	649,141
Issue of shares under an employees					
share option scheme	(A)	29,014,000	2,902	163,343	166,245
Repurchases and cancellation of shares	(B)	(3,000,000)	(300)	(25,003)	(25,303)
At 31 December 2019		<u>4,019,216,147</u>	<u>401,922</u>	<u>388,161</u>	<u>790,083</u>

17 SHARE CAPITAL AND PREMIUM (Continued)

	<i>Note</i>	Number of shares	Ordinary shares of HK\$0.1 each HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2020		4,019,216,147	401,922	388,161	790,083
Issue of shares under an employees share option scheme	(A)	26,490,500	2,649	212,078	214,727
Repurchases and cancellation of shares	(B)	(6,212,000)	(621)	(64,679)	(65,300)
At 31 December 2020		4,039,494,647	403,950	535,560	939,510

(A) SHARE OPTIONS

In 2005, 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 maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

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

In March 2015, 28,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK\$4.55 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2019, in relation to the batch granted in March 2015, 9,037,000 options were exercised, no option was lapsed and 21,000 options were expired. There was no movement during the year of 2020.

Notes to the Consolidated Financial Statements

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

In March 2016, 28,500,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK\$4.81 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2020, in relation to the batch granted in March 2016, 4,053,000 (2019: 19,977,000) options were exercised, 10,000 (2019: 1,205,000) options were lapsed and 144,000 options were expired.

In March 2017, 29,264,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK\$7.28 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2020, in relation to the batch granted in March 2017, 22,438,000 options were exercised and 1,238,000 (2019: 1,428,000) options were lapsed.

In March 2018, 29,600,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK\$11.74 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2020, in relation to the batch granted in March 2018, a total of 323,000 (2019: 1,461,000) options were lapsed.

In March 2019, 33,900,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK\$9.53 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2020, in relation to the batch granted in March 2019, a total of 465,000 (2019: 467,000) options were lapsed.

In March 2020, 32,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK\$8.82 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2020, in relation to the batch granted in March 2020, a total of 409,000 options were lapsed.

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

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

	2020		2019	
	Average exercise price in HK\$ per share	Options (thousands)	Average exercise price in HK\$ per share	Options (thousands)
At 1 January	9.36	91,012	7.75	90,708
Granted	8.82	32,000	9.53	33,900
Exercised	6.90	(26,490)	4.73	(29,014)
Lapsed	8.54	(2,445)	8.29	(4,561)
Expired	4.81	(144)	4.55	(21)
At 31 December	9.89	93,933	9.36	91,012

Out of the 93,933,000 (2019: 91,012,000) outstanding options, 1,960,000 (2019: 4,206,000) option was exercisable as at 31 December 2020. Options exercised in 2020 resulted in 26,490,000 shares (2019: 29,014,000 shares) being issued at a weighted average price at the time of exercise of HK\$6.90 each (2019: HK\$4.73 each).

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

	Exercise price in HK\$ per share	Options (thousands)	
		2020	2019
Expiry date			
31 March 2020	4.81	—	4,206
31 March 2021	7.28	1,960	25,636
31 March 2022	11.74	27,413	27,736
31 March 2023	9.53	32,969	33,434
31 March 2024	8.82	31,591	—
		93,933	91,012

Notes to the Consolidated Financial Statements

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK\$1.06 (2019: HK\$1.69) per option. The significant inputs into the model were weighted average share price of HK\$8.29 (2019: HK\$9.53) at the grant date, the exercise price shown above, volatility of 33.83% (2019: 37.31%), dividend yield of 6.63% (2019: 5.49%), an expected option life of 3.5 years (2019: 3.6 years), and an annual risk-free interest rate of 0.80% (2019: 1.47%) per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was approximately HK\$33,946,000 (2019: HK\$57,281,000). The attributable amounts charged to the consolidated income statement for the year ended 31 December 2020 was HK\$44,514,000 (2019: HK\$41,549,000) (Note 23).

(B) REPURCHASE OF SHARE

During the year ended 31 December 2020, 6,212,000 shares (2019: 3,000,000 shares) repurchased by the Company were cancelled in 2020. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

	Number of Shares of HK\$0.10 each	Highest price per Share HK\$	Lowest price per Share HK\$	Aggregate consideration paid HK\$'000
Month of repurchase				
January 2020	6,212,000	10.60	10.40	65,300
July 2019	3,000,000	8.47	8.40	25,303

18 RESERVES

	Statutory reserve fund HK\$'000 (Note (a))	Enterprise expansion fund HK\$'000 (Note (a))	Foreign currency translation reserve HK\$'000	Other reserves					Sub-total HK\$'000	Retained earnings HK\$'000	Total HK\$'000
				Capital reserve HK\$'000 (Note (b))	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	FVOCI reserve HK\$'000 (Note (c))			
At 1 January 2020	1,900,633	46,867	(1,624,684)	405,241	66,993	37,227	21,490	13,856	867,623	19,188,635	20,056,258
Profit for the year	—	—	—	—	—	—	—	—	—	6,422,213	6,422,213
Change in fair value of financial assets at FVOCI (Note 11)	—	—	—	—	—	—	—	(22,746)	(22,746)	—	(22,746)
Currency translation differences	—	—	1,943,359	—	—	—	—	—	1,943,359	—	1,943,359
Dilution of interest in an associate	—	—	14,050	—	—	—	—	—	14,050	—	14,050
Share of other comprehensive income of investments accounted for using the equity method (Note 13)	—	—	408,834	—	—	—	—	—	408,834	—	408,834
Employees share option scheme:											
– proceeds from shares issued	—	—	—	—	(32,153)	—	—	—	(32,153)	—	(32,153)
– value of employee services (Note 17(A))	—	—	—	—	44,514	—	—	—	44,514	—	44,514
– adjustment relating to forfeiture of share options	—	—	—	—	(131)	—	—	—	(131)	131	—
Repurchase and cancellation of shares (Note 17(B))	—	—	—	—	—	—	621	—	621	(621)	—
Transfer to reserves	437,479	—	—	—	—	—	—	—	437,479	(437,479)	—
Dividends relating to 2019	—	—	—	—	—	—	—	—	—	(1,206,344)	(1,206,344)
Dividends relating to 2020	—	—	—	—	—	—	—	—	—	(685,921)	(685,921)
At 31 December 2020	2,338,112	46,867	741,559	405,241	79,223	37,227	22,111	(8,890)	3,661,450	23,280,614	26,942,064

Notes to the Consolidated Financial Statements

18 RESERVES (Continued)

	Other reserves										
	Statutory reserve fund HK\$'000 (Note (a))	Enterprise expansion fund HK\$'000 (Note (a))	Foreign currency translation reserve HK\$'000	Capital reserve HK\$'000 (Note (b))	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	FVOCI reserve HK\$'000 (Note (c))	Sub-total HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	1,658,967	46,867	(1,014,750)	133,317	54,849	37,227	21,190	617	938,284	17,037,302	17,975,586
Profit for the year	—	—	—	—	—	—	—	—	—	4,477,792	4,477,792
Change in fair value of financial assets at FVOCI (Note 11)	—	—	—	—	—	—	13,239	13,239	13,239	—	13,239
Currency translation differences	—	—	(533,453)	—	—	—	—	—	(533,453)	—	(533,453)
Deregistration of a subsidiary	(585)	—	39	—	—	—	—	—	(546)	—	(546)
Disposal of interest in an associate	—	—	12,421	—	—	—	—	—	12,421	—	12,421
Dilution of interest in an associate	—	—	6,100	—	—	—	—	—	6,100	—	6,100
Share of other comprehensive loss of investments accounted for using the equity method (Note 13)	—	—	(95,041)	—	—	—	—	—	(95,041)	—	(95,041)
Employees share option scheme:											
– proceeds from shares issued	—	—	—	—	(29,379)	—	—	—	(29,379)	—	(29,379)
– value of employee services (Note 17(A))	—	—	—	—	41,549	—	—	—	41,549	—	41,549
– adjustment relating to forfeiture of share options	—	—	—	—	(26)	—	—	—	(26)	26	—
Repurchase and cancellation of shares (Note 17(B))	—	—	—	—	—	—	300	—	300	(300)	—
Transfer to reserves	242,251	—	—	—	—	—	—	—	242,251	(242,251)	—
Dividends relating to 2018	—	—	—	—	—	—	—	—	—	(1,082,087)	(1,082,087)
Dividends relating to 2019	—	—	—	—	—	—	—	—	—	(1,001,847)	(1,001,847)
Share of gain on changes in ownership in subsidiaries of an associate	—	—	—	271,924	—	—	—	—	271,924	—	271,924
At 31 December 2019	1,900,633	46,867	(1,624,684)	405,241	66,993	37,227	21,490	13,856	867,623	19,188,635	20,056,258

18 RESERVES (Continued)

Notes:

- (a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in the PRC and regulations by certain subsidiaries which are the wholly owned foreign enterprises incorporated in the PRC. These funds are appropriated from net profit as recorded in the PRC statutory accounts of the respective subsidiaries. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2020, the boards of directors of the subsidiaries resolved to appropriate approximately HK\$437,479,000 (2019: HK\$242,251,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2020 and 2019.

- (b) The opening balance of capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation occurred in 2004 and the nominal value of the share capital of the Company issued in exchange thereof.

An increase in capital reserves was in relation to the share of gain in Xinyi Solar resulting from the spin-off and initial public offering of Xinyi Energy in 2019.

- (c) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.10. These changes are accumulated under the FVOCI reserve within equity. For equity securities elected to present changes in FVOCI, the Group will never transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Notes to the Consolidated Financial Statements

19 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Trade payables (Note (a))	1,396,216	1,045,222
Bills payable (Note (b))	74,379	498,670
	1,470,595	1,543,892
Other payables (Note (c))	2,093,400	1,589,263
Contract liabilities (Note (e))	499,345	348,047
Less: non-current portion		
Other payables	(146,211)	(131,996)
Current portion	3,917,129	3,349,206

Notes:

- (a) At 31 December 2020 and 2019, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	2020 HK\$'000	2019 HK\$'000
0 - 90 days	1,274,881	848,049
91-180 days	38,905	40,328
181-365 days	32,254	100,255
1-2 years	18,608	36,379
Over 2 years	31,568	20,211
	1,396,216	1,045,222

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
RMB	1,255,025	870,007
MYR	72,828	68,214
USD	67,493	106,035
HK\$	382	588
Other currencies	488	378
	1,396,216	1,045,222

- (b) Bills payable have maturities ranging within 6 months (2019: 6 months).

19 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(c) Nature of other payables is as follows:

	2020	2019
	HK\$'000	HK\$'000
Payables for investment properties	38,455	39,809
Payables for property, plant and equipment	750,264	586,286
Payables for employee benefits and welfare	433,050	333,537
Payables for value-added tax	195,245	153,681
Payables for utilities	114,549	85,534
Payables for transportation charges	210,471	181,887
Payables for commission	46,873	39,681
Others	304,493	168,848
	<u>2,093,400</u>	<u>1,589,263</u>

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

(e) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of glass products.

The following table shows the amount of the revenue recognised in the current reporting period relates to contract liabilities balance at the beginning of the year.

	2020	2019
	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>348,047</u>	<u>292,948</u>

Notes to the Consolidated Financial Statements

20 BANK AND OTHER BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Non-current		
Long-term bank borrowings, guaranteed	11,175,008	10,609,511
Less: Current portion of long-term bank borrowings, guaranteed	<u>(3,380,193)</u>	<u>(4,259,093)</u>
	<u>7,794,815</u>	<u>6,350,418</u>
Shown as non-current liabilities	<u>7,794,815</u>	<u>6,350,418</u>
Current		
Short-term bank borrowings, guaranteed	399,000	200,000
Current portion of long-term bank borrowings, guaranteed	<u>3,380,193</u>	<u>4,259,093</u>
Shown as current liabilities	<u>3,779,193</u>	<u>4,459,093</u>
Total bank and other borrowings	<u>11,574,008</u>	<u>10,809,511</u>

At 31 December 2020 and 2019, the Group's bank borrowings were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	3,779,193	4,459,093
Between 1 and 2 years	4,501,139	2,986,967
Between 2 and 5 years	<u>3,293,676</u>	<u>3,363,451</u>
	<u>11,574,008</u>	<u>10,809,511</u>

At 31 December 2020 and 2019, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2024 (2019: 2023) and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2020 and 2019. The fair values are categorised within level 2 of the fair value hierarchy.

The Group complied with the financial bank covenants of its borrowing facilities during the years ended 31 December 2020 and 2019.

20 BANK AND OTHER BORROWINGS (Continued)

The effective interest rate is as follows:

	2020	2019
Bank borrowings	2.13%	2.84%

The bank borrowings were guaranteed by corporate guarantee provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

21 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

DEFERRED INCOME TAX ASSETS:

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets	41,790	39,023

The gross movements on the deferred income tax assets are as follows:

	2020 HK\$'000	2019 HK\$'000
Beginning of the year	39,023	—
Currency translation differences	540	107
Charged to the consolidated income statement (<i>Note 27</i>)	2,227	38,916
End of the year	41,790	39,023

Tax allowance for investment

	2020 HK\$'000	2019 HK\$'000
At 1 January 2020	39,023	—
Currency translation differences	540	107
Charged to the consolidated income statement (<i>Note 27</i>)	2,227	38,916
At 31 December 2020	41,790	39,023

The Group did not recognise deferred income tax assets of approximately HK\$71,902,000 (2019: HK\$57,269,000) in respect of losses amounting to approximately HK\$302,335,000 (2019: HK\$231,816,000) that can be carried forward against future taxable income. Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable.

Notes to the Consolidated Financial Statements

21 DEFERRED INCOME TAX (Continued)

DEFERRED INCOME TAX ASSETS: (Continued)

The time frame of tax losses expiration was as follows:

	2020 HK\$'000	2019 HK\$'000
Expiring in 2021	5,132	4,898
Expiring in 2022	108,823	103,705
Expiring in 2023	55,155	52,561
Expiring in 2024	65,689	62,600
Expiring in 2025	65,800	—
No expire date	1,736	8,052
	<u>302,335</u>	<u>231,816</u>

DEFERRED INCOME TAX LIABILITIES:

	2020 HK\$'000	2019 HK\$'000
Deferred income tax liabilities	<u>409,954</u>	<u>419,404</u>

The gross movements on the deferred income tax liabilities are as follows:

	2020 HK\$'000	2019 HK\$'000
Beginning of the year	419,404	417,671
Currency translation differences	(4,761)	(5,211)
Charged to the consolidated income statement (Note 27)	(4,689)	6,944
End of the year	<u>409,954</u>	<u>419,404</u>

21 DEFERRED INCOME TAX (Continued)

DEFERRED INCOME TAX LIABILITIES: (Continued)

	Accelerated tax depreciation HK\$'000	Fair value gains HK\$'000	Undistributed profits of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2019	385	258,241	159,045	417,671
Charged to the consolidated income statement (<i>Note 27</i>)	11	6,933	—	6,944
Currency translation differences	16	(5,227)	—	(5,211)
At 31 December 2019	412	259,947	159,045	419,404
Charged to the consolidated income statement (<i>Note 27</i>)	—	(4,689)	—	(4,689)
Currency translation differences	—	(4,761)	—	(4,761)
At 31 December 2020	412	250,497	159,045	409,954

As at 31 December 2020, investment properties located in the PRC amounted to HK\$1,663,962,000 (2019: HK\$1,601,811,000) are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The investment property located in Hong Kong amounted to HK\$70,160,000 (2019: HK\$70,160,000) are held by certain subsidiaries and expected to be recovered entirely through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 7).

Deferred income tax liabilities of approximately HK\$930,806,050 (2019: HK\$714,400,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2020, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK\$18,616,121,000 (2019: HK\$14,288,003,000).

Notes to the Consolidated Financial Statements

22 EXPENSES BY NATURE

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

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of property, plant and equipment	1,069,039	987,727
Depreciation charge of right-of-use assets (Note 6(B))	98,767	84,385
Amortisation charge of intangible assets (Note 8)	1,791	2,119
Employee benefit expenses (Note 23)	1,393,711	1,279,519
Cost of inventories (Note 14)	7,746,153	7,708,998
Transportation costs	507,847	479,409
Advertising costs	8,155	26,489
Increase in provision for loss allowance, net (Note 15)	15,880	4,974
Auditor's remuneration		
– Audit services	3,090	2,990
– Non-statutory audit services	2,112	982
Research and development expenses	713,006	691,332
Other expenses	2,048,289	1,738,297
Total cost of sales, selling and marketing costs and administrative and other operating expenses	13,607,840	13,007,221

23 EMPLOYEE BENEFIT EXPENSES

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	1,286,809	1,157,900
Share options granted to employees (Note 17)	44,514	41,549
Pension costs - defined contribution plans (Note (a))	62,388	80,070
	1,393,711	1,279,519

23 EMPLOYEE BENEFIT EXPENSES (Continued)

Note (a): Pension costs

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

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

(A) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2019: four) directors whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining one individual (2019: one individual) during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries and allowances	1,094	1,073
Discretionary and performance bonus	5,471	4,025
Employer’s contributions to pension scheme	17	16
Share options granted (Note (a))	248	246
	6,830	5,360

Note (a):

Share options granted represent fair value of share options issued under Share Option Scheme recognised in the consolidated income statement during the year disregarding whether the options have been vested/exercised.

During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2019: Nil).

Notes to the Consolidated Financial Statements

24 OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Rental income (<i>Note 7</i>)	35,861	17,618
Government grants (<i>Note (a)</i>)	186,037	296,221
Insurance compensation income	6,915	27,061
Income from sale of electricity (<i>Note (b)</i>)	108,872	92,750
Income from sale of automatic machines (<i>Note (c)</i>)	12,550	10,811
Realised income from financial products at FVTPL (<i>Note (d)</i>)	102,463	74,116
Others	11,263	10,107
	463,961	528,684

Notes:

- (a) Government grants mainly represent grants obtained from the PRC government in relation to the refund of value-added tax, income tax, land use tax, other operating costs of certain PRC subsidiaries.
- (b) It represents income from sale of electricity generated from its wind power and solar power generating machines.
- (c) It represents the income from sale of automatic machines for solar glass factory and other related industry.
- (d) The realised income arising from short-term financial products ("Financial Products") issued by reputable commercial banks in the PRC. The Financial Products were not principal guaranteed nor with pre-determined or guaranteed return. As at 31 December 2020 and 2019, all of such Financial Products subscribed for by the Group had been fully redeemed or matured and the Group had totally recovered the principal and received the expected returns upon the redemption or maturity of the financial products.

25 OTHER GAINS - NET

	2020 HK\$'000	2019 HK\$'000
Loss on disposal of investment properties (<i>Note 30(c)</i>)	(22,848)	—
Losses on disposal and write-off of property, plant and equipment (<i>Note 30(b)</i>)	(51,373)	(27,059)
Unrealised fair value losses on financial assets at FVTPL (<i>Note 12</i>)	(24,697)	—
Gain on disposal of financial assets at FVTPL (<i>Note 12</i>)	1,984	20,347
Fair value gains on investment properties, net (<i>Note 7</i>)	3,231	22,061
Other foreign exchange (loss)/gains, net	(177,237)	107,395
Gain on dilution of investments in associates (<i>Note 13</i>)	1,169,868	147,701
Gain on partial disposal of interests in an associate (<i>Note 13</i>)	—	485,659
Others	(9,932)	22,078
	888,996	778,182

26 FINANCE INCOME AND COSTS

	2020 HK\$'000	2019 HK\$'000
Finance income:		
Interest income on bank deposits <i>(Note (a))</i>	35,536	86,988
Other interest income <i>(Note (a))</i>	2,237	5,001
	<u>37,773</u>	<u>91,989</u>
Finance costs:		
Interest on lease liabilities <i>(Note 6(B))</i>	2,687	883
Interest expense on bank borrowings	253,988	343,620
Less: interest expense capitalised on qualifying assets <i>(Note 6)</i>	<u>(63,907)</u>	<u>(70,583)</u>
	<u>192,768</u>	<u>273,920</u>

Note:

- (a) Total interest income on financial assets that are measured at amortised cost for the year was HK\$37,773,000 (2019: HK\$91,989,000)

27 INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current income tax		
– Hong Kong profits tax <i>(Note (a))</i>	30,235	26,261
– PRC corporate income tax <i>(Note (b))</i>	721,441	530,978
– Overseas income tax <i>(Note (c))</i>	29,582	475
– Under/(Over) provision in prior years	15,668	(6,401)
– Withholding tax on remitted earnings <i>(Note (d))</i>	<u>109,073</u>	<u>13,791</u>
	905,999	565,104
Deferred income tax <i>(Note 21)</i>		
– Increase in deferred income tax assets	(2,227)	(38,916)
– (Decrease)/increase in deferred income tax liabilities	<u>(4,689)</u>	<u>6,944</u>
	<u>(6,916)</u>	<u>(31,972)</u>
	<u>899,083</u>	<u>533,132</u>

Notes to the Consolidated Financial Statements

27 INCOME TAX EXPENSE (Continued)

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

(b) PRC corporate income tax ("CIT")

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations.

The applicable CIT rates in Mainland China is 25% (2019: 25%). Thirteen (2019: Thirteen) major subsidiaries in Deyang, Dongguan, Jiangmen, Shenzhen, Tianjin, Wuhu and Yingkou enjoy high-tech enterprise income tax benefit and are entitled to a preferential tax treatment of reduction in the CIT rate to 15% (2019: 15%).

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

(d) Withholding tax on remitted earnings

Withholding tax on remitted earnings from the PRC companies is 5%.

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

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	7,330,342	5,015,811
Associates' results reported	(1,124,341)	(639,608)
	6,206,001	4,376,203
Calculated at weighted average tax rate of 23.5 % (2019: 24.9%)	1,462,546	1,053,375
Preferential tax rates on income of certain PRC and overseas subsidiaries	(550,310)	(395,118)
Effect of additional tax reduction enacted by tax authority	(40,940)	(59,134)
Under/(Over) provision in prior years	15,668	(6,401)
Tax losses for which no deferred income tax asset was recognised	4,470	2,354
Income not subject to tax	(201,780)	(104,504)
Expenses not deductible for tax purposes	100,356	28,769
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	109,073	13,791
Income tax expense	899,083	533,132

28 EARNINGS PER SHARE

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 after taking into account the effect of the issuance of new shares and share repurchased and cancellation stated in Note 17(A) and (B) during 2020 and 2019.

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	6,422,213	4,477,792
Weighted average number of ordinary shares in issue (thousands)	4,026,601	4,006,411
Basic earnings per share (HK cents)	159.49	111.77

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 dilutive potential ordinary shares of the Company are share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2020	2019
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	6,422,213	4,477,792
Share of profit of an associate as a result of diluted earnings at associate level (HK\$'000)	(1,525)	(205)
Profit used to determine diluted earnings per share (HK\$'000)	6,420,688	4,477,587
Weighted average number of ordinary shares in issue (thousands)	4,026,601	4,006,411
Adjustments for:		
Share options (thousands)	15,605	11,949
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4,042,206	4,018,360
Diluted earnings per share (HK cents)	158.84	111.43

Notes to the Consolidated Financial Statements

29 DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Interim dividend paid of HK\$0.17 (2019: HK\$0.25) per share (<i>Note a</i>)	685,921	1,001,847
Proposed final dividend of HK\$0.62 (2019: final dividend of HK\$0.30 per share (<i>Note b</i>))	2,504,830	1,206,344
	<u>3,190,751</u>	<u>2,208,191</u>

Notes:

- (a) An interim dividend of HK\$0.17 per share (2019: HK\$0.25 per share) was paid to shareholders whose names appeared on the Register of Members of the Company on 17 August 2020 (2019: 26 August 2019).
- (b) A final dividend in respect of the financial year ended 31 December 2020 of HK\$0.62 per share (2019: HK\$0.30 per share), amounting to a total dividend of HK\$2,504,830,000 (2019: HK\$1,206,344,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2020 proposed final dividend is based on 4,040,048,647 shares in issue as at 26 February 2021 (2019: 4,021,145,647 shares in issue as at 4 June 2020). These consolidated financial statements do not reflect this dividend payable.

30 CASH GENERATED FROM OPERATIONS

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

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Profit before income tax		7,330,342	5,015,811
Adjustments for:			
– Depreciation charge of property, plant and equipment	22	1,069,039	987,727
– Losses on disposal and write-off of property, plant and equipment	25	51,373	27,059
– Losses on disposal of investment properties	25	22,848	—
– Depreciation charge of right-of-use assets	22	98,767	84,385
– Fair value gains on investment properties	25	(3,231)	(22,061)
– Amortisation charge of intangible assets	22	1,791	2,119
– Share of profits of associates	13	(1,124,341)	(639,608)
– Gain on dilution of investments in associates	25	(1,169,868)	(147,701)
– Gain on partial disposal of equity interest in an associate	25	—	(485,659)
– Interest income	26	(37,773)	(91,989)
– Interest expense	26	192,768	273,920
– Share options granted to employees	23	44,514	41,549
– Unrealised fair value losses on financial assets at FVTPL	25	24,697	—
– Gain on disposal of financial assets at FVTPL	25	(1,984)	(20,347)
– Realised income from financial products at FVTPL	24	(102,463)	(74,116)
– Increase in provision for loss allowance of trade receivables, net	15	15,880	4,974
Changes in working capital:			
– Inventories		(206,278)	(198,704)
– Trade and other receivables		(1,641,406)	(458,474)
– Trade, other payables and contract liabilities		783,672	390,559
Cash generated from operations		5,348,347	4,689,444

Notes to the Consolidated Financial Statements

30 CASH GENERATED FROM OPERATIONS (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Net book amount of property, plant and equipment (<i>Note 6</i>)	80,100	37,085
Losses on disposal and write-off of property, plant and equipment (<i>Note 25</i>)	(51,373)	(27,059)
Proceeds from disposal of property, plant and equipment	28,727	10,026

(c) In the consolidated statement of cash flows, proceeds from disposal of investment properties comprise:

	2020 HK\$'000	2019 HK\$'000
Net book amount of investment properties (<i>Note 7</i>)	50,280	—
Losses on disposal and write-off of investment properties (<i>Note 25</i>)	(22,848)	—
Exchange difference	(4,446)	—
Proceeds from disposal of investment properties	22,986	—

(d) Net debt reconciliation:

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

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents	5,244,554	5,097,924
Bank and other borrowings - repayable within one year	(3,779,193)	(4,459,093)
Bank and other borrowings - repayable after one year	(7,794,815)	(6,350,418)
Lease liabilities	(83,258)	(7,094)
Net debt	(6,412,712)	(5,718,681)
Cash and cash equivalents	5,244,554	5,097,924
Gross debt - variable interest rates	(11,574,008)	(10,809,511)
Gross debt - fixed interest rates	(83,258)	(7,094)
Net debt	(6,412,712)	(5,718,681)

30 CASH GENERATED FROM OPERATIONS (Continued)

(d) Net debt reconciliation: (Continued)

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

	Cash and cash equivalents HK\$'000	Bank and other borrowings due within 1 year HK\$'000	Bank and other borrowings due after 1 year HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
Net debt as at 1 January 2019	4,598,506	(3,094,441)	(6,874,933)	—	(5,370,868)
Acquisition - leases	—	—	—	(9,007)	(9,007)
Unwinding of interests	—	—	—	(883)	(883)
Cash flows	584,577	(1,364,652)	524,515	2,796	(252,764)
Foreign exchange adjustments	(85,159)	—	—	—	(85,159)
Net debt as at 31 December 2019	5,097,924	(4,459,093)	(6,350,418)	(7,094)	(5,718,681)
Acquisition - leases	—	—	—	(87,101)	(87,101)
Unwinding of interests on lease liabilities	—	—	—	(2,687)	(2,687)
Cash flows	(158,087)	679,900	(1,444,397)	13,624	(908,960)
Foreign exchange adjustments	304,717	—	—	—	304,717
Net debt as at 31 December 2020	5,244,554	(3,779,193)	(7,794,815)	(83,258)	(6,412,712)

Notes to the Consolidated Financial Statements

31 COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure approved at the end of reporting date but not yet incurred is as follows:

	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment, intangible assets and right-of-use assets contracted but not provided for	862,434	1,413,803

OPERATING LEASE COMMITMENTS

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment properties not recognised in the consolidated financial statements are as follows:

	2020 HK\$'000	2019 HK\$'000
Not later than 1 year	18,290	14,210
Later than 1 year and not later than 5 years	52,146	37,789
Later than 5 years	103,967	65,683
	174,403	117,682

32 RELATED PARTY TRANSACTIONS

As at 31 December 2020, the Group was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai J.P., Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung which in aggregate owns 2,400,021,059 (2019: 2,335,863,059) of the Company's shares.

32 RELATED PARTY TRANSACTIONS (Continued)

The following transactions were carried out with related parties:

(A) TRANSACTIONS WITH RELATED PARTIES

	Note	2020 HK\$'000	2019 HK\$'000
Purchases of goods from associates	i		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited		168,794	236,021
– Beihai Yiyang Mineral Company Limited		105,831	165,477
– Dongyuan County Xinhuali Quartz Sand Company Limited		17,005	30,703
– A subsidiary of Xinyi Solar	vii	3,299	1,813
Sales of goods to an associate			
– Subsidiaries of Xinyi Solar	ii	109,938	62,283
Sales of consumable goods to an associate			
– Subsidiaries of Xinyi Solar	ii	4,576	—
Sales of goods to related parties			
– An entity controlled by a controlling party	ii, vii	7,141	4,770
– Entities controlled by a controlling party	ii, vii	1,528	1,957
Sales of machineries to an associate			
– A subsidiary of Xinyi Solar	iii	83,368	75,415
Sales of fixed assets to an associate			
– A subsidiary of Xinyi Solar	iii, vii	2,157	—
Consultancy income received from an associate			
– A subsidiary of Xinyi Solar	iv, vii	872	861
Rental income received from an associate			
– A subsidiary of Xinyi Solar	v, vii	5,394	5,481
Rental expenses paid to an associate			
– A subsidiary of Xinyi Solar	v, vii	1,032	1,049
Rental income received from a related party			
– An entity controlled by a controlling party	v, vii	302	305
Wind farm management fees paid to related parties			
– An entity controlled by a controlling party	vi, vii	2,650	1,676

Notes to the Consolidated Financial Statements

32 RELATED PARTY TRANSACTIONS (Continued)

(A) TRANSACTIONS WITH RELATED PARTIES (Continued)

	Note	2020 HK\$'000	2019 HK\$'000
Processing income of raw materials from an associate – A subsidiary of Xinyi Solar	vi, vii	1,739	—
Processing fees paid to a related party – An entity controlled by a controlling party	vii, viii	1,289	28,127
Purchase of machinery parts from a related party – An entity controlled by a controlling party	vii, ix	395	1,669
Purchase of consumables from a related party – A subsidiary of Xinyi Solar	vii, x	—	776
Purchase of fixed assets from an associate – A subsidiary of Xinyi Solar	vii	—	762
Engineering, procurement and construction service fees paid to an associate – A subsidiary of Xinyi Solar	vii	—	633
Maintenance and services fees paid to an associate – A subsidiary of Xinyi Solar	vii	2,563	2,412

Notes:

- (i) The purchases of goods from associates were charged at mutually agreed prices and terms.
- (ii) The sales of goods to associates and related parties were charged at mutually agreed prices and terms.
- (iii) The sales of machineries and fixed assets to an associate was charged at considerations based on mutually agreed terms.
- (iv) Consultancy income received from an associate was charged at mutually agreed fee.
- (v) The lease of premises was charged at mutually agreed rental.
- (vi) Wind farm management fees were charged at mutually agreed fees.
- (vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms.
- (viii) Processing fees were charged at mutually agreed prices.
- (ix) The purchase of machinery parts was charged at mutually agreed prices and terms.
- (x) The purchase of consumables was charged at mutually agreed prices and terms.

32 RELATED PARTY TRANSACTIONS (Continued)

(B) YEAR-END BALANCES WITH RELATED PARTIES

	2020 HK\$'000	2019 HK\$'000
Loans advance to an associate (<i>Note 13</i>)		
– Dongyuan County Xinhuali Quartz Sand Company Limited	657	33,685
Receivable from an associate arising from sales of machineries (<i>Note (i)</i>)		
– Subsidiaries of Xinyi Solar	91,690	90,247
Receivable from an associate arising from consultancy income (<i>Note (i)</i>)		
– A subsidiary of Xinyi Solar	—	72
Receivable from related parties arising from sale of goods (<i>Note (i)</i>)		
– An entity controlled by a controlling party	664	2,862
– A subsidiary of Xinyi Solar	74,664	—
Payable to a related party arising from processing fees (<i>Note (i)</i>)		
– An entity controlled by a controlling party	2,398	1,364
Prepayment/(payable) to an associate arising from purchase of goods (<i>Note (i)</i>)		
– Beihai Yiyang Mineral Company Limited	1,494	(263)
Receivable from associate arising from management fee paid on behalf (<i>Note (i)</i>)		
– A subsidiary of Xinyi Solar	294	—

Note:

- (i) As at 31 December 2020, balances with related parties are unsecured, interest-free and repayable on demand. The amounts approximate their fair values and are denominated in RMB and MYR.

(C) KEY MANAGEMENT COMPENSATION

	2020 HK\$'000	2019 HK\$'000
Basic salaries and allowances	19,410	18,689
Discretionary and performance bonus	115,374	79,249
Employer's contributions to pension scheme	118	112
Share options granted	2,064	2,049
	136,966	100,099

Notes to the Consolidated Financial Statements

33 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Investments in subsidiaries		211,513	211,513
Investment in an associate		446,278	399,789
Amounts due from subsidiaries		2,154,650	2,154,650
		<u>2,812,441</u>	<u>2,765,952</u>
Current assets			
Amount due from subsidiaries		6,027,876	—
Prepayments and other receivables		22,614	5,255
Financial assets at fair value through profit and loss		223,553	—
Cash and bank balances		3,718	3,026
		<u>6,277,761</u>	<u>8,281</u>
Total assets		<u>9,090,202</u>	<u>2,774,233</u>
Equity			
Equity attributable to the equity holders of the Company			
Share capital		403,950	401,922
Share premium		535,560	388,161
Other reserves	(a)	101,334	88,483
Retained earnings	(a)	380,413	289,446
Total equity		<u>1,421,257</u>	<u>1,168,012</u>

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

Balance sheet of the Company	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Liabilities			
Current liabilities			
Other payables		14,671	13,664
Amounts due to subsidiaries		7,648,064	1,586,700
Current income tax liabilities		6,210	5,857
		<u>7,668,945</u>	<u>1,606,221</u>
Total liabilities		<u>7,668,945</u>	<u>1,606,221</u>
Total equity and liabilities		<u>9,090,202</u>	<u>2,774,233</u>

The balance sheet of the Company was approved by the Board of Directors on 1 March 2021 and was signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman

TUNG Ching Bor
Vice-chairman

Notes to the Consolidated Financial Statements

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

Note (a) Reserve movements of the Company

	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Sub-total HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	54,849	21,190	76,039	149,469	225,508
Profit for the year	—	—	—	2,224,185	2,224,185
Employees share option scheme:					
– proceeds from shares issued	(29,379)	—	(29,379)	—	(29,379)
– value of employee services	41,549	—	41,549	—	41,549
– adjustments relating to forfeiture of share options	(26)	—	(26)	26	—
Repurchase and cancellation of shares	—	300	300	(300)	—
Dividend relating to 2018	—	—	—	(1,082,087)	(1,082,087)
Dividend relating to 2019	—	—	—	(1,001,847)	(1,001,847)
At 31 December 2019	66,993	21,490	88,483	289,446	377,929
At 1 January 2020	66,993	21,490	88,483	289,446	377,929
Profit for the year	—	—	—	1,983,722	1,983,722
Employees share option scheme:					
– proceeds from shares issued	(32,153)	—	(32,153)	—	(32,153)
– value of employee services	44,514	—	44,514	—	44,514
– adjustments relating to forfeiture of share options	(131)	—	(131)	131	—
Repurchase and cancellation of shares	—	621	621	(621)	—
Dividend relating to 2019	—	—	—	(1,206,344)	(1,206,344)
Dividend relating to 2020	—	—	—	(685,921)	(685,921)
At 31 December 2020	79,223	22,111	101,334	380,413	481,747

34 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration for the year ended 31 December 2020 of every director is set out below:

Name of directors (Note (i))	Employer's contribution to benefit scheme				Total HK\$'000
	Fees HK\$'000	Salary HK\$'000	Discretionary bonus HK\$'000	to benefit scheme HK\$'000	
LEE Yin Yee	300	49	36,931	—	37,280
TUNG Ching Bor	300	3,091	15,827	18	19,236
TUNG Ching Sai	300	8,438	36,632	18	45,388
LEE Shing Kan	300	2,576	15,827	18	18,721
NG Ngan Ho	300	—	—	—	300
LI Ching Wai	300	—	—	—	300
SZE Nang Sze	300	—	—	—	300
LI Ching Leung	300	—	—	—	300
LAM Kwong Siu	300	—	—	—	300
WONG Chat Chor, Samuel	300	—	—	—	300
WONG Ying Wai	300	—	—	—	300
TRAN Chuen Wah, John	300	—	—	—	300
TAM Wai Hung, David	300	—	—	—	300

Notes to the Consolidated Financial Statements

34 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

The remuneration for the year ended 31 December 2019 of every director is set out below:

Name of directors (Note (i))	Fees HK\$000	Salary HK\$000	Discretionary bonus HK\$000	Employer's contribution to benefit scheme HK\$000	Total HK\$000
LEE Yin Yee	300	49	25,702	—	26,051
TUNG Ching Bor	300	3,131	11,015	18	14,464
TUNG Ching Sai	300	8,712	24,509	18	33,539
LEE Shing Kan	300	2,519	11,015	18	13,852
NG Ngan Ho	300	—	—	—	300
LI Ching Wai	300	—	—	—	300
SZE Nang Sze	300	—	—	—	300
LI Ching Leung	300	—	—	—	300
LAM Kwong Siu	300	—	—	—	300
WONG Chat Chor, Samuel	300	—	—	—	300
WONG Ying Wai	300	—	—	—	300
TRAN Chuen Wah, John	300	—	—	—	300
TAM Wai Hung, David	300	—	—	—	300

Notes:

- (i) During the year ended 31 December 2020, none of the directors of the Company (a) received any allowances and benefits in kind; (b) received or paid emoluments in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking, except for the director set out in Note (iv) below; and (c) received or paid any remuneration in respect of accepting office (2019: same).
- (ii) The remuneration shown above represents remuneration received from the Group by these directors in respect of their services as directors and/or in their respect of their services as employees of the Company or its subsidiaries undertaking (2019: same).
- (iii) No director of the Company was appointed/resigned during the year (2019: same).
- (iv) TUNG Ching Sai 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.

34 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(B) DIRECTORS' TERMINATION BENEFITS

During the year ended 31 December 2020, none of the directors of the Company received termination benefits. (2019: same).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2020, the Company did not paid any consideration to third party for making available services of director (2019: same).

(D) DIRECTORS' LOANS, QUASI-LOANS AND OTHER DEALINGS

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors (2019: same).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those transactions disclosed in Note 32, 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 and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: same).



Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is presented below.

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	18,615,879	16,258,489	16,014,490	14,727,542	12,848,400
Cost of sales	(10,844,444)	(10,375,212)	(10,139,138)	(9,283,428)	(8,189,150)
Gross profit	7,771,435	5,883,277	5,875,352	5,444,114	4,659,250
Profit before income tax	7,330,342	5,015,811	4,970,140	4,696,432	3,823,451
Income tax expense	(899,083)	(533,132)	(722,564)	(682,413)	(607,288)
Profit for the year	6,431,259	4,482,679	4,247,576	4,014,019	3,216,163
Profit attributable to					
– equity holders of the Company	6,422,213	4,477,792	4,236,806	4,013,764	3,213,428
– non-controlling interests	9,046	4,887	10,770	255	2,735
	6,431,259	4,482,679	4,247,576	4,014,019	3,216,163
Dividends	3,190,751	2,208,191	2,081,637	1,924,874	1,646,981
Asset and Liabilities					
	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	45,071,089	36,254,298	32,679,267	30,305,000	24,022,321
Total liabilities	17,097,740	15,326,872	13,977,006	11,998,808	10,775,431
	27,973,349	20,927,426	18,702,261	18,306,192	13,246,890
Equity attributable to equity holders of the Company	27,881,574	20,846,341	18,624,727	18,237,211	13,180,931
Non-controlling interests	91,775	81,085	77,534	68,981	65,959
	27,973,349	20,927,426	18,702,261	18,306,192	13,246,890