Supplemental Listing Document

If you are in any doubt about this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser. The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of Macquarie Bank Limited, the Company (defined below) or the Warrants.

Non-collateralised warrants
18,000,000 European Style Cash Settled Call Warrants
relating to the ordinary shares of Xinyi Solar Holdings Limited
issued by

Macquarie Bank Limited

(ABN 46 008 583 542)

(Incorporated under the laws of Australia)

Issue Price: SGD 0.201 per Warrant

This document is published for the purpose of obtaining a listing of all the above warrants (the "**Warrants**") to be issued by Macquarie Bank Limited (the "**Issuer**") and is supplemental to and should be read in conjunction with a base listing document published on 15 July 2021 (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer and the Warrants. Information relating to Xinyi Solar Holdings Limited (the " **Company**") is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Warrants or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration Warrants or other securities of the Issuer. Restrictions have been imposed on offers and sales of the Warrants and on distributions of documents relating thereto in Singapore, the United States, the United Kingdom, Hong Kong and Australia (see Base Listing Document).

Investors are warned that the price of the Warrants may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Warrants and carefully study the risk factors set out in this document before they invest in the Warrants.

The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and of no other person, including those in respect of deposits, but excluding any debts for the time being preferred by law and any subordinated obligations and if you purchase the Warrants you are relying upon the creditworthiness of the Issuer and have no rights under the Warrants against the Company.

The Issuer is regulated as an authorised deposit taking institution by the Australian Prudential Regulation Authority ("APRA"). The Issuer, acting through its Singapore branch is authorised and licensed by the Monetary Authority of Singapore to carry on wholesale banking business in Singapore pursuant to the Banking Act, Chapter 19 of Singapore and therefore is subject to the supervision of the Monetary Authority of Singapore.

06 January 2022

Application has been made to the SGX-ST for permission to deal in and for quotation of the Warrants and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Warrants. It is expected that dealings in the Warrants will commence on 07 January 2022.

Warrants are complex instruments and are not suitable for inexperienced investors. Investors should also have sufficient financial resources and liquidity to bear all of the risks of an investment in the Warrants. Prospective purchasers should not invest in Warrants which are complex financial instruments unless they have the expertise (either alone or with a financial adviser) to evaluate how the Warrants will perform under changing conditions, the resulting effects on the value of the Warrants and the impact this investment will have on the potential investor's overall investment portfolio.

Subject as set out below, the Issuer accepts full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to itself and the Warrants. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which it accepts responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and is not limited by anything likely to affect the import of such information. The information contained herein with regard to the Company consists of extracts from information released publicly. The Issuer accepts responsibility for accurately reproducing such extracts but accept no further or other responsibility in respect of such information.

Neither the delivery of this document nor any sale made hereunder shall create any implication that there has been no change in the affairs of the Issuer, and its subsidiaries and affiliates since the date hereof. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the offering of the Warrants, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer.

This document does not constitute an offer or invitation by or on behalf of the Issuer to purchase or subscribe for any of the Warrants. The distribution of this document and the offering of the Warrants may, in certain jurisdictions, be restricted by law. The Issuer requires persons into whose possession this document comes to inform themselves of and observe all such restrictions.

The Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Warrants, or interests therein, may not at any time be offered, sold, resold or delivered within the United States or to, or for the account or benefit of, U.S. persons and any offer, sale, resale or delivery made within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Warrants and distribution of this document is given in the section headed "Sales Restrictions" in the Base Listing Document.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the merits of investing in the Warrants, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer or its affiliates may repurchase Warrants at any time and any Warrant which is repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer. Investors should not therefore make any assumption as to the number of Warrants in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Call Warrants contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

TERMS AND CONDITIONS OF THE WARRANTS

*The following are the terms and conditions of the Warrants and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the base listing document dated 15 July 2021 (the "**Base Listing Document**").*

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Call Warrants" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Warrants:	18,000,000 European Style Cash Settled Call Warrants relating to the ordinary shares ("**Shares**") of the Company
Company:	Xinyi Solar Holdings Limited (Reuters Instrument Code: 0968.HK)
Conversion Ratio (number of Shares per Warrant):	0.100000 (i.e. every 10 Warrants initially relate to 1 Share)
Underlying Price[1] and Source:	HKD 13.200 (out of the money) (Reuters/Bloomberg)
Exercise Price:	HKD 20.000
Gearing[1]:	1.1x
Premium[1]:	139.4%
Volatility[1]:	Implied: 480% Historical: 70%
Launch Date:	03 January 2022
Closing Date:	06 January 2022
Dealing Commencement Date:	07 January 2022
Last Trading Date:	The 5th Business Day immediately preceding the Expiry Date, provided that if such day is not a day on which The Stock Exchange of Hong Kong Limited ("**HKEX**") is open for dealings during its normal trading hours ("HK Business Day"), the Business Day immediately preceding such day which is also a HK Business Day, currently being 28 June 2022
Expiry Date:	05 July 2022
Board Lot:	100 Warrants

[1] These figures are calculated as at, and based on information available to the Issuer on or about, the date of the termsheet in respect of the Warrants. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after the date of the termsheet in respect of the Warrants.

Valuation Date:	Each of the five Exchange Business Days immediately preceding the Expiry Date (subject to Market Disruption Events as set out in the Conditions of the Warrants)
Exercise:	Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Warrants shall be deemed to have been automatically exercised at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day). The Cash Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in Condition 4(c) of the Warrants. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all Warrants shall be deemed to have expired at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.
Cash Settlement Amount:	In respect of each Warrant, shall be an amount (if positive) payable in the Settlement Currency equal to the Exchange Rate multiplied by: (A) (i) the arithmetic mean of the closing prices of one Share (as derived from the daily publications of the Relevant Stock Exchange, subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date LESS (ii) the Exercise Price MULTIPLIED by (B) the Conversion Ratio In certain circumstances, the Conversion Ratio and the Exercise Price will be adjusted as set out in Condition 6 of the Warrants.
Exchange Rate:	The rate of exchange for the conversion of the Reference Currency to the Settlement Currency as at 5:00 p.m. (Singapore time) on the Expiry Date as shown on Bloomberg provided that if the Bloomberg service ceases to display such information, such page as displays such information on such other services as may be selected by the Issuer.
Reference Currency:	Hong Kong dollars
Settlement Currency:	Singapore dollars The Shares are traded in Hong Kong dollars on HKEX. However, the Warrants will be issued and traded in Singapore dollars on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

Exercise Expenses:	Warrantholders will be required to pay all charges (including any taxes if applicable) which are incurred in respect of the exercise of the Warrants.
Relevant Stock Exchange:	HKEX
Clearing System:	The Central Depository (Pte) Limited ("**CDP**")
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Warrants on the SGX-ST.

In addition, the Conditions have been modified as follows:

Reference to "Business Day" in Condition 2 shall be replaced by "Exchange Business Day".

"**Exchange Business Day**" shall be a day on which the HKEX is open for dealings in Hong Kong during its normal trading hours.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Call Warrants" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Warrants.

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED CALL WARRANTS

1. Form, Status, Transfer and Title

(a) *Form*. The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued subject to and with the benefit of:

(i) an instrument by way of deed poll (the "**Instrument**") dated the Closing Date, made by Macquarie Bank Limited (the "**Issuer**"); and

(ii) a master warrant agent agreement (the "**Warrant Agent Agreement**") dated 26 November 2004 and such other Warrant Agent Agreement as may be in force from time to time, made between the Issuer and the Warrant Agent for the Warrants.

Copies of the Instrument and the Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Warrant Agent Agreement.

(b) *Status*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise.

(c) *Transfer*. The Warrants are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Warrants in definitive form will not be issued. Transfers of Warrants may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Warrants, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Warrants shall be treated by the Issuer and the Warrant Agent as the holder and absolute owner of such number of Warrants, notwithstanding any notice to the contrary. The expression "**Warrantholder**" shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Every Warrant entitles each Warrantholder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Warrant, shall be an amount (if positive) payable in the Settlement Currency equal to:

(A) (i) the arithmetic mean of the closing prices of one Share (as derived from the daily publications of the relevant stock exchange on which the Shares related to the Warrants are traded ("**Relevant Stock Exchange**") (as specified in the relevant Supplemental Listing Document), subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below) LESS (ii) the Exercise Price for the time being MULTIPLIED by (B) the Conversion Ratio,

and multiplied by the applicable exchange rate if the Reference Currency is different from the Settlement Currency.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day (as defined below) on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the two Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date. In that case:

(A) that second Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(B) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on that second Business Day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then (1) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event and (2) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

"**Conversion Ratio**" means the ratio (expressed as the number of Shares to which one Warrant relates) specified by the Issuer, subject to adjustments in accordance with these Conditions.

"**Market Disruption Event**" means the occurrence or existence on any Valuation Date of (i) any suspension of trading on the Relevant Stock Exchange of the Shares requested by the Company if that suspension, is in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Shares if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption, is in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion, terrorism or otherwise.

"**Valuation Date**" means, with respect to the exercise of Warrants, and subject as provided above in relation to a Market Disruption Event, each of the five Business Days immediately preceding the Expiry Date relating to such exercise.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges (including any taxes if applicable) which are incurred in respect of the exercise of the Warrants (the " **Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Warrantholders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Warrantholders in accordance with Condition 4.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day).

4. Exercise of Warrants

(a) *Exercise*. Warrants may only be exercised on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) in accordance with Condition 4(b).

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Warrants shall be deemed to have been automatically exercised at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day). The Cash Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all Warrants shall be deemed to have expired at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Warrantholder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Last Valuation Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Warrantholder only (or, in the case of joint Warrantholders, the first-named Warrantholder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the

Warrantholder and posted to the Warrantholder's address appearing in the records maintained by CDP (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable.* CDP shall not be liable to any Warrantholder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Warrants or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Warrants are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Warrantholders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Warrantholders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Shares are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation or reclassification of the Shares (excluding a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Shares of (1) such Shares, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Shares, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Shares that are not fully paid;

(v) a repurchase by the Company of the Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Shares.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Shares, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Shares traded on that options exchange;

(ii) cancel the Warrants by giving notice to the Warrantholders in accordance with Condition 9. If the Warrants are so cancelled, the Issuer will pay an amount to each Warrantholder in respect of each Warrant held by such Warrantholder which amount shall be the fair market value of a Warrant taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Shares on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Shares are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Warrantholders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Warrantholders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Shares of that Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Shares outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the Valuation Date or, if there is more than one Valuation Date, the Last Valuation Date. "**Nationalisation**" means that all the Shares or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Condition 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer or its related corporations may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Warrant Agent Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Warrant Agent Agreement) of a modification of the provisions of the Warrants or of the Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Warrantholders. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than ten per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Warrantholders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents*. All cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder at his address appearing in the records maintained by CDP or, in the case of joint Warrantholders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.

(b) *Notices*. All notices to Warrantholders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Warrant, give notice of the date of expiry of such Warrant in the manner prescribed above, provided that if the tenure of the Warrant is less than one month, the Issuer shall publish the expiry notice as soon as practicable after the listing of the Warrant.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. De-Listing

(a) *De-Listing*. If at any time, any Shares cease to be listed, traded or publicly quoted on the Relevant Stock Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange, trading system or quotation system acceptable to the Issuer ("**De-Listing**"), the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants (including terminating the Warrants early) as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such De-Listing (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

(b) *Adjustments*. Without prejudice to the generality of Condition 12(a), where the Shares are, or, upon the De-Listing, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Relevant Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the Settlement Currency) as may be appropriate in the circumstances.

(c) *Issuer's Determination*. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination for Illegality and Force Majeure, etc.

(a) *Illegality and Force Majeure, etc*. If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 9.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

(b) *Termination*. If the Issuer terminates the Warrants early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 9.

14. Governing Law

The Warrants, the Instrument and the Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

16. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Instrument and the Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Instrument and the Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	Macquarie Bank Limited
Company:	Xinyi Solar Holdings Limited
The Warrants:	European Style Cash Settled Call Warrants relating to the Shares
Number:	18,000,000 Warrants
Form:	The Warrants will be issued subject to, and with the benefit of, an instrument by way of deed poll dated 06 January 2022 (the "**Instrument**") and executed by the Issuer and a master warrant agent agreement dated 26 November 2004 (the "**Warrant Agent Agreement**") and made between the Issuer and the Warrant Agent.
Conversion Ratio (number of Shares per Warrant):	0.100000 (i.e. every 10 Warrants initially relate to 1 Share)
Cash Settlement Amount:	In respect of each Warrant, shall be an amount (if positive) payable in the Settlement Currency equal to the Exchange Rate multiplied by: (A) (i) the arithmetic mean of the closing prices of one Share (as derived from the daily publications of the Relevant Stock Exchange, subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date LESS (ii) the Exercise Price MULTIPLIED by (B) the Conversion Ratio In certain circumstances, the Conversion Ratio and the Exercise Price will be adjusted as set out in Condition 6 of the Warrants.
Exchange Rate:	The rate of exchange for the conversion of HKD to SGD as at 5:00 p.m. (Singapore time) on the Expiry Date as shown on Bloomberg provided that if the Bloomberg service ceases to display such information, such page as displays such information on such other services as may be selected by the Issuer.
Denominations:	Warrants are represented by a global warrant in respect of all the Warrants.
Exercise:	Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Warrants shall be deemed to have been automatically exercised at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day). The Cash

	Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in Condition 4(c) of the Warrants. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all Warrants shall be deemed to have expired at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.
Trading Currency:	Singapore dollars
Transfers of Warrants:	Warrants may only be transferred in Board Lots (or integral multiples thereof). All transfers in Warrants, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Warrants and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Warrants. Issue of the Warrants is conditional on such listing being granted. It is expected that dealings in the Warrants on the SGX-ST will commence on or about 07 January 2022.
Governing Law:	The laws of Singapore
Warrant Agent:	Macquarie Capital Securities (Singapore) Pte. Limited
Further Issues:	Further issues which will form a single series with the Warrants will be permitted.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

RISK FACTORS

The following risk factors are relevant to the Warrants:

(a) investment in Warrants involves substantial risks including market risk, liquidity risk, and the risk that the Issuer will be unable to satisfy its obligations under the Warrants. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Warrants. You should consider carefully whether Warrants are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Warrants are not suitable for inexperienced investors;

(b) the Warrants constitute direct, general and unsecured contractual obligations of the Issuer and no other person and will rank pari passu with the Issuer's other unsecured contractual obligations and with the Issuer's unsecured and unsubordinated debt other than indebtedness preferred by mandatory provisions of law. The Warrants are not secured by any collateral.
Section 13A(3) of the Banking Act of 1959 of Australia provides that, in the event of the Issuer becoming unable to meet its obligations or suspends payments, the assets of the Issuer in Australia are to be available to satisfy specified liabilities in priority to all other liabilities of the Issuer (including the obligations of the Issuer under the Warrants). The specified liabilities include first, certain obligations of the Issuer to APRA in respect of amounts payable by APRA to holders of protected accounts, and then as the next priority obligations of the Issuer in respect of APRA's costs of administration, then other liabilities of the Issuer in Australia in relation to protected accounts that account-holders keep with the Issuer, following this any debts that the Authorised Deposit-taking Institution owes to the Reserve Bank of Australia and any liabilities under an industry support contract (certified under section 11CB of the Banking Act) and then, any other liabilities, in order of their priority. If you purchase the Warrants you are relying upon the creditworthiness of the Issuer and have no rights under the Warrants against any other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Warrants, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Warrants you are relying upon the creditworthiness of the Issuer and have no rights under the Warrants against the company which has issued the underlying shares. The Issuer is not a fiduciary of Warrantholders (as defined in the Conditions) and has substantially no obligation to a Warrantholder other than to pay amounts in accordance with the terms thereof as set forth herein and in the Base Listing Document. The Issuer does not in any respect underwrite or guarantee the performance of any Warrant. Any profit or loss realised by a Warrantholder in respect of a Warrant upon exercise or otherwise due to changes in the value of such Warrant, or the underlying shares, is solely for the account of such Warrantholder. In addition, the Issuer shall have the absolute discretion to put in place any hedging transaction or arrangement which it deems appropriate in connection with any Warrant or the underlying shares. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by any one of its rating agencies could result in a reduction in the trading value of the Warrants;

(c) the price of the Warrants may fall in value as rapidly as it may rise and Warrantholders may sustain a total loss of their investment. The risk of losing all or any part of the purchase price of a Warrant upon the expiry of the Warrants means that, in order to recover and realise a return on investment, investors in Warrants must generally anticipate correctly the direction, timing and magnitude of any change in the value of the shares of the underlying company. Changes in the price of the shares of the underlying company can be unpredictable, sudden and large and such changes may result in the price of such shares moving in a direction which will negatively impact upon the return on an investment. In the case of Warrants relating to shares, certain events relating to such shares or the underlying company may cause adverse movements in the value and price of the underlying shares, as a result of which, the Warrantholders may, in certain circumstances, sustain a total loss of their investment if, for the Warrants, the average closing price of the underlying shares on the valuation dates falls below or is equal to the exercise price;

(d) due to their nature, the Warrants can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Warrants may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the underlying shares, dividends, interest rate, volatility, foreign exchange rates, the time remaining to expiry and the creditworthiness of the Issuer;

(e) before exercising or selling the Warrants, the holders of Warrants should carefully consider, among other things, (i) the trading price of the Warrants; (ii) the value and volatility of the reference security; (iii) the time remaining to expiration; (iv) the probable range of Cash Settlement Amounts; (v) any change(s) in interim interest rates and dividend yields; (vi) any change(s) in currency exchange rates; (vii) the depth of the market or liquidity of the reference security; (viii) any related transaction costs; and (ix) the creditworthiness of the Issuer;

(f) fluctuations in the price of the underlying shares will affect the price of the Warrants but not necessarily in the same magnitude and direction, therefore, prospective investors intending to purchase Warrants to hedge their market risk associated with investing in the underlying shares, should recognise the complexities of utilising the Warrants in this manner;

(g) the settlement amount of Warrants at any time prior to the expiry of the Warrants may be less than the trading price of such Warrants at that time. The difference between the trading price and the settlement amount as the case may be, will reflect, among other things, a "time value" for the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to the expiry date of the Warrants and expectations concerning the value of the shares of the underlying company;

(h) investors should note that an investment in the Warrants involves valuation risks in relation to the underlying asset. The value of the underlying asset may vary over time and may increase or decrease by reference to various factors, which may include corporate actions, macro economic factors and market trends. Certain events relating to the underlying shares require or permit the Issuer to make certain adjustments or amendments to the Conditions (for example, adjusting the Exercise Price and the Conversion Ratio). However, the Issuer is not required to make an adjustment for every event that affects the underlying asset. If an event occurs that does not require the Issuer to adjust the Conversion Ratio or any other part of the Conditions, the market price of the Warrants and the return upon the exercise of the Warrants may be affected;

(i) as indicated in the Conditions, a Warrantholder must tender a specified number of Warrants at any one time in order to exercise. Thus, Warrantholders with fewer than the specified minimum number of Warrants in a particular series will either have to sell their Warrants or purchase additional Warrants, incurring transactions costs in each case, in order to realise their investment;

(j) unless otherwise specified in the Conditions, in the case of any exercise of the Warrants, there may be a time lag between the date on which the Warrants are exercised and the time the applicable settlement amount relating to such an event is determined. Any such delay between the time of exercise and the determination of the settlement amount will be specified in the Conditions. However such delay could be significantly longer, particularly in the case of a delay in the exercise of the Warrants arising from, a determination by the Issuer that a Market Disruption Event has occurred at any relevant time or that adjustments are required in accordance with the Conditions. That applicable settlement amount, may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Warrants;

(k) if, whilst the Warrants remain unexercised, trading in the underlying shares on the relevant stock exchange is suspended, trading in the Warrants may be suspended for a similar period;

(l) in the case of the Warrants, certain events relating to the shares of the underlying company require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions, and investors have limited anti-dilution protection under the Conditions. The Issuer may at its sole discretion adjust the entitlement upon exercise or valuation of the Warrants for events such as, amongst others, subdivision of the shares of the underlying company and dividend in specie, however the Issuer is not required to make an adjustment for every event that may affect the shares of the underlying company;

(m) the Warrants are only exercisable on their expiry date and may not be exercised by Warrantholders prior to such expiry date. Accordingly, if on such expiry date the Cash Settlement Amount (where applicable) is zero or negative, a Warrantholder will lose the value of his investment;

(n) investors should note that it is not possible to predict the price at which the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. A decrease in the liquidity of the Warrants or the underlying shares, futures, derivatives or other security related to the Warrants may cause, in turn, an increase in the volatility associated with the price of such issue of Warrants. The Issuer may, but is not obligated to, at any time, purchase Warrants at any price in the open market or by tender or private agreement. Any Warrants so purchased may be held or resold or surrendered for cancellation. As the Warrants are only exercisable on the expiry date, an investor will not be able to exercise his warrants to realize value in the event that the relevant issue becomes illiquid;

(o) in the event of any delisting of the Warrants from the SGX-ST (other than at expiry), the Issuer will use all reasonable efforts to list the Warrants on another exchange. If the Warrants are not listed or traded on any exchange, pricing information for the Warrants may be difficult to obtain and the liquidity of the Warrants may be adversely affected;

(p) two or more risk factors may simultaneously have an effect on the value of a Warrant such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Warrant;

(q) in the ordinary course of their business, including without limitation in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer and any of its respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the underlying shares or related derivatives. In addition, in connection with the offering of any Warrants, the Issuer and any of its respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the underlying shares or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and any of its respective subsidiaries and its affiliates, the Issuer and any of its respective subsidiaries and affiliates may enter into transactions in the underlying shares or related derivatives which may affect the market price, liquidity or value of the Warrants and which may affect the interests of Warrantholders;

(r) if the Issuer determines in good faith that the performance of its obligations under the Conditions has become unlawful or impractical in whole or in part, the Issuer may at its sole and absolute discretion and without obligation, terminate the Warrants prior to the expiry date, in which event the Issuer to the extent permitted by any relevant applicable law, will pay to each Warrantholder an amount as determined by the Issuer, in its sole and absolute discretion, in accordance with the Conditions. If the Issuer terminates the Warrants prior to the expiry date, the Issuer will, if and to the extent permitted by any relevant applicable law, pay each Warrantholder an amount to be determined by the Issuer, in its sole and absolute discretion, to be the fair market value of the Warrants immediately prior to such termination or otherwise determined as specified in the Conditions, notwithstanding the illegality or impracticality;

(s) the Issuer may enter into discount, commission or fee arrangements with brokers and/or any of its affiliates with respect to the primary or secondary market in the Warrants and such arrangement may present certain conflicts of interest for the brokers. The arrangements may or may not result in the benefit to investors in Warrants buying and selling Warrants through nominated brokers. Investors in the Warrants should note that any brokers with whom the Issuer has a commission arrangement does not, and cannot be expected to deal, exclusively in the Warrants, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the shares in the underlying company and/or structured products of other issuers over the same shares in the same underlying company as the Warrants for their proprietary accounts and/or accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Warrants and present certain conflicts of interests;

(t) Third party individuals may comment on the Warrants on social media or other platforms from time to time. None of these third party individuals, whether sponsored by the Issuer or not, is an agent of the Issuer and such commentary is not the Issuer's advice or recommendation to invest in the Warrants. The Issuer is not responsible for any statements or comments made by such third party individuals. To the extent a fee is paid by the Issuer, such fee arrangement may present potential conflicts of interest for the individual;

(u) changes in Singapore tax law and/or policy may adversely affect Warrantholders. Warrantholders who are in any doubt as to the effects of any such changes should consult their stockbrokers, bank managers, accountants, solicitors or other professional advisers;

(v) as the Warrants are represented by a global warrant certificate which will be deposited with the CDP:

   (i) investors should note that no definitive certificate will be issued in relation to the Warrants;

   (ii) there will be no register of Warrantholders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Warrants by way of interest (to the extent of such number) in the global warrant certificate in respect of those Warrants represented thereby shall be treated as the holder of such number of Warrants;

   (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Warrants; and

   (iv) notices to such Warrantholders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices; and

(w) the value of the Warrants depends upon, amongst other things, the ability of Issuer to fulfil its obligations under the terms which, in turn is primarily dependent on the financial prospects of the Issuer; and

(x) Foreign Account Tax Compliance withholding may affect payments on the Warrants

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

"Passthru payments" means any withholdable payment and any "foreign passthru payment," which is currently not defined. The current proposed FATCA regulations ("**Proposed Regulations**") state that the Internal Revenue Service and the U.S. Treasury have determined, that withholding on "foreign passthru payments" is not required, pending further guidance and analysis. The Proposed Regulations provide that such withholding will not be effective before the date that is two years after the publication of final regulations defining the term "foreign pass-thru payment".

While the Warrants are in dematerialised form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. An Issuer's obligations under the Warrants are discharged once it has paid the clearing systems and an Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

(y) our business and financial condition have been and may, in the future, be negatively affected by global credit and other market conditions.

Macquarie Group Limited (ABN 94 122 169 279) ("**MGL**") and its controlled entities ("**Macquarie Group**") businesses operate in or depend on the operation of global markets, including through exposures in securities, loans, derivatives and other activities. In particular, uncertainty and volatility in global credit markets, liquidity constraints, increased funding costs, constrained access to funding and the decline in equity and capital market activity have adversely affected and may again affect transaction flow in a range of industry sectors.

In conducting our businesses and maintaining and supporting our global operations, we are subject to risks of possible nationalization and/or confiscation of assets, expropriation, price controls, capital controls, redenomination risk, exchange controls, protectionist trade policies, economic sanctions and other restrictive governmental actions, unfavourable political and diplomatic developments and changes in legislation. These risks are particularly elevated in emerging markets.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among financial institutions. Concerns about, or a default by, one or more institutions or by a sovereign could lead to market-wide liquidity problems, losses or defaults by other institutions, financial instruments losing their value and liquidity, and interruptions to capital markets that may further affect us. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, hedge funds and exchanges that we interact with on a daily basis. If any of our counterpart financial institutions fail, our financial exposures to that institution may lose some or all of their value. Any of these events would have a serious adverse effect on our liquidity, profitability and value;

(z) many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations and regulatory policy.

We operate various kinds of businesses across multiple jurisdictions or sectors, which are regulated by more than one regulator. Additionally, some members of the Macquarie Group own or manage assets and businesses that are regulated. Our businesses include an Authorised Deposit-taking Institution ("**ADI**") in Australia (regulated by APRA) and bank branches in the United Kingdom, the Dubai International Finance Centre, Singapore and Hong Kong. The regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole, not holders of the Issuer's securities or creditors. In addition, as a diversified financial institution, many of our businesses are subject to financial services regulation other than prudential banking regulation, as well as laws, regulations and oversight specific to the industries applicable to our businesses and assets.

Regulatory agencies and governments frequently review and revise banking and financial services laws, security and competition laws, fiscal laws and other laws, regulations and policies, including fiscal policies. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could substantially affect us or our businesses, the products and services we offer or the value of our assets, or have unintended consequences across our business. These may include changing required levels of liquidity and capital adequacy, increasing tax burdens generally or on financial institutions or transactions, limiting the type of financial services and products that can be offered and/or increasing the ability of other providers to offer competing financial services and products, as well as changes to prudential regulatory requirements. Global economic conditions and increased scrutiny of the culture in the banking sector have led to increased supervision and regulation, as well as changes in regulation in markets in which we operate, particularly for financial institutions, and may lead to further significant changes of this kind. Health, safety and environmental laws and regulations can also change rapidly and significantly. The occurrence of any adverse health, safety or environmental event, or any changes, additions to, or more rigorous enforcement of, health, safety and environmental standards could have a significant impact on operations and/or result in material expenditures. In Australia, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the "**Royal Commission**") was established in December 2017 and concluded on 1 February 2019. The Royal Commission inquired into the causes of and responses to misconduct by financial services entities and conduct following below community standards and expectations and held rounds of public hearings on a wide range of matters, including consumer and SME lending, financial advice, superannuation, insurance, culture, governance, remuneration, and the remits of regulators. The Royal Commission's final report was published on 4 February 2019 and contains 76 recommendations. No findings were made by the Royal Commission in relation to the Macquarie Group or the Issuer. The Royal Commission's recommendations are likely to result in a range of significant legislative, regulatory and industry practice changes. Such changes may adversely impact the Issuer's business, operations, compliance costs, financial performance and prospects. The Federal Government anticipates that it will introduce all necessary legislation to implement the recommendations of the Royal Commission by mid calendar year 2021. We are closely monitoring the governmental, regulatory and industry responses to these recommendations and will participate in public and industry consultations as appropriate.

In some countries in which we do business or may in the future do business, in particular in emerging markets, the laws and regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult for us to determine the requirements of local laws in every market. Our inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally. In addition, regulation is becoming increasingly extensive and complex and some areas of regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation.

APRA may introduce new prudential regulations or modify existing regulations, including those that apply to the Issuer as an ADI. Any such event could result in changes to the organisational structure of Macquarie Group and adversely affect MBL and/or its controlled entities (the "**MBL Group**").

We are also subject in our operations worldwide to rules and regulations relating to corrupt and illegal payments, counter-terrorism financing, anti-bribery and corruption and adherence to anti-money laundering obligations, as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries (" **AML/CTF laws**"). The geographical diversity of our business increases the risk that we may be found in violation of such rules or regulations. Emerging technologies, such as cryptocurrencies, could limit our ability to track the movement of funds thereby heightening the risk of our breaching AML/CTF laws. Our ability to comply with these laws is dependent on our ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability;

(aa) we may be adversely affected by increased governmental and regulatory scrutiny or negative publicity

The financial crisis and the subsequent political and public sentiment regarding financial institutions have resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials, and in some cases, to increased regulatory scrutiny, investigations and litigation. Investigations, inquiries, penalties and fines sought by regulatory authorities have increased substantially over the last several years, and regulators have become aggressive in commencing enforcement actions or with advancing or supporting legislation targeted at the financial services industry. If we are subject to adverse regulatory findings, the financial penalties could have a material adverse effect on our results of operations. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation with clients and on the morale and performance of our employees;

(ab) changes and increased volatility in currency exchange rates may adversely impact our financial results and our financial and regulatory capital positions.

While our consolidated financial statements are presented in Australian dollars, a significant portion of our operating income is derived, and operating expenses are incurred, from our offshore business activities, which are conducted in a broad range of currencies. Changes in the rate at which the Australian dollar is translated from other currencies can impact our financial statements and the economics of our business. Insofar as we are unable to hedge or have not completely hedged our exposure to currencies other than Australian dollar, our reported profit and foreign currency translation reserve would be affected.

In addition, because MBL Group's regulatory capital position is assessed in Australian dollars, our capital ratios may be adversely impacted by a depreciating Australian dollar, which increases the capital requirement for assets denominated in currencies other than Australian dollars;

(ac) our business may be adversely affected by our failure to adequately manage the risks associated with strategic opportunities and new businesses, including acquisitions, and the exiting or restructuring of existing businesses

We are continually evaluating strategic opportunities and undertaking acquisitions of businesses, some of which may be material to our operations. Our completed and prospective acquisitions and growth initiatives may cause us to become subject to unknown liabilities of the acquired or new business and additional or different regulations.

Future growth, including through acquisitions, mergers and other corporate transactions, may also place significant demands on our legal, accounting, IT, risk management and operational infrastructure and result in increased expenses. A number of our recent and planned business initiatives and further expansions of existing businesses may also expose us to new and enhanced risks, including reputational concerns arising from dealing with a range of new counterparties and investors, actual or perceived conflicts of interest, regulatory scrutiny of these activities, potential political pressure, increased credit-related and operational risks, including risks arising from IT systems and reputational concerns with the manner in which these businesses are being operated or conducted.

We may be exposed to a number of risks in acquiring new businesses and in outsourcing, exiting or restructuring existing businesses. Where our acquisitions are in foreign jurisdictions, or are in emerging or growth economies in particular, we may be exposed to heightened levels of regulatory scrutiny and political, social or economic disruption and sovereign risk in emerging and growth markets;

(ad) our business depends on our brand and reputation

We believe our reputation in the financial services markets and the recognition of the Macquarie brand by our customers are important contributors to our business. Many companies in Macquarie Group and many of the funds managed by entities owned, in whole or in part, by MBL and MGL use the Macquarie name. We do not control those entities that are not in MBL Group, but their actions may reflect directly on our reputation.

Our business may be adversely affected by negative publicity or poor financial performance in relation to any of the entities using the Macquarie name, including any Macquarie-managed fund or funds that Macquarie has promoted or is associated with. If funds that use the Macquarie name or are otherwise associated with Macquarie-managed assets are perceived to be managed inappropriately, those managing entities could be subject to criticism and negative publicity, harming our reputation and the reputation of other entities that use the Macquarie name;

(ae) competitive pressure, both in the financial services industry as well as in the other industries in which we operate, could adversely impact our business

We face significant competition from local and international competitors, which compete vigorously in the markets and sectors across which we operate. In addition, the use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilizing new technologies and seeking to disrupt existing business models, including in relation to digital payment services and open data banking, that challenge, and could potentially disrupt, traditional financial services. We face competition from established providers of financial services as well as from businesses developed by non-financial services companies. We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to obtain or increase market share.

Any consolidation in the global financial services industry may create stronger competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power which may enhance the competitive position of Macquarie's competitors. The effect of competitive market conditions, especially in our main markets, products and services, may lead to an erosion in our market share or margins;

(af) our ability to retain and attract qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance

Our employees are our most important resource, and our performance largely depends on the talents and efforts of highly skilled individuals. Our continued ability to compete effectively in our businesses and to expand into new business areas and geographic regions depends on our ability to retain and motivate our existing employees and attract new employees. Competition from within the financial services industry and from businesses outside the financial services industry for qualified employees has historically been intense and we expected it to increase during periods of economic growth.

In order to attract and retain qualified employees, we must compensate such employees at or above market levels. As a regulated entity, we may be subject to limitations on remuneration practices. These limitations may require us to further alter our remuneration practices in ways that could adversely affect our ability to attract and retain qualified and talented employees;

Current and future laws (including laws relating to immigration and outsourcing) may restrict our ability to move responsibilities or personnel from one jurisdiction to another. This may impact our ability to take advantage of business and growth opportunities or potential efficiencies;

(ag) our business is subject to the risk of loss associated with falling prices in the equity and other markets in which we operate.

We are exposed to changes in the value of financial instruments and other financial assets that are carried at fair market value, as well as changes to the level of our advisory and other fees, due to changes in interest rates, exchange rates, equity and commodity prices and credit spreads and other market risks. These changes may result from changes in economic conditions, monetary and fiscal policies, market liquidity, availability and cost of capital, international and regional political events, acts of war or terrorism, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics or a combination of these or other factors.

We trade in foreign exchange, interest rate, commodity, bullion, energy, securities and other markets and are an active price maker in the derivatives market. Certain financial instruments that we hold and contracts to which we are a party are complex and these complex structured products often do not have readily available markets to access in times of liquidity stress. We may incur losses as a result of decreased market prices for products we trade, which decreases the valuation of our trading and investment positions, including our interest rate and credit products, currency, commodity and equity positions. In addition, reductions in equity market prices or increases in interest rates may reduce the value of our clients' portfolios, which in turn may reduce the fees we earn for managing assets in certain parts of our business. Increases in interest rates or attractive prices for other investments could cause our clients to transfer their assets out of our funds or other products.

Interest rate benchmarks around the world (for example, the London Interbank Offered Rate or LIBOR) have been subject to regulatory scrutiny and are subject to change. Changes to such benchmarks can result in market disruption and volatility impacting the value of securities, financial returns and potentially impact our ability to effectively hedge market risk.

Interest rate risk arises from a variety of sources including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates can affect earnings or the value of the Macquarie Group;

(ah) failure of third parties to honor their commitments in connection with our trading, lending and other activities may adversely impact our business

We are exposed to the potential for credit-related losses as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations. We are also exposed to potential concentration risk arising from large individual exposures or groups of exposures. Like any financial services organization, we assume counterparty risk in connection with our lending, trading, derivatives and other businesses where we rely on the ability of third parties to satisfy their financial obligations to us on a timely basis. Our recovery of the value of the resulting credit exposure may be adversely affected by a number of factors, including declines in the financial condition of the counterparty, the value of property we may hold as collateral and the market value of the counterparty instruments and obligations we hold. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether. To the extent our credit exposure increases, it could have an adverse effect on our business and profitability if material unexpected credit losses occur;

(ai) failure to maintain our credit ratings and those of our subsidiaries could adversely affect our cost of funds, liquidity, competitive position and access to capital markets

The credit ratings assigned to us and certain of our subsidiaries by rating agencies are based on an evaluation of a number of factors, including our ability to maintain a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, funding stability and security, disciplined liquidity management and our key operating environments, including the availability of systemic support in Australia. In addition, a credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events that are not related to the MBL Group.

If we fail to maintain our current credit ratings, this could (i) adversely affect our cost of funds and related margins, liquidity, competitive position, the willingness of counterparties to transact with us and our ability to access capital markets or (ii) trigger our obligations under certain bilateral provisions in some of our trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with us or require us to post additional collateral, which could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant cash payments or securities movements;

(aj) MBL Group relies on services provided by Macquarie Group

Macquarie Group provides shared services to MBL Group. These shared services include, but are not limited to, risk management, financial and treasury services, information technology, human resources, other group-wide services and business shared services. Other than shared service arrangements and compliance with legal obligations, entities of Macquarie Group that are not part of the MBL Group are not obligated to support the businesses of MBL Group. Any failure by Macquarie Group to continue to provide shared services or an increase in the cost of such services will have an adverse impact on our results or operations;

(ak) our business operations expose us to potential tax liabilities that could have an adverse impact on our results of operations and our reputation

We are exposed to risks arising from the manner in which the Australian and international tax regimes may be applied and enforced, both in terms of our own tax compliance and the tax aspects of transactions on which we work with clients and other third parties. Our international, multi-jurisdictional platform increases our tax risks. While we believe that we have in place controls and procedures that are designed to ensure that transactions involving third parties comply with applicable tax laws and regulations, any actual or alleged failure to comply with or any change in the interpretation, application or enforcement of applicable tax laws and regulations could adversely affect our reputation and affected business areas, significantly increase our own tax liability and expose us to legal, regulatory and other actions;

(al) we may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems and risk management processes.

Our businesses depend on our ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. While we employ a range of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As such, we may, in the course of our activities, incur losses. There can be no assurance that the risk management processes and strategies that we have developed will adequately anticipate or be effective in addressing market stress or unforeseen circumstances. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control.

We are exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems, such as from the disruption or failure of our IT systems, or from external suppliers and service providers including cloud-based outsourced technology platforms, or external events.

In addition, there have been a number of highly publicized cases around the world involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and we run the risk that employee, contractor and external service provider misconduct could occur. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity may not be effective in all cases, which could result in financial losses, regulatory intervention and reputational damage.

We face the risk of operational failure, termination or capacity constraints of any of the counterparties, clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities or derivatives transactions, and as our interconnectivity with our clients and counterparties grows, the risk to us of failures in our clients' and counterparties' systems also grows;

(am) a cyber attack, information or security breach, or a technology failure could adversely affect our ability to conduct our business, manage our exposure to risk or expand our businesses, result in the disclosure or misuse of confidential or proprietary information, and increase our costs.

Our businesses depend on the security and efficacy of our data management systems and technology, as well as those of third parties with whom we interact or on whom we rely. While we seek to operate in a control environment that limits the likelihood of a cyber and information security incident, and to ensure that the impact of a cyber and information security incident can be minimized by information security capability and incident response, there can be no assurances that our security control will provide absolute security.

Cyber and information security risks for financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of attackers.

Despite efforts to protect the integrity of our systems and implement protective measures, we may not be able to anticipate all security breaches or implement preventive measures against such security breaches.

As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. Any third-party technology failure, cyber attack or other information or security breach, termination or constraint could adversely affect our businesses.

Cyber attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have adverse consequences for MBL Group;

(an) we could suffer losses due to environmental and social factors.

Our businesses and assets are subject to the risk of unforeseen, hostile or catastrophic events, many of which are outside of our control, including natural disasters, extreme weather events, occurrence of diseases, leaks, spills, explosions, release of toxic substances, fires, accidents on land or at sea, terrorist attacks or other hostile or catastrophic events. Any significant environmental change or external event (including increased frequency and severity of storms, floods and other catastrophic events such as earthquake, pandemic (such as COVID-19), other widespread health emergencies, civil unrest or terrorism events) has the potential to disrupt business activities, impact our operations or reputation, increase credit risk and other credit exposures, damage property and otherwise affect the value of assets held in the affected locations and our ability to recover amounts owing to us. In addition, we may implement measures to provide short term financial assistance to customers who are facing financial difficulties as a consequence of such environmental or social factors and may be unable to pay amounts due to us.

The occurrence of any such events may prevent us from performing under our agreements with clients, may disrupt our business activities, impair our operations or financial results, affect the value of assets held in the affected locations, and may result in litigation, regulatory action, negative publicity or other reputational harm. We may also not be able to obtain insurance to cover some of these risks and the insurance that we have may be inadequate to cover our losses.

Any such long-term, adverse environmental consequences could prompt us to exit certain businesses altogether. Such an event or environmental change (as the case may be) could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

We also face increasing public scrutiny, laws and regulations related to environmental and social factors. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering environmental and social factors in our investment processes. Failure to effectively manage these risks may result in breaches of our statutory obligations and could adversely affect our business, prospects, reputation, financial performance or financial condition;

(ao) we could suffer losses due to climate change.

Our businesses could also suffer losses due to climate change. Climate change is systemic in nature and is a significant long-term driver of both financial and non-financial risks. Climate change related impacts include physical risks from changing climatic conditions and transition risks such as changes to laws and regulations, technology development and disruptions and consumer preferences. A failure to respond to the potential and expected impacts of climate change may affect MBL Group's performance and could have wide-ranging impacts for the MBL Group. These include, but are not limited to, impacts on the probability of default and losses arising from defaults, asset valuations and collateral, may result in litigation, regulatory action, negative publicity or other reputational harm or could prompt us to exit certain businesses altogether. Failure to effectively manage these risks could adversely affect our business, prospects, reputation, financial performance or financial condition.

(ap) conflicts of interest could limit our current and future business opportunities.

As we expand our businesses and our client base, we increasingly have to address potential or perceived conflicts of interest, including situations where our services to a particular client conflict with, or are perceived to conflict with, our own proprietary investments or other interests or with the interests of another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with other businesses within the Macquarie Group. While we believe we have adequate procedures and controls in place to address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses, appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged and the willingness of clients or counterparties to enter into transactions may be adversely affected if we fail, or appear to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to claims by and liabilities to clients, litigation or enforcement actions;

(aq) litigation and regulatory actions may adversely impact our results of operations

We may, from time to time, be subject to material litigation and regulatory actions, for example, as a result of inappropriate documentation of contractual relationships, class actions or regulatory violations, which, if they crystallize, may adversely impact upon our results of operations and financial condition in future periods or our reputation. We regularly obtain legal advice and make provisions, as deemed necessary. There is a risk that any losses may be larger than anticipated or provided for or that additional litigation, regulatory actions or other contingent liabilities may arise. Furthermore, even where monetary damages may be relatively small, an adverse finding in a regulatory or litigation matter could harm our reputation or brand, thereby adversely affecting our business;

(ar) we are subject to global economic, market and business risks with respect to the COVID-19 pandemic.

The COVID-19 pandemic has caused, and will likely continue to cause, severe impacts on global, regional and national economies and disruption to international trade and business activity. While financial markets have rebounded from the significant declines that occurred earlier in the pandemic and global economic conditions showed signs of improvement during the second half of calendar year 2020, many of the circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic persisted through the year, including (i) muted levels of business activity across many sectors of the economy, relatively weak consumer confidence and high unemployment rates; (ii) elevated levels of market volatility; (iii) yields on government bonds near zero; (v) heightened credit risk with regard to industries that have been most severely impacted by the pandemic; and (vii) higher cyber security, information security and operational risks as a result of work-from-home arrangements. This may in turn reduce the level of activity in sectors in which certain of our businesses operate and thus have a negative impact on such businesses' ability to generate revenues or profits.

Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, however it is unclear whether these actions or any future actions taken by governments and central banks will be successful in mitigating the economic disruption. Additionally, any such fiscal and monetary actions are subject to withdrawal by the relevant governments or central banks or may lapse without renewal. If the COVID-19 pandemic is prolonged and/or actions of governments and central banks are unsuccessful in mitigating the economic disruption, the negative impact on global growth and global financial markets could be amplified, and may lead to recessions in national, regional or global economies.

In March 2020, we implemented a range of support measures to provide short term financial assistance to certain customers facing difficulties as a consequence of COVID-19. The removal of these support measures may increase customer defaults and the credit risks faced by the MBL Group. This may in turn adversely impact the MBL Group's business, results of operations, financial condition and prospects.

The impact of COVID-19 has and may lead to further reduced client activity and demand for our products and services, higher credit and valuation losses in our loan and investment portfolios, impairments of financial assets, trading losses and other negative impacts on our financial position, including possible constraints on capital and liquidity, as well as higher costs of capital, and possible changes or downgrades to our credit ratings. Additionally, despite the business continuity and crisis management policies currently in place, travel restrictions or potential impacts on personnel and operations may disrupt our business and increase operational risk losses. The expected duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy and our personnel and operations are unclear. If conditions deteriorate or remain uncertain for a prolonged period, our funding costs may increase and our ability to replace maturing liabilities may be limited, which could adversely affect our ability to fund and grow our business. This may adversely impact our results of operations and financial condition.

(as) we may not manage risks associated with the replacement of benchmark indices effectively.

The expected discontinuation of LIBOR or any other interest rate benchmarks (collectively, the "**IBORs**") and the adoption of "risk-free" rates ("**RFR**") by the market introduce a number of risks for us, our clients, and the financial services industry more widely. These include, but are not limited to:

(i) Conduct risks – where, by undertaking actions to transition away from using the IBORs, we face conduct risks which may lead to customer complaints, regulatory sanctions or reputational impact if the MBL Group is (1) considered to be undertaking market activities that are manipulative or create a false or misleading impression; (2) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest; (3) not taking an appropriate or consistent response to remediation activity or customer complaints; or (4) providing regulators with inaccurate regulatory reporting.

(ii) Legal and execution risks – relating to documentation changes required for new RFR products and for the transition of legacy contracts to RFRs, which transition will, in turn, depend, to a certain extent, on the availability of RFR products and on the participation of customers and third-party market participants in the transition process; legal proceedings or other actions regarding the interpretation and enforceability of provisions in IBOR-based contracts; and regulatory investigations or reviews in respect of our preparation and readiness for the replacement of IBOR with alternative reference rates.

(iii) Financial risks and pricing risks – arising from: (1) any changes in the pricing mechanisms of financial instruments linked to RFRs which could impact the valuations of these instruments; and (2) the implementation of the International Swaps and Derivatives Association's protocol for the transition of derivatives contracts, and similar guidance for cash products which could cause earnings volatility depending on the nature of contract modifications and changes in hedge accounting.

(iv) Operational risks – due to the potential need for us, our customers and the market to adapt IT systems, operational processes and controls to accommodate one or more RFRs for a large volume of trades.

Any of these factors may have a material adverse effect on MBL Group's business, results of operations, financial condition and prospects.

(at) Investors should note that they are exposed to an exchange rate risk as the Warrants will be issued and traded in Singapore dollars while the underlying shares are traded in Hong Kong dollars and the Cash Settlement Amount is converted from a foreign currency into Singapore dollars. The value of the Warrants may therefore be affected by, amongst other factors, the relative exchange rates of the Singapore dollar and the Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Warrants. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies

(au) The price of the Share is published during the trading hours of the Relevant Stock Exchange. The trading days and hours of the Relevant Stock Exchange are different from that of the SGX-ST. In assessing the price of the Warrants, you should be aware of the differences in the time zone and the actual trading days and hours of the relevant exchanges in Singapore and Hong Kong. For example, the price of the Share may be volatile during which the Stock SGX-ST is not open for trading of the Warrants. There may also be certain period of time during the trading hours of the SGX-ST when the prices of the Shares are not available. The market maker will not be able to provide liquidity for the Warrants during such times.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information. The Issuer has not independently verified any of such information.

Xinyi Solar Holdings Limited (the "**Company**"), manufactures renewable energy products. The Company offers various types of solar glass and other related items. Xinyi Solar Holdings serves customers worldwide.

The information set out in Appendix I of this document relates to the unaudited consolidated financial results of the Company and its subsidiaries for the interim report ended 30 June 2021 and has been extracted and reproduced from the Company's announcement dated 3 September 2021. Further information relating to the Company may be located on the Company's web-site at https://www.xinyisolar.com.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Macquarie Capital Securities (Singapore) Pte. Limited ("**MCSSP**") has been appointed the designated market maker ("**DMM**") for the Warrants. The DMM will provide competitive buy and sell quotes for the Warrants continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	10 times the minimum permitted price movement in the Warrants in accordance with the rules of the SGX-ST or SGD 0.20, whichever is the greater
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Warrants
(c)	Last Trading Day for Market Making	:	The date falling five Business Days immediately preceding the Expiry Date, provided that if such day is not a day on which HKEX is open for dealings during its normal trading hours ("HK Business Day"), the Business Day immediately preceding such day which is also a HK Business Day

Quotations will/may however not be provided by the DMM in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Warrant is valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) when trading in the Shares is suspended or limited in a material way (including price quote limits activated by the relevant exchange or otherwise); for the avoidance of doubt, the DMM is not obliged to provide quotations for the Warrants at any time when the shares or securities relating to or constituting the Index are not traded for any reason;

(iv) when the Issuer or DMM faces technical problems affecting the ability of the DMM to provide the bid and offer prices;

(v) when the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions. The Issuer will inform the SGX-ST of its inability to do so as soon as practicable;

(vi) in cases where the Issuer has no Warrants to sell, the DMM will only provide the bid price;

(vii) when the stock market experiences exceptional price movements and volatility; and

(viii) when it is a public holiday in Singapore or Hong Kong and the SGX-ST or HKEX is not open for dealings.

History and Business

MCSSP holds a Capital Markets Services License issued by the Monetary Authority of Singapore and is a trading member of SGX-ST as well as a Clearing Member of the CDP. Under the Capital Markets

Services License, MCSSP is permitted to deal in securities and provide custodial services as well as act as an exempt financial adviser. Its principal activities are those relating to the provision of stock and share broking services, prescribed under the rules and regulations of the SGX-ST, and related securities research services. MCSSP is a wholly owned subsidiary of Macquarie Group Holdings (Singapore) Pte. Limited and its ultimate holding company is Macquarie Group Limited.

SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

The Macquarie Bank Limited Interim Directors' Report and Financial Report for the half-year ended 30 September 2021 is set out in Appendix II of this document. References to page numbers in Appendix II are to page numbers of the Macquarie Bank Limited Interim Directors' Report and Financial Report. Copies of the Macquarie Bank Limited Interim Directors' Report and Financial Report can be obtained at the office of Macquarie Capital Securities (Singapore) Pte. Limited at 9 Straits View #21-07 Marina One West Tower Singapore 018937, and viewed at www.macquarie.com.au.

For more information on the Issuer, please see www.macquarie.com.

Queries regarding the Warrants may be directed to 1800 288 2880 (Toll Free) or +65 6601 0289 (International) or info@warrants.com.sg.

SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Warrants or possession or distribution of any offering material in relation to the Warrants in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants, or distribution of any offering material relating to the Warrants may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

European Economic Area

Please note that in relation to EEA states, additional selling restrictions may apply in respect of any specific EEA state.

The Warrants are not offered, sold or otherwise made available and will not be offered, sold, or otherwise made available under this document to any retail investor in the European Economic Area. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Warrants or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Warrants or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPS Regulation. For the purposes of this provision:

(a) the expression “**retail investor**” means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or

  (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded the “**Prospectus Regulation**”); and

(b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants.

United Kingdom

Each dealer has represented and agreed, and each further dealer appointed in respect of the Warrants will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Warrants which are the subject of the offering contemplated by this Base Listing Document to any retail investor in the United Kingdom.

For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (" **EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe for the Warrants.

Each dealer has represented and agreed, and each further dealer appointed in respect of the Warrants will be required to represent and agree, that:

(a) in respect of Warrants having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Warrants other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Warrants would otherwise constitute a contravention of Section 19 of the FSMA, by us;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Warrants in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Warrants in, from or otherwise involving the United Kingdom.

United States of America

The Warrants have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Warrants, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Warrants, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means any citizen or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other "**U.S. person**" as such term is defined in Regulation S under the Securities Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Warrants may not be circulated or distributed, nor may Warrants be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

Hong Kong

Each distributor, purchaser or subscriber of the Warrants has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Warrants, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Warrants which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Commonwealth of Australia

This document is not a prospectus, product disclosure statement or any other disclosure document for the purposes of the Corporations Act 2001 (Cth) (the "**Act**"). This document has not been, and will not be, lodged with the Australian Securities and Investments Commission, ASX Limited or any other government agency in Australia. Each Warrantholder will be required to represent and agree that, unless the applicable final terms otherwise provides, it:

(a) has not offered or invited applications, and will not make any offer, or invite applications, for the issue, sale or purchase of any Warrant in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this document, any addendum to the Base Listing Document and this document or any other offering material or advertisement relating to any Warrant in Australia,

Unless:

(a) the offeree or invitee is a "wholesale client", "sophisticated investor" or "professional investor" (as defined in the Act);

(b) the minimum aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies but disregarding moneys lent by the offeror or its associates); or

(c) the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Act.

Section 708(19) of the Act provides that an offer of debentures for issue or sale does not need disclosure to investors under Part 6D.2 of the Act if the issuer is an Australian ADI. As at the date of this document, the Issuer is an ADI.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 119 of the Base Listing Document.

1. Settlement of trades done on a normal “ready basis” on the SGX-ST generally takes place on the second Business Day following the transaction. Dealing in the Warrants will take place in Board Lots in Singapore dollars. For further details on the transfer of Warrants and their exercise, please refer to the section headed “Summary of the Issue” above.

2. It is not the current intention of the Issuer to apply for a listing of the Warrants on any stock exchange other than the SGX-ST.

3. The Issuer is an indirect subsidiary of Macquarie Group Limited. Macquarie Group Limited, with its controlled entities ("**Macquarie Group**"), is a large diversified Australian-based financial institution with a long and successful history. Like any financial institution, Macquarie Group has been subject to lawsuits.

   There are no, nor have there been, any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which Macquarie Bank or the Macquarie Group is aware) in the 12 month period prior to the date of this document which may have or have had a significant effect on the financial position or profitability of Macquarie Bank.

4. To the best of the Issuer's knowledge, there has been no adverse change, material in the context of the issue of the Warrants, in the financial position of the Issuer since 30 September 2021.

5. The following contracts, relating to the issue of the Warrants, have been or will be entered into by the Issuer and may be material to the issue of the Warrants:

   (a) the Instrument; and

   (b) the Warrant Agent Agreement.

   None of the directors of the Issuer has any direct or indirect interest in any of the above contracts.

6. The Warrants are not fully covered by Shares held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Warrants.

7. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of Macquarie Capital Securities (Singapore) Pte. Limited at 9 Straits View, #21-07 Marina One West Tower, Singapore 018937, until the expiry of the Warrants:

   (a) the Constitution of the Issuer;

   (b) the 2020 and 2021 annual reports of the Issuer and the unaudited half- year financial statements of the Issuer;

   (c) the Instrument;

   (d) the Warrant Agent Agreement; and

(e) the Base Listing Document.

APPENDIX I

REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM REPORT ENDED 30 JUNE 2021 OF XINYI SOLAR HOLDINGS LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited consolidated financial statements of the Company and its subsidiaries for the interim report ended 30 June 2021 and has been extracted and reproduced from an announcement by the Company dated 3 September 2021 in relation to the same.

信義光能控股有限公司

XINYI SOLAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00968

LEADING GREEN NEW ENERGY

XINYI SOLAR

INTERIM REPORT 2021

Contents

Financial Highlights

	Six months ended 30 June		Year ended 31 December
	2021 **(Unaudited)**	2020 (Unaudited)	2020 (Audited)
(in HK$'000)			
Revenue	**8,074,911**	4,622,918	12,315,829
Profit before income tax	**4,018,474**	1,837,873	5,758,394
Profit attributable to Company's equity holders	**3,072,425**	1,406,467	4,560,853
Dividends	**1,511,160**	694,069	2,191,941
(Number of ordinary shares in '000)			
Weighted average number of shares in issue	**8,810,127**	8,085,611	8,233,323
(in Hong Kong cents)			
Earnings per share			
– basic	**34.87**	17.39	55.40
– diluted	**34.81**	17.38	55.32
Dividends per share	**17.0**	8.50	25.50

	At 30 June		At 31 December
	2021 **(Unaudited)**	2020 (Unaudited)	2020 (Audited)
(in HK$'000)			
Equity attributable to Company's equity holders	**28,367,663**	14,937,735	26,521,806

Dear Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**"), I present herewith the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**" or "**Xinyi Solar**") for the six months ended 30 June 2021 ("**1H2021**").

OVERVIEW

During 1H2021, the Group achieved consolidated revenue of HK$8,074.9 million, representing a 74.7% increase as compared to the six months ended 30 June 2020 ("**1H2020**"). Profit attributable to equity holders of the Company increased by 118.4% to HK$3,072.4 million. Basic earnings per share were 34.87 HK cents for 1H2021, compared to 17.39 HK cents in 1H2020. The strong business growth was primarily due to the increase in sales volume of the Group's solar glass sales for 1H2021 and the higher average selling price ("**ASP**"). Average market prices of the Group's major solar glass products remained high during the first quarter of 2021 and similar to those in the last quarter of 2020, though such prices have started decreasing during the second quarter of 2021 due to the lower-than-expected downstream demand growth and the increase in industrial supply of solar glass. During 1H2021, the Group has strengthened its efforts in improvements in production efficiency, cost control and product development for maintaining its competitiveness as a leading solar glass manufacturer. All of these efforts amid the cyclical industrial changes enable the Group to record spectacular revenue and profit growth in 1H2021.

BUSINESS REVIEW

Short-term challenges due to supply chain issues

Photovoltaic ("**PV**") installation costs have dropped significantly in recent years due to the continuous improvements in production technology and efficiency, which has resulted in the use of solar power to be more competitive than the traditional fossil fuels. However, such expected cycle of falling production costs and market prices was reversed in 1H2021 with the rising solar module prices and the uncertainty in delivery and transportation because of the novel coronavirus ("**COVID-19**") pandemic. The growth momentum of the downstream PV installation was therefore affected during 1H2021.

At the beginning of 2021, the market consensus was that the global PV installations would continue the robust growth as in the fourth quarter of last year. Positive factors included the goal of China to achieve the peak level of emissions by 2030 and carbon neutrality by 2060, the extension of the solar investment tax credit by the government in the United States ("**U.S.**") and the launch of the green COVID-19 recovery package by the European Union ("**EU**"). However, the price hikes of solar modules in 1H2021, primarily driven by the continuous increases in the costs of polysilicon and other auxiliary materials, have forced module manufacturers to slowdown production, postpone delivery or renegotiate contracts previously signed at lower prices. The steep increases in solar module prices have reduced the incentive of PV project developers and decelerated the project implementation schedule. In China, only 3.95 gigawatt ("**GW**") and 9.06GW of PV capacity were installed in the first quarter and second quarter of 2021, respectively, according to the statistics released by the National Energy Administration ("**NEA**"). Such additions represented a sharp decline of 86.6% and 69.3%, respectively, when compared to the 29.5GW in the last quarter of 2020.

In the overseas market, although the PV installation activities gradually resumed during 1H2021 in different countries, increased freight charges and uncertain lead time in international transportation have created additional challenges to the supply chain of solar modules due to the high concentration of solar module manufacturing in China.

Potential growth amid the green transition

As a well-developed renewable energy technology, solar power will continue to be one of the most viable renewable options in the green transformation of the global electricity sector over the next few decades. Falling costs, supportive government policies and technology advancement are the keys to facilitating fast development of the PV market. The Directors believe that the supply chain issues will eventually be resolved following the re-allocation of the economic interests among the different segments in the solar energy value chain or through capacity expansion.

Although there were delays due to the logistics disruption caused by the lockdown measures implemented by various governments, the global development of the PV market remained resilient during the COVID-19 pandemic. According to the Snapshot of Global PV Markets 2021 issued by the International Energy Agency, PV systems of at least 139.4GW were installed and commissioned globally in the year of 2020, representing an increase of approximately 21% as compared to 2019 (114.9GW). In 2020, according to the same report, at least 20 countries installed more than 1GW, as compared to 18 and 10 countries passing the GW threshold in 2019 and 2018, respectively. The diversification in the PV installation markets means that the industry players are less depending on the incentive regime and the policy support of a single country and facing less demand fluctuations, which are beneficial to the Group's planning on the increase in the solar glass production capacity.

With an increasing number of countries committing to achieve net-zero carbon emissions, industry players generally expect that the pace of global PV installations will increase in the coming years and may achieve higher double-digit annual growth rates than those in the previous years.

Change in demand and supply dynamics triggered substantial drop in solar glass prices

There were approximately 3,650 tonnes/day and 7,930 tonnes/day of new solar glass capacity added during the second half of 2020 ("**2H2020**") and 1H2021, respectively. With the gradual ramp up of these new capacities, the supply of solar glass increased significantly in 1H2021. On the other hand, hampered by surging module costs, the PV installations were not growing at the same pace as the market forecast. The lower-than-expected downstream demand growth, coupled with the increase in the supply of solar glass, has resulted in price pressure on solar glass starting from around March 2021 and have caused the substantial price decline in the second quarter of 2021. For example, the market price of mainstream 3.2mm solar glass dropped by more than 45% during 1H2021.

The decreases in the average selling prices have inevitably affected the profitability of the Group's solar glass segment, especially in the second quarter of 2021. However, since the selling prices remained high in the first quarter of 2021, the Group's solar glass segment was able to achieve a relatively high gross margin of 51.2% during 1H2021. The adverse impact of the substantial price decreases during the second quarter of 2021 is expected to be reflected in the profitability of this segment during the second half of 2021.

Capacity expansion, product portfolio enhancement and efficiency improvement

The medium and long-term prospects of the solar glass market remain promising amid the global transition to green energy. The price adjustments in the solar glass market in 1H2021 would not be a bad news for the Group, particularly from the perspective of its long-term development, because the adjustments would cause industry players to expand their production scale more rationally, and given the plummeting market prices and the normalised profit margins, some of the expansion plans may be postponed, downsized or even cancelled.

Continuous capacity expansion would not only further strengthen the Group's leading position, but also enable the Group to achieve economies of scale and gain market share. During 1H2021, the Group has put two new solar glass production lines with a daily melting capacity of 1,000 tonnes each in operation. The aggregate melting capacity of solar glass of the Group has been increased to 11,800 tonnes/day as at 30 June 2021.

To mitigate the impact of the price decline and rising material costs, the Group has adopted flexible marketing strategies, optimised its product portfolios to promote the sales of value-added products (thin glass and large-format glass) and implemented solid cost control measures during 1H2021. Through the addition of new solar glass production lines and the upgrade of existing facilities, the Group has further improved its overall efficiency and productivity while keeping the increase in production costs lower than that of raw material and energy prices.

The introduction of large-format PV modules is a key development in solar technology which will further drive down the overall cost. An increasing number of solar module companies have begun mass production of large-format PV panels. As a pioneer in the large-format glass market, the Group is a direct beneficiary of this new trend.

China's grid parity era has arrived

The year of 2021 is the first year in which all newly completed utility-scale and commercial distributed PV generation projects in the People's Republic of China (the "**PRC**") are operated on a grid parity basis. The year is also the first year of the 14th Five-Year Plan. Against this background, the level of solar installation is expected to enjoy an unprecedented rapid development in the coming years. China deployed around 13.01GW of new PV generation capacity in 1H2021. Due to the rising solar module prices, the growth of the installed capacity was lower than the expected level, but there was still an increase of 12.9%, as compared with 1H2020. The continuous increases in the component costs inevitably limit the short-term growth of the PV installation, but the slowdown in downstream demand will put pressure on the entire solar power value chain to seek further innovation and efficiency improvement, which will drive the installation costs back to a decreasing trend.

In June 2021, the National Development and Reform Commission released a policy document related to 2021 solar on-grid tariffs, clarifying that competitive bidding methods will no longer be used to fix the feed-in-tariff ("**FiT**") in 2021. Instead, the local coal-fired power generation benchmark prices will be adopted as the feed-in-tariffs for all new utility-scale and commercial distributed generation projects. New projects may voluntarily participate in market-oriented transactions to form on-grid electricity prices to better reflect the "green power value" of PV power generation. This gives a clear and strong incentive to solar farm investment and promotes the accelerated development of the PV power generation industry, ultimately helping China to achieve its goals of reaching carbon emissions peak by 2030 and carbon neutrality by 2060.

The cancellation of subsidies for new PV projects could enhance the stability and predictability of future cash flows from the solar farm projects as well as lower the risks for investors. This could benefit the Group's solar farm development and operation business. In addition, the more market-driven and accelerated downstream installation growth has the potential to benefit the Group's solar glass business.

Steady growth of contributions from solar power electricity generation

The total electricity generated from the Group's solar farm portfolio grew remarkably in 1H2021, primarily due to the new capacity completed or acquired in 2H2020 and 1H2021. Revenue and gross profit increased by 30.1% and 30.8% year-on-year, respectively, during 1H2021. No curtailment issue was encountered by the Group during 1H2021 since its solar farm projects are mostly located in regions with high electricity demand. In light of the surging solar module prices, the Group has slowed the pace of development of some new solar farm projects and postponed their construction work until later in the year. Therefore, no capacity was newly connected to the grid by the Group during 1H2021, with the exception of the acquisition of a solar farm project with a capacity of 80 megawatt ("**MW**") by Xinyi Energy Holdings Limited ("**Xinyi Energy**") and its subsidiaries (collectively the "**Xinyi Energy Group**") from an independent third party.

As at 30 June 2021, the accumulated approved grid-connected capacity of the Group's solar farm projects was 3,550MW, of which 3,384MW was for utility-scale ground-mounted projects and 166MW was for rooftop distributed generation projects (with electricity generated for self-consumption or for sale to the grid). In terms of ownership, solar farm projects with a capacity of 2,164MW were held through Xinyi Energy Group (of which 2,064MW were 50.05% owned and 100MW were 47.55% owned by the Company); solar farm projects with a capacity of 1,286MW were held through wholly-owned subsidiaries; and a solar farm project with a capacity of 100MW was held by a joint venture owned as to 50% by the Group.

As at 30 June 2021, out of the 3,384MW utility-scale ground-mounted projects owned by the Group, solar farms with a capacity of 1,904MW have already been enlisted on the Renewable Energy Power Generation Project List and solar farms with a capacity of 1,120MW are grid parity projects.

BUSINESS OUTLOOK

In 2020, the global solar power generation continued to increase even though there was a decrease in the global use of electricity as a result of the COVID-19 pandemic. This demonstrates the commitment of the governments in different countries to promote the continued investments in PV power projects and more importantly, the increase in the competitiveness of solar energy as compared to fossil fuels.

The future price movements of polysilicon – a key material of solar modules – continue to be the most important consideration in the market in the short term. The increase in the production capacity will result in changes in the supply and will drive the price down. However, due to the increasing downstream demand, the prices of polysilicon are expected to maintain at relatively high levels even though the prices were generally stabilised or even started to decrease in the first month of the second half of 2021.

As for its solar glass business, the Group is expected to continue to face challenging operating environment in the second half of 2021 as the demand growth in downstream market is depending on the movements in the solar module prices and other different factors. The production capacity of solar glass industry is expected to continue to increase. With the substantial decreases in the market prices of the major solar glass products of the Group during the second quarter of 2021, the Directors expect that such impact would be carried forward to the remaining months of 2021. In response to this industry trend, the Group will strive to reduce the adverse effect through better cost controls, improved production technologies and development of new products.

Given the increasing use of bifacial solar modules and larger panels, the Group will continue to expand the thin glass and the large-format glass market so as to maintain its industry leadership and focus on the niche areas in which it enjoys high competitive advantages.

The global trend on de-carbonisation will continue to accelerate the use of solar power in the coming years and hence, it will create additional demand for solar glass. Despite the expected growth in downstream demand in 1H2021 was lower than the expectation, the Group would continue to implement its capacity expansion plan for 2021 by focusing on the construction of four new solar glass production lines with a daily melting capacity of 1,000 tonnes each in Wuhu (Anhui Province). The first three production lines have commenced their trial operation in January, March and July 2021, respectively, and the fourth production line is expected to commence its trial operation in September 2021. In addition to the above, the Group has in its pipeline the construction of another 16 new solar glass production lines (with a daily melting capacity of 1,000 tonnes each), of which four new production lines in Zhangjiagang (Jiangsu Province) and four new production lines in Wuhu (Anhui Province) are expected to be completed in 2022, while the commissioning time for the remaining eight new production lines in Wuhu (Anhui Province) are yet to be determined. The Group will constantly review and adjust its expansion plan in response to the changing market conditions.

Regarding the government industry policy on solar glass capacity in the PRC, the Ministry of Industry and Information Technology released the final policy on 20 July 2021. Pursuant to this policy, solar glass manufacturers who intend to add new capacity will not have to submit any replacement plan, but need to obtain the project construction, technology, energy consumption and environment accreditations by designated national industry associations or agencies. This arrangement has reaffirmed the government's support for the solar energy development and may promote the technological innovation, efficiency improvement and organised expansion of the solar glass industry.

As for the solar farm business, the Group will continue to explore opportunities in different regions of China so as to strengthen its project pipeline. According to data from NEA, solar power electricity generation in 2020 reached 260.5 billion kWh, which accounted for less than 3.5% of the total electricity generated in China. There is significant room for development of solar power in China. Although the implementation schedule of new solar farm projects in the second half of 2021 may still be affected by a number of factors, including the changes in the solar component costs, availability of land resources and grid connection issues, the Group will strive to achieve the annual installation of 600MW before the end of 2021.

After reaching grid parity, the next strategic step to encourage the use of solar power would be to address the inherent limitations on the use of solar energy, such as instability, intermittency and sensitivity to weather changes. Energy storage currently offers a good solution to these issues and could help to improve the level of energy utilisation in the solar power systems. Government policies and continued cost decreases will provide the foundation for the increasing deployment of different types of energy storage systems in the future. The Group will closely monitor the development of hybrid solar-plus-storage projects and determine the feasibility and the value added by such projects accordingly.

As certain silica sand produced by the Group's sand mine in Guangxi is of the quality suitable for the production of float glass but not of solar glass, the Group has entered into a framework agreement with Xinyi Group (Glass) Company Limited to provide it with a maximum of 510,000 tonnes of such silica sand at prevailing market prices in the current year. Information on this transaction is set forth in the announcement of the Company dated 26 May 2021. The Group will continue to explore upstream raw material resources to ensure a stable supply and alleviate the pressure from rising prices.

Overall, the operating environment of the solar glass market in the second half of 2021 would be challenging. The relatively low-price environment is unlikely to change in the near term. However, leveraging its scale of production, continuous efficiency improvements and optimised operational management, the Directors are confident on the medium and long-term growth of the Group's business. The Group will continue to cautiously explore development opportunities in its core business areas – solar glass and solar farms – to facilitate its future growth.

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

Hong Kong, 2 August 2021

FINANCIAL REVIEW

Revenue

Revenue for 1H2021 was mainly derived from two business segments, namely: (i) sales of solar glass and (ii) solar farm business, which includes solar farm development, solar power generation and EPC services. Both segments recorded remarkable revenue growth during 1H2021.

Revenue – By segment

	1H2021		1H2020		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**6,597.7**	**81.7**	3,487.9	75.4	3,109.8	89.2
Solar farm business	**1,477.2**	**18.3**	1,135.0	24.6	342.2	30.1
Total external revenue	**8,074.9**	**100.0**	4,622.9	100.0	3,452.0	74.7

Solar Glass Revenue – By geographical market

	1H2021		1H2020		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Mainland China	**4,493.5**	**68.1**	2,514.9	72.1	1,978.6	78.7
Other countries and regions	**2,104.1**	**31.9**	973.0	27.9	1,131.1	116.2
Total solar glass revenue*	**6,597.7**	**100.0**	3,487.9	100.0	3,109.8	89.2

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

Revenue from sales of solar glass amounted to HK$6,597.7 million in 1H2021, representing a year-on-year increase of 89.2%. This increase was primarily due to a higher sales volume, increased ASP, appreciation of the Renminbi ("**RMB**") and Malaysian Ringgit ("**MYR**") against the Hong Kong dollar ("**HKD**") and an enhanced product mix.

Enhanced production capacity and increased sales of new products (thin glass and large-format glass) contributed to the Group's high sales growth during 1H2021. Driven by the increased demand from overseas markets and the higher penetration level of double-glass and bifacial module applications, the Group's total solar glass sales volume (in terms of tonnage) grew by 43.0% year-on-year in 1H2021. Despite the seasonal effect (decreased installation in China during winter and the Lunar New Year holiday), solar glass prices remained high in the first quarter of 2021, similar to those in the last quarter of 2020. However, rising module prices – fueled by inflated polysilicon and other component costs – have suppressed the growth momentum of downstream demand. This, coupled with the release of the new industrial supply of solar glass, triggered a substantial drop in solar glass prices during the second quarter of 2021. However, the average market price of mainstream 3.2mm solar glass still grew by around 14% in 1H2021 compared to 1H2020.

The RMB/HKD and MYR/HKD exchange rates used for converting the RMB-denominated and MYR-denominated revenue for the different months in 1H2021 into HKD were relatively higher on average – by around 8.1% and 3.6% year-on-year, respectively – than those applicable in the corresponding months in 2020, and thus had a positive impact on the Group's revenue.

The Group's solar glass sales had faster growth in the overseas market than in Mainland China during 1H2021, accounting for around 31.9% (1H2020: 27.9%) of the Group's total solar glass sales revenue in 1H2021. The new solar glass production site in Guangxi, which began operation in 2H2020, greatly enhanced the Group's flexibility in regard to fulfilling orders from customers based in Southeast Asia and India.

Revenue from the Group's solar farm segment increased by 30.1% from HK$1,135.0 million in 1H2020 to HK$1,477.2 million in 1H2021. The revenue of this segment comprised electricity generation income and EPC service revenue. Electricity generation income, amounting to HK$1,382.8 million in 1H2021 – an increase of 25.6% compared to the HK$1,101.3 million recorded in 1H2020 – was mainly derived from the solar farms located in the PRC as set forth below. EPC revenue, amounting to HK$94.4 million in 1H2021, was mainly derived from the distributed generation PV projects developed by a 60%-owned subsidiary in Canada.

	Approved grid-connected capacity		
	As at 30 June 2021 MW	As at 31 December 2020 MW	As at 30 June 2020 MW
Utility-scale ground-mounted solar farms			
Anhui	**1,460**	1,460	1,460
Hubei	**530**	450	360
Guangxi	**400**	400	—
Others (Tianjin, Henan, Hebei, etc.)	**894**	894	844
Subtotal	**3,284**	3,204	2,664
Commercial distributed generation projects	**38**	38	38
Total	**3,322**	3,242	2,702
Total number of solar farms	**42**	41	36
Weighted average FiT * (RMB/kWh)	**0.73**	0.74	0.83

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

The increase in electricity generation income was mainly attributable to the capacities added in 1H2021 and 2H2020 and appreciation of RMB against HKD. With the exception of a solar farm project with a capacity of 80MW that was acquired by Xinyi Energy Group from an independent third party, there was no new grid-connected capacity added by the Group during 1H2021. This is because the Group has postponed the construction work of its self-developed solar farm projects in view of the rising solar module costs. Though the grid parity projects added (and to be added) in 2021 will lower the weighted average FiT of the entire portfolio as they are not entitled to subsidy, they could provide the Group with a more predictable and stable cash flow.

As with the majority of other solar farm operators in the PRC, the Group has experienced delays in the collection of subsidy from the government for the electricity generated by its solar farm projects. As at 30 June 2021, the outstanding tariff adjustment (subsidy) receivable by the Group amounted to HK$4,665.4 million. Receivables from sales of electricity are generally settled on a monthly basis by state grid companies, while tariff adjustment (subsidy) receivables are settled in accordance with prevailing government policies. In 1H2021, the Group received tariff adjustment (subsidy) payments of RMB39.7 million (equivalent to approximately HK$47.5 million).

Gross profit

The Group's gross profit increased by HK$2,280.9 million, or 104.2%, from HK$2,188.7 million in 1H2020 to HK$4,469.6 million in 1H2021. The Group's overall gross profit margin increased to 55.4% (1H2020: 47.3%). This significant growth was primarily the result of the strong profit performance of the Group's solar glass and solar farm businesses.

In 1H2021, the gross profit margin of the solar glass business increased by 12.3 percentage points to 51.2% (1H2020: 38.9%). The increase in margin was mainly attributable to: (i) a higher ASP compared to the last corresponding period (despite the substantial declines in the second quarter of 2021, the average market price of mainstream 3.2mm solar glass still rose by around 14% year-on-year in 1H2021); (ii) improvement in production efficiency after the ramp up of new production capacities added in 2H2020 and 1H2021, as well as the upgrade of certain existing facilities, which mitigated the pressure from the increase in certain raw material and energy costs; and (iii) increased revenue and profit contributions derived from thin glass products (2.5/2.0 mm).

The gross profit contribution from the solar farm business increased by 30.8% in 1H2021 to HK$1,089.4 million (1H2020: HK$832.7 million). This change was roughly in line with the segment's revenue growth. The gross profit margin of this segment remained relatively stable, amounting to 73.7% in 1H2021 (1H2020: 73.4%).

Other income

During 1H2021, the Group's other income increased by HK$52.3 million to HK$123.0 million, as compared to the HK$70.7 million recorded in 1H2020. The increase was principally due to additional government grant income and an increase in sales of scrap and materials.

Other gains/(losses), net

The Group recorded other gains, net of HK$9.4 million for 1H2021, as compared to other losses, net of HK$1.4 million for 1H2020. The gains in 1H2021 mainly represented the unrealised end-of-period foreign exchange translation gains in relation to the trade receivables, bank balances and intercompany balances denominated in non-functional currencies of the Group's subsidiaries.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 83.8% from HK$136.2 million in 1H2020 to HK$250.2 million in 1H2021. The increase primarily stemmed from higher freight charges and additional transportation costs, alongside the rise in overseas solar glass sales. Soaring demand, container shortages and port congestion have contributed to a sharp rise in shipping costs. During 1H2021, the Group's transportation costs increased by 90.1%, much higher than the 43.0% increase in the volume of solar glass sold. The selling and marketing expenses to revenue ratio increased from 2.9% in 1H2020 to 3.1% in 1H2021.

Administrative and other operating expenses

Administrative and other operating expenses increased by HK$147.9 million, or 71.1%, from HK$208.2 million in 1H2020 to HK$356.1 million in 1H2021. The increase was mainly due to the increase in: (i) research and development expenses of HK$90.6 million; (ii) employee benefit expenses of HK$32.8 million; and (iii) other miscellaneous operating expenses. Because of the increased revenue and certain expenses being relatively fixed, the ratio of administrative and other operating expenses to revenue decreased slightly from 4.5% in 1H2020 to 4.4% in 1H2021.

Finance costs

The Group's finance costs decreased from HK$116.5 million (or HK$137.3 million before capitalisation) in 1H2020 to HK$67.1 million (or HK$79.4 million before capitalisation) in 1H2021. The decrease was primarily due to the decreases in the interest rates and the Group's average debt levels. During 1H2021, interest expense of HK$12.3 million (1H2020: HK$20.8 million) was capitalised into the costs of solar farms and solar glass production facilities under construction. The capitalised amounts will depreciate along with the relevant assets over their estimated useful lives.

Share of profit of a joint venture

The Group's share of profit of a joint venture amounted to HK$18.8 million for 1H2021 (1H2020: HK$18.6 million), which was contributed by a 50%-owned joint venture, Xinyi Solar (Lu'an) Company Limited, engaging in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, the PRC.

Income tax expense

The Group's income tax expense increased from HK$225.3 million in 1H2020 to HK$613.1 million in 1H2021. The increase was primarily attributable to: (i) increased profit from the solar glass business; (ii) the expiration of a corporate income tax ("**CIT**") exemption/reduction period of certain solar farms during 1H2021; and (iii) recognition of deferred tax liabilities in relation to the differences between the accounting depreciation and tax depreciation (capital allowances) of a subsidiary of the Group in Malaysia.

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

EBITDA and net profit

In 1H2021, the Group's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK$4,622.5 million, representing an increase of 95.9% when compared to the HK$2,359.5 million recorded in 1H2020. The EBITDA margin (calculated based on total revenue for 1H2021) was 57.2% for 1H2021 as compared to 51.0% for 1H2020.

Net profit attributable to equity holders of the Company for 1H2021 was HK$3,072.4 million, representing an increase of 118.4% as compared to HK$1,406.5 million for 1H2020. Net profit margin increased to 38.0% for 1H2021 from 30.4% for 1H2020, and such increase was mainly due to the net effect of (i) the enhanced profitability of the solar glass business; (ii) higher finance income and lower finance costs; and (iii) the reduction in profit sharing from Xinyi Energy Group due to the dilution impact resulting from the disposal of solar farm projects totalling 230MW and 250MW to Xinyi Energy in September 2020 and February 2021, respectively, and the placing of new shares by Xinyi Energy in September 2020.

Financial Resources and Liquidity

In 1H2021, the total assets of the Group increased by 9.9% to HK$47,718.0 million and shareholders' equity increased by 7.0% to HK$28,367.7 million. The Group's current ratio as at 30 June 2021 was 2.3, compared to 2.6 as at 31 December 2020.

During 1H2021, the Group's primary source of funding included cash generated from the Group's operating activities and the credit facilities provided by banks. Net cash inflow from operating activities amounted to HK$3,260.4 million (1H2020: HK$1,259.9 million). The increase in net cash inflow was primarily attributable to the increase in revenue from the strong business and cash flow performance of the solar glass segment. Net cash used in investing activities amounted to HK$2,500.1 million (1H2020: HK$1,108.7 million). The increase was primarily due to capital expenditures in relation to solar glass capacity expansion and investments in new solar farm projects. Net cash generated from financing activities amounted to HK$127.2 million (1H2020: HK$448.5 million). During 1H2021, the Group secured new bank borrowings of HK$2,311.1 million and repaid bank borrowings of HK$1,879.6 million.

The Group's liquidity remains strong, with net cash position (cash and cash equivalents less bank borrowings) increased from HK$3,177.9 million at 31 December 2020 to HK$3,652.0 million at 30 June 2021.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$2,584.6 million for 1H2021 which were primarily used in the expansion and upgrade of solar glass production capacities and the development of the solar farm projects in China. Capital commitments contracted for but not incurred by the Group as at 30 June 2021 amounted to HK$2,075.5 million, which were mainly related to the expansion of solar glass production capacity and the development and construction of the solar farm projects in China.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as at 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in notes 19 and 20 to the condensed consolidated financial information, there was no material acquisition and disposal of subsidiaries and associated companies during 1H2021.

USE OF PROCEEDS FROM THE PLACING

The Company raised net proceeds of approximately HK$2,645.6 million and approximately HK$3,875.8 million from the placing of 282,000,000 new shares and 300,000,000 new shares in September and December 2020, respectively. The table below sets out the proposed application of the net proceeds and actual utilisation up to 30 June 2021.

	Proposed application of the net proceeds *HK$ million*	Unutilised balance at 31 December 2020 *HK$ million*	Amount utilised in 1H2021 *HK$ million*	Unutilised balance at 30 June 2021 *HK$ million*	Expected timeline for the application of the unutilised net proceeds (Note)
Placing in September 2020					
Solar glass production capacity expansion	2,116.5	1,248.4	1,248.4	—	
General working capital	529.1	—	—	—	
Total	2,645.6	1,248.4	1,248.4	—	
Placing in December 2020					
Solar glass production capacity expansion	1,937.9	1,937.9	607.6	1,330.3	End of 2021
Development and construction of new solar farm projects	1,162.7	1,156.4	565.2	591.2	End of 2021
General working capital	775.2	—	—	—	
Total	3,875.8	3,094.3	1,172.8	1,921.5	

Note: The expected timeline for the application of the unutilised net proceeds is based on the latest estimation made by the Group. It may be subject to change in accordance with the future development of the market conditions.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

The presentation currency of the Group's consolidated financial statements is HKD. Because of the rebound in the exchange rate between RMB and HKD in 1H2021, the Group reported non-cash translation gains, which represent an increase in the reserve of its consolidated balance sheet, in the translation of the RMB-denominated assets into HKD. For 1H2021, exchange gains of HK$147.2 million were recorded as the exchange reserve movement. As a result, the credit balance in the Group's consolidated exchange reserve account increased from HK$294.4 million as at 31 December 2020 to HK$441.6 million as at 30 June 2021.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance between the risk of currency mismatch and the advantage of the lower interest rates in HKD borrowings, as compared to those of the RMB. As at 30 June 2021, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During 1H2021, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had about 5,751 full-time employees of whom 4,834 were based in Mainland China and 917 were based in Malaysia, Hong Kong, and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK$287.6 million in 1H2021.

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

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2021	2020
	Note	HK$'000 (Unaudited)	HK$'000 (Unaudited)
Revenue	3	**8,074,911**	4,622,918
Cost of sales	6	**(3,605,279)**	(2,434,228)
Gross profit		**4,469,632**	2,188,690
Other income	4	**123,000**	70,742
Other gains/(losses), net	5	**9,402**	(1,392)
Selling and marketing expenses	6	**(250,236)**	(136,157)
Administrative and other operating expenses	6	**(356,133)**	(208,194)
Operating profit		**3,995,665**	1,913,689
Finance income	7	**71,322**	21,948
Finance costs	7	**(67,116)**	(116,479)
Share of profits of a joint venture	13	**18,756**	18,632
Share of (losses)/profits of associates		**(153)**	83
Profit before income tax		**4,018,474**	1,837,873
Income tax expense	8	**(613,124)**	(225,258)
Profit for the period		**3,405,350**	1,612,615
Profit for the period attributable to:			
– the equity holders of the Company		**3,072,425**	1,406,467
– non-controlling interests		**332,925**	206,148
		3,405,350	1,612,615
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	9(a)	**34.87**	17.39
– Diluted	9(b)	**34.81**	17.38

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**3,405,350**	1,612,615
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**204,221**	(492,273)
Share of other comprehensive income/(loss) of a joint venture accounted for under equity method		
– Share of currency translation differences	**2,778**	(6,333)
Total comprehensive income for the period	**3,612,349**	1,114,009
Total comprehensive income for the period attributable to:		
– the equity holders of the Company	**3,219,623**	1,013,503
– non-controlling interests	**392,726**	100,506
	3,612,349	1,114,009

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	22,656,342	20,406,175
Right-of-use assets	12	1,802,065	1,407,700
Intangible assets		24,526	24,777
Prepayments for land use rights and property, plant and equipment	15	926,419	809,271
Finance lease receivables		254,945	211,521
Interests in a joint venture	13	375,041	365,751
Investments in associates		68,880	69,034
Deferred income tax assets		227,797	251,119
Total non-current assets		26,336,015	23,545,348
Current assets			
Inventories		1,194,127	728,277
Contract assets		39,141	51,296
Trade receivables	14	6,803,064	5,297,159
Bills receivables	14	1,266,979	2,838,874
Prepayments, deposits and other receivables	15	1,844,718	1,662,164
Finance lease receivables		13,024	8,281
Amount due from a related company	21(b)	15,379	—
Amount due from a joint venture	21(b)	—	796
Cash and cash equivalents		10,205,543	9,291,194
Total current assets		21,381,975	19,878,041
Total assets		47,717,990	43,423,389
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	881,212	880,925
Share premium and other reserves		11,880,597	13,107,452
Retained earnings		15,605,854	12,533,429
		28,367,663	26,521,806
Non-controlling interests		5,446,938	5,502,712
Total equity		33,814,601	32,024,518

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		13,651	11,936
Bank borrowings	18	3,475,460	2,703,109
Lease liabilities		731,044	646,458
Other payables	16	502,523	312,123
Total non-current liabilities		4,722,678	3,673,626
Current liabilities			
Bank borrowings	18	3,078,111	3,410,143
Trade and other payables	16	4,068,835	3,377,600
Contract liabilities		58,602	181,402
Lease liabilities		47,915	48,519
Amounts due to related companies	21(b)	55,045	167,118
Dividend payable		1,498,052	—
Current income tax liabilities		374,151	540,463
Total current liabilities		9,180,711	7,725,245
Total liabilities		13,903,389	11,398,871
Total equity and liabilities		47,717,990	43,423,389

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	880,925	9,674,180	3,433,272	12,533,429	26,521,806	5,502,712	32,024,518
Comprehensive income							
Profit for the period	—	—	—	3,072,425	3,072,425	332,925	3,405,350
Other comprehensive income							
Currency translation differences	—	—	144,420	—	144,420	59,801	204,221
Share of other comprehensive income of a joint venture accounted for under the equity method	—	—	2,778	—	2,778	—	2,778
Total comprehensive income for the period	—	—	147,198	3,072,425	3,219,623	392,726	3,612,349
Transactions with owners							
Employees' share option scheme							
– exercise of employees' share options	287	10,723	(2,021)	—	8,989	—	8,989
– value of employee services	—	—	5,599	—	5,599	—	5,599
Dividend relating to 2020	—	(1,497,872)	—	—	(1,497,872)	—	(1,497,872)
Dividend paid to non-controlling interests	—	—	—	—	—	(301,873)	(301,873)
Changes in ownership interest in subsidiaries without loss of control (Note 19)	—	—	109,518	—	109,518	(146,627)	(37,109)
Balance at 30 June 2021	881,212	8,187,031	3,693,566	15,605,854	28,367,663	5,446,938	33,814,601

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company (Unaudited)						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020	808,186	2,956,278	1,261,663	9,150,719	14,176,846	4,396,283	18,573,129
Comprehensive income							
Profit for the period	—	—	—	1,406,467	1,406,467	206,148	1,612,615
Other comprehensive income							
Currency translation differences	—	—	(386,631)	—	(386,631)	(105,642)	(492,273)
Share of other comprehensive loss of a joint venture accounted for under the equity method	—	—	(6,333)	—	(6,333)	—	(6,333)
Total comprehensive income for the period	—	—	(392,964)	1,406,467	1,013,503	100,506	1,114,009
Transactions with owners							
Issuance of shares in respect of scrip dividend of 2019 final dividend	7,841	410,856	—	—	418,697	—	418,697
Employees' share option scheme							
– exercise of employees' share options	487	15,112	(3,477)	—	12,122	—	12,122
– value of employee services	—	—	3,596	—	3,596	—	3,596
Dividend relating to 2019	—	(687,029)	—	—	(687,029)	—	(687,029)
Dividend paid to non-controlling interests	—	—	—	—	—	(271,481)	(271,481)
Balance at 30 June 2020	816,514	2,695,217	868,818	10,557,186	14,937,735	4,225,308	19,163,043

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**4,079,474**	1,560,949
Interest paid		**(61,351)**	(119,254)
Income tax paid		**(757,755)**	(181,819)
Net cash generated from operating activities		**3,260,368**	1,259,876
Cash flows from investing activities			
Payment for acquisition of right-of-use assets		**(337,895)**	(56,337)
Purchases of and prepayment for purchase of property, plant and equipment		**(2,246,737)**	(1,084,616)
Acquisition of a subsidiary, net of cash acquired	20	**1**	809
Proceeds from disposal of property, plant and equipment		**920**	32
Repayment from a joint venture		**12,244**	9,461
Interest received		**71,322**	21,947
Net cash used in investing activities		**(2,500,145)**	(1,108,704)

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Cash flows from financing activities			
Proceeds from exercise of employees' share options		8,989	12,122
Proceeds from bank borrowings		2,311,080	2,208,442
Repayment of bank borrowings		(1,879,551)	(1,223,671)
Dividend paid to Company's shareholders		(3)	(268,225)
Dividend paid to non-controlling interests		(301,699)	(271,471)
Principal element of lease payments		(11,580)	(8,671)
Net cash generated from financing activities		127,236	448,526
Net increase in cash and cash equivalents		887,459	599,698
Cash and cash equivalents at beginning of the period		9,291,194	2,221,055
Effect of foreign exchange rate changes		26,890	(29,912)
Cash and cash equivalents at end of the period		10,205,543	2,790,841

1 GENERAL INFORMATION

Xinyi Solar Holdings Limited and its subsidiaries are principally engaged in the production and sale of solar glass products, which are carried out internationally, through the production complexes located in the PRC and Malaysia. In addition, the Group is also engaged in the development and operation of solar farms in the PRC and EPC services.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 2 August 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Hong Kong Accounting Standards ("**HKAS**") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES
(Continued)

(a) Amendments to standards adopted by the Group

The HKICPA has issued the below amendments to standards which are generally effective for accounting periods beginning on or after 1 January 2021. The Group has adopted these amendments to standards for the first time for its accounting period commencing 1 January 2021. The adoption of these amendments to standards does not have a material impact on the Group in the current or prior periods.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

(b) New standards, amendments to standards and interpretation issued but not yet effective for the accounting period beginning on 1 January 2021 and not early adopted by the Group

The Group is in the process of making an assessment on the impact of these new standards, amendments to standards and interpretation. Preliminary assessment results showed that the adoption of these new standards, amendments to standards and interpretation is not expected to have any significant impact on the Group's financial statements.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(b) New standards, amendments to standards and interpretation issued but not yet effective for the accounting period beginning on 1 January 2021 and not early adopted by the Group (Continued)

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of solar glass	**6,597,662**	3,487,873
Solar farm business		
– Sales of electricity	**678,915**	468,305
– Tariff adjustment	**703,923**	632,972
– EPC services	**94,411**	33,768
	1,477,249	1,135,045
Total revenue	**8,074,911**	4,622,918

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

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

3 REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2021, there are two operating segments based on business type: (1) sales of solar glass and (2) solar farm business, which includes solar farm development, solar power generation and EPC services. The operating segments, solar farm business (which includes solar farm development and solar power generation) and EPC services, were separately disclosed in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020. As the Executive Directors no longer consider the performance of these two business segments separately, they are aggregated as "solar farm business" for the six months ended 30 June 2021. Certain comparative figures have been re-presented to conform to current period's presentation.

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

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

3 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June 2021 (Unaudited)		
	Sales of solar glass HK$'000	Solar farm business HK$'000	Total HK$'000
Segment revenue			
Recognised at a point in time	6,597,662	1,382,838	7,980,500
Recognised over time	—	94,411	94,411
Revenue from external customers	6,597,662	1,477,249	8,074,911
Cost of sales	(3,217,454)	(387,825)	(3,605,279)
Gross profit	3,380,208	1,089,424	4,469,632
Segment revenue by geographical area			
Mainland China	4,493,519	1,381,305	5,874,824
Other countries and regions	2,104,143	95,944	2,200,087
	6,597,662	1,477,249	8,074,911
Depreciation charge of property, plant and equipment	218,461	290,040	508,501
Depreciation charge of right-of-use assets	9,780	18,026	27,806
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	2,099,069	1,114,429	3,213,498

3 REVENUE AND SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2020 (Unaudited)		
	Sales of solar glass HK$'000	Solar farm business HK$'000	Total HK$'000
Segment revenue			
Recognised at a point in time	3,487,873	1,101,277	4,589,150
Recognised over time	—	33,768	33,768
Revenue from external customers	3,487,873	1,135,045	4,622,918
Cost of sales	(2,131,891)	(302,337)	(2,434,228)
Gross profit	1,355,982	832,708	2,188,690
Segment revenue by geographical area			
Mainland China	2,514,922	1,102,279	3,617,201
Other countries and regions	972,951	32,766	1,005,717
	3,487,873	1,135,045	4,622,918
Depreciation charge of property, plant and equipment	151,325	232,200	383,525
Depreciation charge of right-of-use assets	8,333	13,250	21,583
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	612,863	541,287	1,154,150

3 REVENUE AND SEGMENT INFORMATION (Continued)

Reportable segment assets/liabilities are as follows:

	Segment assets and liabilities			
	Sales of solar glass HK$'000	Solar farm business HK$'000	Unallocated HK$'000	Total HK$'000
At 30 June 2021 (Unaudited)				
Total assets	**24,375,638**	**22,873,300**	**469,052**	**47,717,990**
Total liabilities	**(3,329,278)**	**(6,002,136)**	**(4,571,975)**	**(13,903,389)**
At 31 December 2020 (Audited)				
Total assets	21,567,416	21,409,160	446,813	43,423,389
Total liabilities	(2,908,726)	(4,235,910)	(4,254,235)	(11,398,871)

3 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Assets as at		Liabilities as at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Segment assets/(liabilities)	47,248,938	42,976,576	(9,331,414)	(7,144,636)
Unallocated:				
Property, plant and equipment	346	354	—	—
Interests in a joint venture	375,041	365,751	—	—
Investments in associates	68,880	69,034	—	—
Prepayments, deposits and other receivables	1,108	650	—	—
Cash and cash equivalents	14,184	1,293	—	—
Deferred income tax assets	9,493	9,731	—	—
Other payables	—	—	(1,502,197)	(4,084)
Bank borrowings	—	—	(3,069,778)	(4,250,151)
Total assets/(liabilities)	47,717,990	43,423,389	(13,903,389)	(11,398,871)

3 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Segment gross profit	**4,469,632**	2,188,690
Unallocated:		
Other income	**123,000**	70,742
Other gains/(losses), net	**9,402**	(1,392)
Selling and marketing expenses	**(250,236)**	(136,157)
Administrative and other operating expenses	**(356,133)**	(208,194)
Finance income	**71,322**	21,948
Finance costs	**(67,116)**	(116,479)
Share of profits of a joint venture	**18,756**	18,632
Share of (losses)/profits of associates	**(153)**	83
Profit before income tax	**4,018,474**	1,837,873

3 REVENUE AND SEGMENT INFORMATION (Continued)

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

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
The PRC	24,364,675	21,587,384
Other countries	1,488,598	1,495,324
	25,853,273	23,082,708

4 OTHER INCOME

	Six months ended 30 June	
	2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Rental income	796	817
Government grants	62,559	48,943
Sales of scrap and materials	41,174	4,882
Tariff adjustments for electricity generation from self-used solar power system	9,504	8,679
Others (Note)	8,967	7,421
	123,000	70,742

Note: They mainly comprise compensation of litigation settlement, insurance claims and other miscellaneous income.

5 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Foreign exchange gains/(losses), net	9,521	(1,319)
Loss on disposal of property, plant and equipment	(119)	(73)
	9,402	(1,392)

6 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Amortisation charge of intangible assets	646	—
Depreciation charge of property, plant and equipment	508,501	383,525
Depreciation charge of right-of-use assets	27,806	21,583
Employee benefit expenses (including directors' emoluments)	287,644	197,496
Cost of inventories sold	2,845,173	1,882,524
Construction contracts costs	51,297	21,267
Transportation costs	233,594	122,867
Research and development expenditures	170,560	79,959
Other expenses	86,427	69,358
	4,211,648	2,778,579

7 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	**71,322**	21,948
Finance costs		
Interest for lease liabilities	**22,442**	19,016
Interest on bank borrowings	**56,957**	118,257
	79,399	137,273
Less: Amounts capitalised on qualifying assets	**(12,283)**	(20,794)
	67,116	116,479

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong profits tax (Note (a))	**—**	87
PRC corporate income tax ("**CIT**") (Note (b))	**425,973**	214,851
Overseas income tax (Note (c))	**169,319**	947
	595,292	215,885
Deferred income tax (Note (d))	**17,832**	9,373
Income tax expense	**613,124**	225,258

8 INCOME TAX EXPENSE (Continued)

Notes:

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

(b) The applicable CIT rate for the Group's subsidiaries in Mainland China is 25% except that:

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

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

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

(c) Taxation on overseas profits mainly include Malaysia income tax which has been calculated on the estimated assessable profits for the period at the standard Malaysia corporate income tax rates of 24% (2020: 24%).

(d) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

9 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**3,072,425**	1,406,467
Weighted average number of ordinary shares in issue (thousands)	**8,810,127**	8,085,611
Basic earnings per share (HK cents)	**34.87**	17.39

(b) Diluted

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**3,072,425**	1,406,467
Weighted average number of ordinary shares in issue (thousands)	**8,810,127**	8,085,611
Adjustments for share options (thousands)	**14,932**	5,083
	8,825,059	8,090,694
Diluted earnings per share (HK cents)	**34.81**	17.38

10 DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Final dividend for 2020 of 17.0 HK cents (2019: 8.5 HK cents) per share	**1,497,872**	687,029
Interim dividend declared of 17.0 HK cents (2020: 8.5 HK cents) per share	**1,511,160**	694,069

At a meeting of the Board held on 2 August 2021, the Directors resolved to declare an interim dividend of 17.0 HK cents per share for the six months ended 30 June 2021. The amount of 2021 interim dividend is based on 8,889,176,238 shares in issue as at 31 July 2021. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be deducted from the retained earnings of the Company in the year ending 31 December 2021.

11 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2021 (Unaudited)						
	Freehold Land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Solar Farms HK$'000	Office Equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Net book amount at 1 January	204,897	1,431,474	4,364,481	13,104,192	8,045	1,293,086	20,406,175
Additions	—	1,048	106,484	46,213	1,859	2,232,822	2,388,426
Transfer	—	166,288	970,030	1,017,532	—	(2,153,850)	—
Acquisition of a subsidiary (Note 20)	—	—	—	294,553	—	—	294,553
Disposals	—	—	(1,029)	—	(10)	—	(1,039)
Depreciation charge	—	(26,046)	(234,560)	(287,234)	(1,030)	—	(548,870)
Currency translation differences	(5,700)	(3,589)	7,566	107,996	81	10,743	117,097
Net book amount at 30 June	199,197	1,569,175	5,212,972	14,283,252	8,945	1,382,801	22,656,342

12 RIGHT-OF-USE ASSETS

	Six months ended 30 June 2021 HK$'000 (Unaudited)
Net book amount at 1 January	1,407,700
Additions	393,922
Acquisition of a subsidiary (Note 20)	18,984
Depreciation charge	(31,005)
Currency translation differences	12,464
Net book amount at 30 June	1,802,065

13 INTERESTS IN A JOINT VENTURE

	Six months ended 30 June 2021 HK$'000 (Unaudited)
At 1 January	365,751
Share of profits	18,756
Repayment from a joint venture	(12,244)
Currency translation differences	2,778
At 30 June	375,041

14 TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 HK$'000 (Unaudited)	As at 31 December 2020 HK$'000 (Audited)
Trade receivables	6,822,861	5,316,373
Less: Loss allowance of trade receivables	(19,797)	(19,214)
Trade receivables, net	6,803,064	5,297,159
Bills receivables	1,266,979	2,838,874
	8,070,043	8,136,033

Breakdown of trade receivables by segment is as follows:

	Sales of Solar glass HK$'000	Solar farm business HK$'000	Total HK$'000
At 30 June 2021 (Unaudited)			
Sales of solar glass	1,849,814	—	1,849,814
Sales of electricity	—	226,512	226,512
Tariff adjustment	—	4,665,435	4,665,435
EPC service revenue	—	81,100	81,100
Total	1,849,814	4,973,047	6,822,861
At 31 December 2020 (Audited)			
Sales of solar glass	1,217,287	—	1,217,287
Sales of electricity	—	112,183	112,183
Tariff adjustment	—	3,885,545	3,885,545
EPC service revenue	—	101,358	101,358
Total	1,217,287	4,099,086	5,316,373

14 TRADE AND BILLS RECEIVABLES (Continued)

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

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
0 - 90 days	6,709,741	5,204,358
91 - 180 days	78,221	14,849
181 - 365 days	6,869	16,539
1 - 2 years	13,848	72,697
Over 2 years	14,182	7,930
	6,822,861	5,316,373

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

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
0 - 90 days	637,836	428,398
91 - 180 days	364,876	415,786
181 - 365 days	745,142	737,492
1 - 2 years	1,892,164	1,599,708
Over 2 years	1,251,929	816,344
	4,891,947	3,997,728

14 TRADE AND BILLS RECEIVABLES (Continued)

The maturity of the bills receivables is within 1 year.

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

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

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

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Prepayments	**1,677,076**	1,468,661
Deposits and other receivables	**397,244**	219,456
Other tax receivables (Note)	**696,817**	783,318
	2,771,137	2,471,435
Less: Non-current portion of prepayments for land use rights and property, plant and equipment	**(926,419)**	(809,271)
Current portion	**1,844,718**	1,662,164

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

16 TRADE AND OTHER PAYABLES

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Trade payables	724,461	667,734
Retention payables for EPC services	302	352
Trade payables and retention payables for EPC services	724,763	668,086
Bills payables	697,448	381,584
Trade, retention and bills payables	1,422,211	1,049,670
Accruals and other payables	2,646,624	2,327,930
Current portion	4,068,835	3,377,600
Deferred government grants	417,968	209,699
Retention payables for construction of solar farms	84,555	102,424
Non-current portion	502,523	312,123

16 TRADE AND OTHER PAYABLES (Continued)

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

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
0 - 90 days	668,105	609,737
91 - 180 days	23,284	26,199
181 - 365 days	9,179	5,538
Over 1 year	24,195	26,612
	724,763	668,086

The maturity of the bills payables is within 6 months.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (thousands) (Unaudited)	Ordinary shares of HK$ 0.1 each HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Issued and fully paid:				
At 1 January 2021	8,809,254	880,925	9,674,180	10,555,105
Issuance of shares pursuant to employees' share option scheme	2,873	287	10,723	11,010
Dividend relating to 2020	—	—	(1,497,872)	(1,497,872)
At 30 June 2021	8,812,127	881,212	8,187,031	9,068,243

18 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Repayable on demand and within 1 year	**3,078,111**	3,410,143
Between 1 and 2 years	**2,319,408**	1,615,136
Between 2 and 5 years	**1,156,052**	1,087,973
	6,553,571	6,113,252
Less: Non-current portion	**(3,475,460)**	(2,703,109)
Current portion	**3,078,111**	3,410,143

As at 30 June 2021, bank borrowings of HK$510,000,000 (2020: HK$615,000,000) contained repayment on demand clause and were classified as current liabilities.

As at 30 June 2021, all bank borrowings bore floating interest rates. These bank borrowings are repayable by installments up to 2024. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 30 June 2021. The effective interest rates per annum at reporting date were as follows:

	As at	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank borrowings	**1.22%**	1.48%

Corporate guarantee was provided by the Company and its subsidiaries for the bank borrowings.

19 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

The effect of the Disposal on the equity attributable to equity holders of the Company during the six months ended 30 June 2021 is summarised as follows:

	HK$'000 (Unaudited)
Increase in equity attributable to equity holders of the Company	109,518
Decrease in non-controlling interests	(146,627)
Decrease in total equity	(37,109)

In addition to the above, Xinyi Power entered into a sales and purchase agreement ("**S&P Agreement**") with Xinyi Energy on 6 January 2021 in respect of the proposed disposal of the entire equity interest in Xinyi Solar Farm (Group 7) Limited, which owns and operates solar farms with approved capacity of 270MW, to Xinyi Energy for a consideration to be calculated based on the formula set forth in the S&P Agreement. The disposal of the entire equity interest in Xinyi Solar Farm (Group 7) Limited is expected to be completed on or before 31 December 2021. For further details, please refer to the Company's announcement dated 6 January 2021.

20 BUSINESS COMBINATION

In February 2021, a subsidiary of Xinyi Energy acquired 100% equity interest of Hubei Jingping Renewable Energy Limited, which owns a solar farm project with approved grid-connected capacity of 80MW in Hubei Province, the PRC at a cash consideration of RMB1,000,000 (equivalent to approximately HK$1,194,000) from an independent third party.

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

	HK$'000 (Unaudited)
Purchases consideration	
Cash consideration	1,194
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	294,553
Right-of-use assets	18,984
Trade and other receivables and prepayments	81
Cash and cash equivalents	1
Lease liabilities	(18,984)
Deferred income tax liabilities	(186)
Other payables and accruals	(293,719)
Total identifiable net assets	730
Goodwill	464
	1,194
Net cash inflow arising from the acquisition	
Cash and cash equivalents acquired	1
Less: Cash consideration paid	—
	1

20 BUSINESS COMBINATION (Continued)

Notes:

(a) Revenue and profits contribution

The revenue and the profits included in the condensed consolidated income statement since the respective acquisition date contributed by the acquired business amounted to HK$9,357,000 and HK$7,795,000 respectively.

If the acquisition had occurred on 1 January 2021, the condensed consolidated income statement would show pro-forma revenue and profit of approximately HK$8,074,911,000 and HK$3,405,350,000 respectively.

(b) Acquired receivables

The fair value of other receivables and prepayments acquired was HK$81,000. There was no trade receivables acquired.

(c) Goodwill

The Group recognised goodwill of approximately HK$464,000 in the condensed consolidated balance sheet in connection with the acquisition. The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. The goodwill is attributable to the synergies expected to arise after the acquisition because of the close proximity of the project to other solar farms currently operated by the Group as well as the saving of certain administrative and operating costs. The goodwill will not be deductible for tax purposes.

21 RELATED PARTY TRANSACTIONS

(a) Significant Related Party Transactions

Material related party transactions during the period are as follows:

	Note	Six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Purchases of glass products from:			
– Subsidiaries of Xinyi Glass Holdings Limited ("**Xinyi Glass**")*	i, iii	118,122	7,297
Purchases of machineries from:			
– A subsidiary of Xinyi Glass*	i, iv	91,825	26,713
Sales of silica sand to:			
– Subsidiaries of Xinyi Glass*	i, v	21,161	—
Purchase of consumables from:			
– Subsidiaries of Xinyi Glass*	ii, vi	7,402	2,976
– A subsidiary of Xinyi Electric Storage Holdings Limited ("**Xinyi Electric Storage**")#	ii, vi	6	—
		7,408	2,976
Solar farm management fee paid to a non-wholly owned subsidiary:			
– Xinyi Energy Technology (Wuhu) Limited^	i, vii	4,624	4,214
EPC service income received from:			
– A subsidiary of Xinyi Glass*	ii, vi	3,847	—
Sales of consumables to:			
– Subsidiaries of Xinyi Glass*	ii, vi	2,607	—

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant Related Party Transactions (Continued)

	Note	Six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Maintenance and service charges received from:			
– A subsidiary of Xinyi Glass*	ii, vi	1,305	1,294
Rental income received from:			
– A subsidiary of Xinyi Glass*	ii, vi	553	509
Consultancy fee paid to:			
– A subsidiary of Xinyi Glass*	ii, vi	435	430
Purchases of and processing of battery pack, chargers and lithium battery energy storage facilities:			
– A subsidiary of Xinyi Electric Storage#	i, viii	302	860
Sales of electricity to:			
– A subsidiary of Xinyi Electric Storage#	ii, vi	226	677
Processing charges of raw materials paid to:			
– A subsidiary of Xinyi Glass*	ii, vi	—	1,739
Sales of glass products to:			
– Subsidiaries of Xinyi Glass*	ii, vi	—	1,082

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant Related Party Transactions (Continued)

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

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

^ A connected subsidiary of the Company.

Notes:

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

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

(iii) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021.

(iv) The purchases of machineries were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcements dated 8 January 2021 and 11 May 2021.

(v) The sales of silica sand were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 26 May 2021.

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

(vii) The management fee was charged in accordance with the solar farm operation and management agreement dated 5 December 2018. For further details, please refer to the Company's announcements dated 2 November 2018 and 15 May 2019 and the Company's circulars dated 2 November 2018 and 15 May 2019.

(viii) Purchases of and processing of battery pack, chargers and lithium battery energy storage facilities were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcements dated 8 April 2021 and 27 April 2021.

21 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with Related Parties

	As at	
	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Amount due from a joint venture		
– Xinyi Solar (Lu'an) Company Limited	—	796
Amount due from a related company		
– Guangxi Xinyi Supply Chain Management Company Limited*	15,379	—
Amounts due to related companies		
– Wuhu Jinsanshi Numerical Control Technology Company Limited*	(36,962)	(91,397)
– Xinyi Glass (Guangxi) Company Limited*	(8,401)	(73,383)
– Xinyi Energy Smart (Malaysia) Sdn Bhd*	(8,257)	(293)
– Xinyi Ultra-thin Glass (Dongguan) Company Limited*	(516)	(1,281)
– Anhui Xinyi Power Source Company Limited[#]	(349)	(470)
– Xinyi Glass Holdings Limited[~]	(294)	(294)
– Xinyi Glass Japan Company Limited *	(211)	—
– Xinyi Energy Smart (Wuhu) Company Limited*	(31)	—
– Xinyi Glass Engineering (Dongguan) Company Limited*	(24)	—
	(55,045)	(167,118)

21 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with Related Parties (Continued)

~ Ultimate holding company of a company which has a significant influence of the Group.

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

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

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

Key management compensation amounted to HK$27,290,000 for the six month ended 30 June 2021 (2020: HK$15,097,000).

Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of 17.0 HK cents per share (the "**Share**") of the Company for 1H2021 (1H2020: 8.5 HK cents) to be paid to all shareholders (the "**Shareholders**") of the Company with their names recorded on the register of members of the Company at the close of business on Monday, 23 August 2021. The interim dividend is expected to be payable on Tuesday, 21 September 2021. The Company's register of members was closed from Thursday, 19 August 2021 to Monday, 23 August 2021 (both days inclusive), and during such period no transfer of Shares was registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 18 August 2021.

Purchase, Sale or Redemption of the Company's Listed Shares

In 1H2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Code on Corporate Governance Practices

The Company has complied with the applicable Code Provisions in the Corporate Governance Code (the "**Code**") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during 1H2021.

Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code during 1H2021.

Share Option Scheme

(a) Share Option Scheme of the Company

In June 2014, the Company adopted a share options scheme (the "**Share Option Scheme**"). The following table sets forth movements in the share options of the Company for 1H2021:

	Grant date	Exercise price (HK$)	Price of the Company's shares immediately before the grant date (HK$)	Vesting period	Exercisable period	Number of share options: At 1 January 2021	Granted	Exercised	Lapsed	Cancelled	At 30 June 2021
Executive director											
- Mr. CHEN Xi	29/3/2018	3.18	3.20	29/3/2018-31/12/2020	1/4/2021-31/3/2022	375,000	–	–	–	–	375,000
	28/3/2019	3.76	3.75	28/3/2019-31/12/2021	1/4/2022-31/3/2023	375,000		–	–	–	375,000
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	375,000	–	–	–	–	375,000
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	–	300,000	–	–	–	300,000
Continuous contract employees	31/3/2017	2.48[(1)]	2.50	31/3/2017-31/12/2019	1/4/2020-31/3/2021	211,075	–	(210,958)[(2)]	(117)	–	–
	29/3/2018	3.18	3.20	29/3/2018-31/12/2020	1/4/2021-31/3/2022	6,892,000	–	(2,662,400)[(3)]	(22,000)	–	4,207,600
	28/3/2019	3.76	3.75	28/3/2019-31/12/2021	1/4/2022-31/3/2023	8,029,500	–	–	(107,000)	–	7,922,500
	31/3/2020	4.39	4.36	31/3/2020-31/12/2022	1/4/2023-31/3/2024	8,153,500	–	–	(103,000)	–	8,050,500
	31/3/2021	12.99	13.40	31/3/2021-31/12/2023	1/4/2024-31/3/2025	–	9,585,500	–	–	–	9,585,500
					Total	24,411,075	9,885,500	(2,873,358)	(232,117)	–	31,191,100

Notes:

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

(2) The weighted average closing price of shares immediately before the dates on which the options were exercised were HK$13.75.

(3) The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$13.72.

For 1H2021, 9,885,500 share options were granted. The fair value of the equity-settled share options granted under the Share Option Scheme during 1H2021 was estimated at HK$37,459,000. The fair value of the share options granted to the Director and eligible employees of the Group were HK$1,137,000 and HK$36,322,000, respectively. The value of the share options granted during 1H2021 is to be expensed through the Group's income statement over the three-year vesting period of the options.

The fair value of share options granted by the Company during 1H2021 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the share options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	12.78
Exercise price (HK$)	12.99
Volatility (%)	47.04
Dividend yield (%)	2.00
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.48

(b) Share option scheme of a subsidiary

Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a non-wholly owned subsidiary of the Company, adopted a share option scheme (the "**XYE Share Option Scheme**") in November 2018. The following table sets forth movements in the share options of Xinyi Energy ("**XYE Share Options**") for 1H2021:

	Grant date	Exercise price (HK$)	Price of the XYE shares immediately before the grant date (HK$)	Vesting period	Exercisable period	Number of share options					
						As at 1 January 2021	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2021
Executive director											
- Ms. CHENG Shu E	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	450,000	–	–	–	–	450,000
	31/3/2021	3.78	3.81	31/3/2021-31/12/2023	1/4/2024-31/3/2025	–	347,000	–	–	–	347,000
Continuous contract employees	31/3/2020	2.18	2.08	31/3/2020-31/12/2022	1/4/2023-31/3/2024	1,379,500	–	–	–	(4,000)	1,375,500
	31/3/2021	3.78	3.81	31/3/2021-31/12/2023	1/4/2024-31/3/2025	–	2,133,000	–	–	–	2,133,000
					Total	1,829,500	2,480,000	–	–	(4,000)	4,305,500

During 1H2021, 2,480,000 XYE Share Options were granted. The fair value of the equity-settled XYE Share Options under the XYE Share Option Scheme granted during 1H2021 was estimated at HK$2,524,000. The fair value of the share options granted to a director and eligible employees of Xinyi Energy were HK$353,000 and HK$2,171,000, respectively.

The value of the XYE Share Options granted during 1H2021 is to be expensed through the income statement of Xinyi Energy over the three-year vesting period of XYE Share Options.

The fair value of XYE Share Options granted during 1H2021 was determined in accordance with the valuation performed by an independent valuer using the Black-Scholes option pricing model. Such model is one of the commonly used models to estimate the fair value of an option. The significant variables and assumptions used in computing the fair value of the XYE Share Options are set forth in the table below. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share price at the grant date (HK$)	3.78
Exercise price (HK$)	3.78
Volatility (%)	47.66
Dividend yield (%)	3.84
Expected share option life (years)	3.50
Annual risk-free rate (%)	0.49

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 30 June 2021, 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares of the Company

Name of Director	Capacity	Name of the controlled corporations	Number of Shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation[1]	Realbest (as defined below)	850,641,989	9.653%
	Interest in persons acting in concert[2]		1,436,947,402	16.306%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Interest in a controlled corporation[3]	Copark (as defined below)	218,010,049	2.473%
	Family interest[3]		16,279,822	0.184%
	Interest in persons acting in concert[2]		2,053,299,520	23.300%
Mr. LI Man Yin	Interest in a controlled corporation[4]	Perfect All (as defined below)	90,279,566	1.024%
	Personal interest[4]		3,942,784	0.044%
	Family interest[4]		1,623,254	0.018%
	Interest in persons acting in concert[2]		2,191,743,787	24.871%
Mr. LEE Yau Ching	Interest in a controlled corporation[5]	Telerich (as defined below)	298,742,161	3.390%
Mr. CHEN Xi	Family interest[6]		230,476	0.002%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability, which in turn is the registered owner of 850,641,989 Shares.

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

(3) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability, which is the registered owner of 218,010,049 Shares. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* also has 16,279,822 Shares through his spouse, Puan Sri Datin SZE Tan Hung.

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

(5) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 298,742,161 Shares.

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

(ii) Share options of the Company

Name of Director	Capacity	Number of share options outstanding	Approximate percentage of the Company's issued share capital
Mr. CHEN Xi	Personal interest	1,425,000	0.016%

(iii) Long positions in the shares of an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy, a non-wholly owned subsidiary of the Company, as at 30 June 2021:

Name of Director	Capacity	Name of the controlled corporations	Number of ordinary shares held in Xinyi Energy	Approximate percentage of Xinyi Energy's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation[(1)]	Charm Dazzle (as defined below)	457,957,500	6.441%
	Interest in a controlled corporation[(1)]	Realbest	82,901,405	1.166%
	Interest in a controlled corporation[(2)]	Full Guang (as defined below)	7,606,019	0.106%
	Joint interest[(1)]		3,575,733	0.050%
	Family interest[(1)]		4,337,354	0.061%
	Interest in persons acting in concert[(3)]		909,783,718	12.795%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*	Interest in a controlled corporation[(4)]	Sharp Elite (as defined below)	187,687,500	2.639%
	Interest in a controlled corporation[(4)]	Copark	29,803,255	0.419%
	Family interest[(4)]		14,544,041	0.204%
	Interest in persons acting in concert[(3)]		1,234,126,933	17.357%
Mr. LI Man Yin	Interest in a controlled corporation[(5)]	Will Sail (as defined below)	45,045,000	0.633%
	Interest in a controlled corporation[(5)]	Perfect All	9,139,496	0.128%
	Personal interest[(5)]		394,278	0.005%
	Family interest[(5)]		162,325	0.002%
	Interest in persons acting in concert[(3)]		1,411,420,630	19.851%

Notes:

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

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

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

(4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is the beneficial owner of the entire issued share capital of Sharp Elite Holdings Limited ("**Sharp Elite**") and Copark, both of which are incorporated in the BVI with limited liability, which are the registered owner of 187,687,500 and 29,803,255 XYE shares of Xinyi Energy respectively. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is also deemed to be interested in 14,544,041 XYE Shares directly held by his spouse, Puan Sri Datin SZE Tan Hung.

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

Save as disclosed above, as at 30 June 2021, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying Share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2021, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial shareholder	Nature of interest and capacity	(L/S)*	Number of Shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	(L)	2,013,600,933	22.850%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	(L)	2,013,600,933	22.850%
Xinyi Glass Holdings Limited	Beneficial owner	(L)	831	0.000009%
	Interest in a controlled corporation	(L)	2,013,600,933	22.850%

Name of substantial shareholder	Nature of interest and capacity	(L/S)*	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	(L)	308,003,771	3.495%
	Joint interest(1)	(L)	19,265,333	0.218%
	Interest in persons acting in concert(2)	(L)	1,960,320,287	22.245%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	(L)	298,742,161	3.390%
	Personal interest(3)	(L)	2,374,786	0.026%
	Joint interest(3)	(L)	34,571,729	0.392%
	Interest in persons acting in concert(2)	(L)	1,951,900,715	22.150%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	(L)	130,562,133	1.481%
	Personal interest	(L)	2,000,000	0.022%
	Interest in persons acting in concert(2)	(L)	2,155,027,258	24.455%

Name of substantial shareholder	Nature of interest and capacity	(L/S)*	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	(L)	121,714,337	1.381%
	Personal interest	(L)	3,690,043	0.041%
	Interest in persons acting in concert(2)	(L)	2,162,185,011	24.536%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	(L)	88,222,041	1.001%
	Personal interest	(L)	2,514,901	0.0285%
	Interest in persons acting in concert(2)	(L)	2,196,852,449	24.929%
Mr. LI Ching Leung	Interest in a controlled corporation(7)	(L)	86,858,695	0.985%
	Personal interest(7)	(L)	7,830,166	0.088%
	Family interest(7)	(L)	461,831	0.005%
	Interest in persons acting in concert(2)	(L)	2,192,438,699	24.879%

Name of substantial shareholder	Nature of interest and capacity	(L/S)*	Number of Shares held	Approximate percentage of the Company's issued share capital
JPMorgan Chase & Co. ("**JPMC**")	Interest in controlled corporations	(L)	67,196,874	
	Investment manager	(L)	539,155,521	
	Person having a security interest in shares	(L)	3,105,208	
	Trustee	(L)	43,600	
	Approved lending agent	(L)	183,781,194	
	Sub-total		793,282,397[8]	9.002%
	Interest in controlled corporations	(S)	52,982,787	
	Investment Manager	(S)	1,510,000	
	Sub-total		54,492,787[9]	0.618%

* (L) represents Long Position; (S) represents Short Position.

Notes:

(1) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor also has 19,265,333 Shares held through a joint account with his spouse, Madam KUNG Sau Wai.

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

(3) Mr. LEE Sing Din's interests in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 2,374,786 Shares held in his own name and 34,571,729 Shares through a joint account with his spouse, Madam LI Kam Ha.

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

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

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

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

(8) It included an aggregate interest in 19,659,155 underlying Shares through JPMC's holding of certain unlisted derivatives (physically settled: 1,564,595 Shares; cash settled: 18,094,560 Shares).

(9) It included an aggregate interest in 30,398,738 underlying Shares through JPMC's holding of certain listed derivatives (cash settled: 2,513,000 Shares, convertible instruments: 2 Shares) and certain unlisted derivatives (physically settled: 22,253,963 Shares; cash settled: 5,631,773 Shares).

Save as disclosed above, as at 30 June 2021, 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.

Review of the Interim Results

The Company's interim results for 1H2021 have not been audited but have been reviewed by the audit committee of the Board. The members of the audit committee of the Board are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin, all of them are independent non-executive Directors.

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

COMPANY SECRETARY

Mr. CHU Charn Fai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2109-2115, 21/F
Rykadan Capital Tower
No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
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
China Citic Bank
China Everbright Bank
China Guangfa Bank
Citibank, N.A.
DBS Bank
Hang Seng Bank
HSBC
Huishang Bank
Industrial Bank
Malayan Banking Berhad
Nanyang Commercial Bank
OCBC Wing Hang
Sumitomo Mitsui Banking Corporation

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

WEBSITE

http://www.xinyisolar.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as at 30 June 2021: HK$16.76
Market capitalisation as at 30 June 2021: Approximately HK$147.7 billion

KEY DATES

Closure of register of members: Thursday, 19 August 2021 to Monday, 23 August 2021 (both days inclusive)

Interim dividend payable date: Tuesday, 21 September 2021

APPENDIX II

REPRODUCTION OF THE MACQUARIE BANK LIMITED INTERIM DIRECTORS' REPORT AND FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021

MACQUARIE
BANK

Macquarie Bank Interim Financial Report

Half year ended 30 September 2021

Macquarie Bank Limited ACN 008 583 542

Macquarie Bank 2022 Interim Financial Report

This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. Macquarie Bank Limited's (MBL) most recent annual financial report is available at **www.maquarie.com** as part of Macquarie Bank's 2021 Annual Report. MBL has also released information to the Australian Securities Exchange operated by ASX Limited (ASX) in compliance with the continuous disclosure requirements of the ASX Listing Rules. Announcements made by MBL under such rules are available on ASX's internet site **www.asx.com.au** (MBL's ASX code is 'MBL').

The material in this report has been prepared by MBL ABN 46 008 583 542 and is current at the date of this report. It is general background information about Macquarie Bank's (MBL and its subsidiaries, the Consolidated Entity) activities, is provided in summary form in terms of the requirements of AASB 134 *Interim Financial Reporting* and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

The Interim Financial Report was authorised for issue by MBL's Directors on 29 October 2020. The Board of Directors has the power to amend and reissue the Financial Report.

Cover image

For almost two decades we have worked with governments and clients to drive the energy transition and advance practical solutions to climate challenges. We have built market leading capabilities in investing directly into climate mitigation and adaptation infrastructure and in supporting our clients and portfolio companies to decarbonise their activities. we are committed to playing a leading role in achieving global net zero emissions by 2050.

Contents

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Directors' Report

Directors

For the half year ended 30 September 2021

The Directors of MBL submit their report with the financial report of the Consolidated Entity for the half year ended 30 September 2021.

Directors

At the date of this report, the Directors of MBL are:

Independent Directors

P.H. Warne, Chairman

J.R. Broadbent AC

P.M. Coffey

M.J. Coleman

D.J. Grady AO

R.J. McGrath

M. Roche

G.R. Stevens AC

N.M. Wakefield Evans

Executive Voting Directors

S. Green, Managing Director and Chief Executive Officer

S.R. Wikramanayake

Other than S. Green, the Directors listed above each held office as a Director of Macquarie Bank throughout the period and until the date of this report.

G.M. Cairns retired as an Independent Director on 7 May 2021.

M.J. Reemst retired from her roles as Managing Director and Chief Executive Officer, and as an Executive Voting Director of MBL, on 1 July 2021.

S. Green was appointed as Managing Director and Chief Executive Officer, and as an Executive Voting Director of MBL, on 1 July 2021.

Those Directors listed as Independent Directors have been independent throughout the period of their appointment.

Result

The financial report for the half year ended 30 September 2021 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated profit attributable to the ordinary equity holder of Macquarie Bank, in accordance with Australian Accounting Standards, for the period was $A1,243 million (half year to 31 March 2021: $A1,016 million; half year to 30 September 2020: $A660 million).

Operating and financial review

For the half year ended 30 September 2021

Review of performance and financial position

Overview

Macquarie Bank's consolidated profit attributable to the ordinary equity holder of $A1,243 million for the half year ended 30 September 2021 increased 88% from $A660 million in the prior corresponding period[1] and increased 22% from $A1,016 million in the prior period.[2]

	HALF YEAR TO			*MOVEMENT*	
	30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am	*31 Mar 21 %*	*30 Sep 20 %*
Net operating income	**4,412**	4,052	2,943	*9*	*50*
Operating expenses	**(2,783)**	(2,594)	(2,103)	*7*	*32*
Income tax expense	**(386)**	(442)	(180)	*(13)*	*114*
Profit attributable to the ordinary equity holder	**1,243**	1,016	660	*22*	*88*

Corporate update

In November 2020, the transfer of MGL's service entities from the Non-Bank Group to the Consolidated Entity was executed following approval from both the MGL and MBL Boards. The service entities largely employ staff in Central Service Groups, together with some back and middle office staff from the Operating Groups. The transfer resulted in an increase of approximately 7,500 permanent headcount for the Consolidated Entity. Where staff provide services to the Non-Bank Group, the Consolidated Entity earns fees for these services, which are charged on an arms-length basis.

Refer to Note 22 *Acquisitions and disposals of subsidiaries and businesses* for additional information.

(1) Prior corresponding period (pcp) refers to the six months ended 30 September 2020.
(2) Prior period refers to the six months ended 31 March 2021.

Net profit contribution by Operating Group[1]

Banking and Financial Services (BFS)

$A482m

↑ 53% on pcp

- Higher net interest and trading income driven by volume growth in the loan portfolio and BFS deposits
- Decreased credit impairment charges driven by an improvement in expected macroeconomic conditions compared to the prior corresponding period
- Decreased brokerage, commission and fee expenses largely due to the cessation of grandfathered commission payments to third party advisors in line with legislation.

Partially offset by:

- higher employment and technology expenses, including increased headcount, to support business growth.

Commodities and Global Markets (CGM)

$A1,772m

↑ 92% on pcp

- Increased risk management products income reflecting strong results across all sectors particularly from Gas and Power, Resources, and Agriculture due to increased client hedging activity and gains associated with management of those exposures as a result of elevated levels of volatility and price movements in commodity markets
- Net income on equity, debt and other investments up significantly driven by the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio
- Decreased credit and other impairment charges due to an improvement in expected global macroeconomic conditions.

Partially offset by:

- lower inventory management and trading income included strong trading gains from supply and demand imbalances in Gas and Power that were more than offset by the impact of timing of income recognition, primarily on storage contracts and transport agreements
- lower fee and commission income due to a reduction in fees associated with structured deals in asset finance which occur on an intermittent basis.

(1) Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

Net operating income

Net operating income of $A4,412 million for the half year ended 30 September 2021 increased 50% from $A2,943 million in the prior corresponding period, mainly driven by higher Net interest and trading income, Net other operating income and Fee and commission income.

Net interest and trading income

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
2,917	3,025	2,379

↑ **23%** on prior corresponding period

- Increased risk management products income reflecting strong results across all sectors, particularly from Gas and Power, Resources, and Agriculture in CGM
- Growth in the average loan and lease portfolio and growth in average deposit volumes in BFS.

Partially offset by:

- lower inventory management and trading income with strong trading gains more than offset by the impact of timing of income recognition in CGM.

Fee and commission income

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
896	810	516

↑ **74%** on prior corresponding period

- Higher income due to fees received from the Non-Bank Group for services provided by the Central Service Groups which were transferred to MBL during the prior period.

Net operating lease income

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
154	189	206

↓ **25%** on prior corresponding period

- Reduction in secondary income in Technology, Media and Telecoms as well as the partial sale of the UK Meters portfolio of assets in CGM.

Credit and other impairment charges

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
(83)	(71)	(262)

↓ **68%** on prior corresponding period

- Lower credit impairment charges recognised across the Consolidated Entity compared to the prior corresponding period reflecting improvement in expected macroeconomic conditions.

Net other operating income

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
528	99	104

↑ **significantly** on prior corresponding period

- Gain on the partial sale of the UK Meters portfolio of assets in CGM.

Operating expenses

Total operating expenses of $A2,783 million for the half year ended 30 September 2021 increased 32% from $A2,103 million in the prior corresponding period, mainly driven by higher Employment expenses. This was partially offset by lower Other operating expenses.

Employment expenses

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
1,796	1,460	643

↑ **significantly** on prior corresponding period

- Higher employment expenses mainly due to the transfer of staff from MGL's service entities during the prior period resulting in an increase in permanent headcount of approximately 7,500 for the Consolidated Entity
- Increase in performance-related profit share expense and share-based payments as a result of increased headcount due to the transfer of the service entities, as well as the improved performance of the Consolidated Entity.

Brokerage, commission and fee expenses

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
251	229	296

↓ **15%** on prior corresponding period

- The cessation of grandfathered commission payments to third party advisors in line with legislation in BFS
- Reduced trading volumes in financial markets in specific high volume activities in CGM.

Non-salary technology expenses

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
320	239	88

↑ **significantly** on prior corresponding period

- Higher technology expenses mainly due to the transfer of costs of Central Service Groups during the prior period to the Consolidated Entity.

Other operating expenses

HALF YEAR TO		
30 Sep 21 $Am	31 Mar 21 $Am	30 Sep 20 $Am
416	666	1,076

↓ **61%** on prior corresponding period

- Reduced Other operating expenses mainly driven by the transfer of MGL's service entities to the Consolidated Entity in November 2020:
  - prior to the transfer, the Consolidated Entity recognised its allocation of charges from the service entities in Other expenses which were charged on an arms-length basis
  - following the transfer, the costs of the service entities have been incurred directly by the Consolidated Entity and recognised in the underlying expense categories, including Employment expenses and Non-salary technology expenses.

Income tax expense

Income tax expense of $A386 million for the half year ended 30 September 2021 increased significantly from $A180 million in the prior corresponding period, primarily reflecting the higher operating profit before income tax. The effective tax rate for the half year ended 30 September 2021 was 23.7%, up from 21.4% in the prior corresponding period and down from 30.3% in the prior period.

The higher effective tax rate compared to the prior corresponding period was mainly driven by the geographic composition and nature of earnings.

Statement of financial position

The Consolidated Entity's statement of financial position was impacted during the half year ended 30 September 2021 by changes resulting from a combination of business activities, Group Treasury management initiatives and macroeconomic factors including the depreciation of the Australian dollar against major currencies and the elevated levels of volatility and price movements in commodity markets.

Total assets

AS AT 30 Sep 21 $Am	AS AT 31 Mar 21 $Am
306,127	216,848

↑ **41%** on 31 Mar 21

The principal drivers for the increase in the Consolidated Entity's total assets were as follows:

- derivative assets of $A77.1 billion as at 30 September 2021 increased significantly from $A20.6 billion as at 31 March 2021 primarily due to an increase in CGM in client trade volumes and mark-to-market movements in interest rate and foreign exchange products and, in particular, energy markets and commodities. European gas prices increased significantly during the period due to an increase in global demand alongside low storage and supply levels ahead of the European winter. After taking into account related financial instruments, cash and other collateral, the residual derivative asset is $A12.5 billion (31 March 2021: $A5.1 billion)
- cash and bank balances of $A28.8 billion as at 30 September 2021 increased 80% from $A16.0 billion as at 31 March 2021 primarily due to an increase in surplus cash placed on overnight deposit with the Reserve Bank of Australia (RBA)
- loan assets of $A109.5 billion as at 30 September 2021 increased 11% from $A99.0 billion as at 31 March 2021 primarily due to growth in BFS in its business banking and home loans' portfolios, partially offset by a decrease in the vehicle finance portfolio
- margin money and settlement assets of $A16.1 billion as at 30 September 2021 increased 94% from $A8.3 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed with financial institutions and broker settlement balances in CGM.

These increases were partially offset by:

- a decrease in cash collateralised lending and reverse repurchase agreements of 5% from $A34.6 billion as at 31 March 2021 to $A32.8 billion as at 30 September 2021 primarily due to a decrease in client reverse repurchase agreements in CGM and in Group Treasury following higher Operating Group funding requirements.

Total liabilities

AS AT 30 Sep 21 $Am	AS AT 31 Mar 21 $Am
290,088	202,774

↑ **43%** on 31 Mar 21

The principal drivers for the increase in the Consolidated Entity's total liabilities were as follows:

- derivative liabilities of $A77.8 billion as at 30 September 2021 increased significantly from $A17.5 billion as at 31 March 2021 primarily due to an increase in CGM in client trade volumes and mark-to-market movements in interest rate and foreign exchange products and, in particular, energy markets and commodities. European gas prices increased significantly during the period due to an increase in global demand alongside low storage and supply levels ahead of the European winter. After taking into account related financial instruments, cash and other collateral, the residual derivative liability is $A13.7 billion (31 March 2021: $A3.7 billion)
- issued debt securities of $A57.4 billion as at 30 September 2021 increased 28% from $A44.7 billion as at 31 March 2021 primarily due to the net issuance of short and long-term debt in Group Treasury and net issuance of bondholder notes by securitisation vehicles in BFS
- cash collateralised borrowing and repurchase agreements of $A13.8 billion as at 30 September 2021 increased significantly from $A4.5 billion as at 31 March 2021 primarily due to the additional draw down of the RBA Term Funding Facility by Group Treasury
- deposits of $A91.7 billion as at 30 September 2021 increased 9% from $A84.1 billion as at 31 March 2021 primarily due to an increase in retail and business banking deposits in BFS
- margin money and settlement liabilities of $A20.6 billion as at 30 September 2021 increased 26% from $A16.3 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in broker settlement balances and margin placed by financial institutions with CGM.

Total equity

AS AT 30 Sep 21 $Am	AS AT 31 Mar 21 $Am
16,039	14,074

↑ **14%** on 31 Mar 21

The increase in the Consolidated Entity's equity was attributable to the profit during the current period of $A1.2 billion, issue of ordinary share capital of $A0.5 billion and an increase in the foreign currency translation reserve of $A0.2 billion following the depreciation of the Australian dollar against major currencies.

Funding

4.2 years

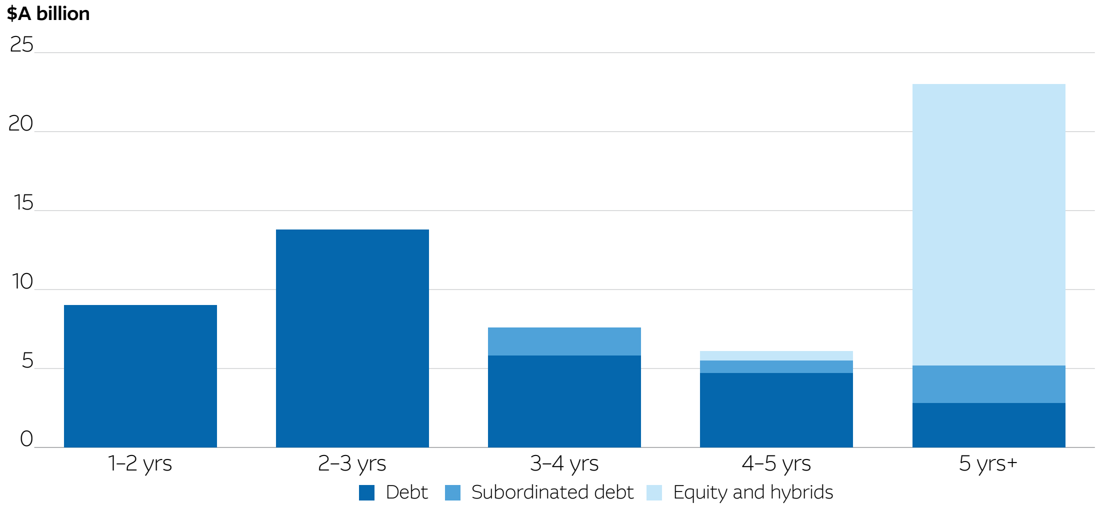
Weighted average maturity

Macquarie Bank's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

Macquarie Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding maturing beyond one year (excluding Term Funding Facility (TFF), equity and securitisations) was 4.2 years and the weighted average term to maturity of term funding maturing beyond one year including TFF (excluding equity and securitisations) was 3.7 years as at 30 September 2021.

Term funding profile

Detail of drawn funding maturing beyond one year



Macquarie Bank has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2021, Macquarie Bank has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2021 and 30 September 2021:

		Total $Ab
Issued paper	– Senior and subordinated	**1.8**
Secured funding	– Term securitisation and other secured finance	**6.0**
	– RBA Term Funding Facility[(1)]	**9.5**
Hybrids	– Hybrid instruments	**0.7**
Total[(2)]		**18.0**

Macquarie Bank has continued to develop its major funding markets and products during the half year ended 30 September 2021.

(1) $A9.5 billion of Supplementary and Additional Allowance drawn in June 2021. $A1.7 billion of Initial Allowance was drawn in September 2020.
(2) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

Capital

Under Basel III rules, APRA requires authorised deposit-taking institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including the 2.5% capital conservation buffer, with at least 7.0% in the form of Common Equity Tier 1 capital, per APRA ADI Prudential Standard 110[1]. In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels. The minimum BCBS Basel III leverage ratio requirement of 3% was effective from 1 January 2018[2].

On 1 April 2021, APRA announced actions required regarding MBL's risk management practices and ability to calculate and report key prudential ratios. APRA increased MBL's operational risk capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions. On 22 October 2021, Macquarie published restated historical MBL Pillar 3 disclosures for the period March 2018 to June 2021.

Macquarie has ongoing programs which focus on strengthening MBL's processes and controls, including those around intra-group funding arrangements and internal exposures; capital and liquidity reporting; risk management frameworks; and accountabilities and governance. A number of these programs also form part of a remediation plan as required by APRA, which has been established to define and deliver programs of work that strengthen MBL's governance, risk culture, structure, and incentives to ensure full and ongoing compliance with prudential standards.

Macquarie Bank is well capitalised, with the following capital adequacy ratios as at 30 September 2021.

Bank Group Level 2 Basell III ratios as at 30 September 2021	Harmonised Basel III[3]	APRA Basel III
Common Equity Tier 1 Capital Ratio	**14.8%**	**11.7%**
Tier 1 Capital Ratio	**17.0%**	**13.7%**
Leverage Ratio	**6.0%**	**5.3%**

For further information relating to the capital adequacy of Macquarie Bank, refer to section 6 *Capital* of the Management Discussion and Analysis available at **macquarie.com/results**.

(1) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included.
(2) APRA has released draft prudential standards on its implementation of a minimum requirement for the leverage ratio of 3.5% expected to be effective from January 2023.
(3) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework.

Our purpose

Empowering people to innovate and invest for a better future.

What we stand for

Opportunity

Accountability

Integrity

The way we fulfil our purpose is defined by these three long held principles that determine how we conduct business and guide what we do every day. Our purpose and principles and what we expect of our staff are set out in our *Code of Conduct*.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie Bank's success and a key factor in our long record of unbroken profitability.

The *Code of Conduct* is available at **macquarie.com/what-we-stand-for**

Our business strategy

Consistent with the principles of *What We Stand For*, Macquarie Bank's business strategy is focused on the medium-term with the following key aspects:

Risk management approach

Adopting a conservative approach to risk management underpinned by a sound risk culture. Macquarie Bank's robust risk management framework and risk culture are embedded across all Bank Group entities.

Strong balance sheet

Maintaining a strong and conservative balance sheet.

This is consistent with Macquarie Bank's longstanding policy of holding a level of capital which supports its business and managing its capital base ahead of ordinary business requirements. Macquarie Bank remains well funded, with diversified funding sources, including deposits.

We continue to pursue the strategy of diversifying funding sources by growing our deposit base and accessing different funding markets.

Business mix

Conducting a mix of annuity-style and markets-facing businesses that deliver solid returns in a range of market conditions.

Macquarie Bank has progressively developed its annuity style businesses, providing steady returns to the business and our stakeholders, and stability to clients.

Diversification

Operating a diversified set of businesses across different locations and service offerings: asset finance, lending, banking, and risk and capital solutions across debt, equity and commodities.

Macquarie Bank offers a range of services to government, institutional, corporate and retail clients. This diversity in services and clients mitigates concentration risk and provides resilience to Macquarie Bank.

Proven expertise

Utilising proven deep expertise has allowed Macquarie Bank to establish leading market positions as a global specialist in sectors including resources and commodities, energy and financial institutions.

Adjacencies

Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions.

These include products and geographies adjacent to our established areas of expertise, supporting sustainable evolutionary growth.

Pursuit of growth opportunities

Targeting continued evolution and growth through innovation. We start with knowledge and skill, and we encourage ingenuity and entrepreneurial spirit coupled with accountability.

Ideas for new businesses are typically generated in the Operating Groups. Additionally, there are no specific businesses, markets or regions in which our strategy dictates that we operate. This means we retain operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Risk Appetite Statement (RAS) approved by the Board.

Events after the reporting date

There were no material events subsequent to 30 September 2021 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

Interim dividend

No dividends were paid during the current period.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest million dollars unless otherwise indicated.

This report is made in accordance with a resolution of the Directors.

Peter Warne
Independent Director and Chairman

Stuart Green
Managing Director and Chief Executive Officer

Sydney
29 October 2021

Auditor's independence declaration

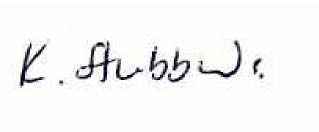
For the half year ended 30 September 2021

pwc

As lead auditor for the review of Macquarie Bank Limited for the half year ended 30 September 2021, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Macquarie Bank Limited and the entities it controlled during the period.



Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
29 October 2021

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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02
Financial Report

Contents

For the half year ended 30 September 2021

The Financial Report was authorised for issue by the Board of Directors on 29 October 2021.

The Board of Directors has the power to amend and reissue the Financial Report.

Consolidated income statement

For the half year ended 30 September 2021

	Notes	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Interest and similar income				
Effective interest rate method	2	**1,595**	1,542	1,559
Other	2	**118**	117	144
Interest and similar expense	2	**(498)**	(575)	(698)
Net interest income		**1,215**	1,084	1,005
Net trading income	2	**1,702**	1,941	1,374
Fee and commission income	2	**896**	810	516
Net operating lease income	2	**154**	189	206
Net credit impairment charges	2	**(94)**	(46)	(241)
Net other impairment reversal/(charges)	2	**11**	(25)	(21)
Net other operating income	2	**528**	99	104
Net operating income		**4,412**	4,052	2,943
Employment expenses	2	**(1,796)**	(1,460)	(643)
Brokerage, commission and fee expenses	2	**(251)**	(229)	(296)
Non-salary technology expenses	2	**(320)**	(239)	(88)
Other operating expenses	2	**(416)**	(666)	(1,076)
Total operating expenses		**(2,783)**	(2,594)	(2,103)
Operating profit before income tax		**1,629**	1,458	840
Income tax expense	4	**(386)**	(442)	(180)
Profit after income tax		**1,243**	1,016	660
Profit attributable to the ordinary equity holder of Macquarie Bank Limited		**1,243**	1,016	660

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

Consolidated statement of comprehensive income

For the half year ended 30 September 2021

	Notes	**Half year to 30 Sep 21 $m**	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Profit after income tax		**1,243**	1,016	660
Other comprehensive income/(loss)[1]				
Movements in items that may be subsequently reclassified to the income statement:				
Fair value through other comprehensive (FVOCI) reserve:				
Revaluation movement	16	**–**	2	69
Change in allowance for expected credit losses	16	**(3)**	(3)	–
Cash flow hedges:				
Revaluation movement	16	**(2)**	55	(48)
Transferred to income statement	16	**25**	10	29
Share of other comprehensive income from associates and joint ventures	16	**–**	1	–
Foreign exchange movements on translation and hedge accounting of foreign operations		**187**	(183)	(618)
Movements in items that will not be subsequently reclassified to the income statement:				
Fair value changes attributable to own credit risk on debt designated as fair value through profit or loss (DFVTPL)	16	**(3)**	(1)	(78)
Total other comprehensive income/(loss)		**204**	(118)	(646)
Total comprehensive income		**1,447**	898	14
Total comprehensive (income)/loss attributable to non-controlling interest		**–**	(1)	1
Total comprehensive income attributable to the ordinary equity holder of Macquarie Bank Limited		**1,447**	897	15

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

(1) All items are net of tax, where applicable.

Consolidated statement of financial position

As at 30 September 2021

	Notes	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Assets				
Cash and bank balances		**28,769**	15,966	6,869
Cash collateralised lending and reverse repurchase agreements		**32,805**	34,555	42,933
Trading assets	6	**20,964**	21,212	18,518
Margin money and settlement assets	7	**16,092**	8,302	9,162
Derivative assets		**77,124**	20,552	21,618
Financial investments		**8,853**	7,999	7,575
Held for sale assets		**665**	74	454
Other assets	8	**4,650**	3,419	3,647
Loan assets	9	**109,501**	98,992	87,737
Due from related body corporate entities		**3,017**	2,154	4,525
Property, plant and equipment and right-of-use assets		**2,899**	2,797	2,239
Deferred tax assets		**788**	826	577
Total assets		**306,127**	216,848	205,854
Liabilities				
Cash collateralised borrowing and repurchase agreements		**13,809**	4,542	4,954
Trading liabilities	11	**5,431**	6,134	5,971
Margin money and settlement liabilities	12	**20,610**	16,251	16,746
Derivative liabilities		**77,801**	17,475	16,139
Deposits		**91,683**	84,140	77,186
Held for sale liabilities		**–**	1	39
Other liabilities	13	**4,106**	4,349	2,425
Borrowings		**2,214**	2,473	2,256
Due to related body corporate entities		**9,634**	15,901	19,647
Issued debt securities	14	**57,406**	44,668	40,618
Deferred tax liabilities		**49**	36	45
Total liabilities excluding loan capital		**282,743**	195,970	186,026
Loan capital		**7,345**	6,804	5,985
Total liabilities		**290,088**	202,774	192,011
Net assets		**16,039**	14,074	13,843
Equity				
Contributed equity	15	**9,041**	8,523	8,501
Reserves	16	**513**	306	424
Retained earnings	16	**6,485**	5,245	4,918
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited		**16,039**	14,074	13,843
Total equity		**16,039**	14,074	13,843

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 30 September 2021

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 Apr 2020		8,899	991	4,336	14,226	1	14,227
Profit after income tax		–	–	660	660	–	660
Other comprehensive loss, net of tax		–	(567)	(78)	(645)	(1)	(646)
Total comprehensive (loss)/income		–	(567)	582	15	(1)	14
Transactions with equity holder:							
Redemption of Macquarie Income Securities (MIS)	15	(400)	–	–	(400)	–	(400)
Other equity movements:							
Contributions from ultimate parent entity[1] in relation to share-based payments	15	2	–	–	2	–	2
		(398)	–	–	(398)	–	(398)
Balance as at 30 Sep 2020		8,501	424	4,918	13,843	–	13,843
Profit after income tax		–	–	1,016	1,016	–	1,016
Other comprehensive (loss)/income, net of tax		–	(118)	(1)	(119)	1	(118)
Total comprehensive (loss)/income		–	(118)	1,015	897	1	898
Transactions with equity holder:							
Dividends and distributions paid or provided for	5	–	–	(500)	(500)	–	(500)
Change attributable to group restructure		–	–	(189)	(189)	–	(189)
Non-controlling interests:							
Change in non-controlling ownership interests		–	–	1	1	(1)	–
Other equity movements:							
Contributions from ultimate parent entity[1] in relation to share-based payments	15	22	–	–	22	–	22
		22	–	(688)	(666)	(1)	(667)
Balance as at 31 Mar 2021		**8,523**	**306**	**5,245**	**14,074**	**–**	**14,074**
Profit after income tax		**–**	**–**	**1,243**	**1,243**	**–**	**1,243**
Other comprehensive income/(loss), net of tax		**–**	**207**	**(3)**	**204**	**–**	**204**
Total comprehensive income		**–**	**207**	**1,240**	**1,447**	**–**	**1,447**
Transactions with equity holder:							
Contributions of ordinary equity	15	**500**	**–**	**–**	**500**	**–**	**500**
Other equity movements:							
Contributions from ultimate parent entity[1] in relation to share-based payments	15	**18**	**–**	**–**	**18**	**–**	**18**
		518	**–**	**–**	**518**	**–**	**518**
Balance as at 30 Sep 2021		**9,041**	**513**	**6,485**	**16,039**	**–**	**16,039**

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

(1) Macquarie Group Limited.

Consolidated statement of cash flows

For the half year ended 30 September 2021

	Notes	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Cash flows generated from/(utilised in) operating activities				
Interest income and expense:				
Received		**1,726**	1,650	1,720
Paid		**(518)**	(624)	(773)
Fees, commission, other income and charges:				
Received		**881**	906	549
Paid		**(256)**	(217)	(305)
Operating lease income received		**294**	426	507
Dividends and distributions received		**1**	2	3
Operating expenses paid:				
Employment expenses		**(1,966)**	(914)	(837)
Other operating expenses including brokerage, commission and fee expenses		**(751)**	(866)	(1,139)
Income tax paid		**(233)**	(119)	(93)
Changes in operating assets:				
Loan assets and balances with related body corporate entities		**(18,159)**	(11,458)	(2,171)
Other assets		**(553)**	(182)	(412)
Assets under operating lease		**(236)**	(323)	(84)
Trading, trading-related and collateralised lending balances (net of liabilities)		**10,118**	6,333	(7,912)
Changes in operating liabilities:				
Issued debt securities		**11,053**	5,376	(3,055)
Deposits		**7,471**	7,040	10,165
Other liabilities		**30**	52	(34)
Borrowings		**(349)**	315	(479)
Net cash flows generated from/(utilised in) operating activities	17	**8,553**	7,397	(4,350)
Cash flows generated from/(utilised in) investing activities				
Net proceeds from financial investments		**50**	187	17
Associates, joint ventures, subsidiaries, and businesses:				
Proceeds from capital return or disposal, net of cash deconsolidated		**536**	9	4
Payments for additional capital contribution or acquisitions, net of cash acquired		**(12)**	(314)	(10)
Property, plant and equipment, right-of-use assets, investment property and intangible assets				
Proceeds from disposals		**–**	20	–
Payments for acquisitions		**(58)**	(88)	(65)
Net cash flows generated from/(utilised in) investing activities		**516**	(186)	(54)
Cash flows generated from/(utilised in) financing activities				
Issuance of ordinary shares		**500**	–	–
Loan Capital:				
Issuance		**1,405**	1,220	2,474
Redemption		**(1,084)**	–	(740)
Redemption of Macquarie Income Securities		**–**	–	(400)
Dividends and distributions paid		**–**	(500)	(3)
Payments to non-controlling interests		**–**	(1)	–
Net cash flows generated from financing activities		**821**	719	1,331
Net increase/(decrease) in cash and cash equivalents		**9,890**	7,930	(3,073)
Cash and cash equivalents at the beginning of the period		**29,318**	22,059	27,290
Effect of exchange rate movements on cash and cash equivalents		**742**	(671)	(2,158)
Cash and cash equivalents at the end of the period	17	**39,950**	29,318	22,059

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

Note 1
Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001* (Cth). Compliance with AASB 134 ensures compliance with International Accounting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

This interim financial report comprises the consolidated financial report of Macquarie Bank Limited (MBL or the Company) and the entities it controlled at the end of, or during the half year ended 30 September 2021 (the Consolidated Entity).

This interim financial report does not include all the disclosures of the type that are normally included in the Consolidated Entity's annual financial report. Accordingly, this report is to be read in conjunction with the Consolidated Entity's annual financial report for the year ended 31 March 2021 and any public announcements made by the Consolidated Entity during the reporting period in accordance with the continuous disclosure requirements issued by the Australian securities exchange (ASX).

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, amounts in the Directors' Report and the interim financial report have been rounded to the nearest million Australian dollars ($) unless otherwise indicated.

The accounting policies adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the year ended 31 March 2021.

(i) Critical accounting estimates and significant judgements

The preparation of this interim financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Consolidated Entity's accounting policies.

Areas of estimation uncertainty and the basis of key judgements applied by management in preparing the interim financial report are consistent with those that were applied and disclosed in the annual financial report for the year ended 31 March 2021.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Management believes that the estimates used in preparing the interim financial report are reasonable. It is however reasonably possible that future outcomes that are different from the Consolidated Entity's assumptions and estimates at 30 September 2021, other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

(ii) Coronavirus (COVID-19) impact

The Novel Coronavirus (COVID-19) continued to impact global economies and equity, debt and commodity markets which resulted in several support actions by governments and regulators. Where applicable, the impact of COVID-19 has been incorporated into the determination of the Consolidated Entity's results of operations and measurement of its assets and liabilities at the reporting date.

The Consolidated Entity's processes to determine the impact of COVID-19 for this interim financial report are consistent with the processes disclosed and applied in its 31 March 2021 financial reports. Those processes identified that expected credit losses (Note 10) required continued judgement as a result of the impact of COVID-19.

The Consolidated Entity drew down an additional $9.5 billion from the Reserve Bank of Australia (RBA) under the Term Funding Facility (TFF) during the reporting period. As at 30 September 2021, the Consolidated entities had drawn $11.3 billion of its total TFF allowance which is in the form of repurchase agreements, is collateralised with issued loan notes in the Consolidated Entity's home loans' securitisation vehicles. The objective of the TFF is to reduce interest rates for borrowers and support businesses during this period through lending.

Note 1
Basis of preparation continued

(iii) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are either effective in the current period or have been early adopted

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2021 did not result in a material impact on this interim financial report.

There were no new Australian accounting standards that were mandatorily effective or have been early adopted for this interim financial report.

(iv) Other developments

IBOR reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs)

The Consolidated Entity's IBOR reform project, as outlined in the Consolidated Entity's 31 March 2021 annual financial report, continued to progress in line with its overall strategy to transition broadly in line with markets and ahead of the relevant IBOR cessation dates.

The IBOR reform project's progress during the reporting period included implementation of plans to:

- ensure that the use of LIBOR in new products ceases in line with industry milestones and regulatory expectations
- increase the use of ARRs in new business
- convert legacy contracts that reference GBP LIBOR, and other IBORs that will cease publication on 31 December 2021, where feasible, to ARRs. The conversion approach, which is outlined in a group-wide transition framework, aligns to industry recommendations and regulatory expectations, and includes client communications, conduct risk management, conversion timing, use of recommended ARRs, pricing methodologies and spread adjustments designed to mitigate potential value transfer during transition
- assess the implications of the Financial Conduct Authority's (FCA) updated arrangements for synthetic LIBOR including its decision to compel the LIBOR administrator to continue to publish selected GBP and JPY LIBOR settings for a limited time period after the end of 2021 using a 'synthetic' methodology
- continue to apply the available accounting relief under AASB 2020-8 *Interest Rate Benchmark Reform Phase 2* amendments, which was early adopted by the Consolidated Entity for its annual financial report for the year ended 31 March 2021, and
- enhance system and operational readiness to support a broader range of ARR products and transition activities.

Whilst IBOR reforms are important changes for the Consolidated Entity, the risks associated with the transition are managed within the Consolidated Entity's existing risk management framework.

(v) Comparatives

Where necessary, comparative information has been re-presented to conform to changes in presentation in the current period.

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Note 2			
Operating profit before income tax			
Net interest income			
Interest and similar income			
Effective interest rate method[1]	**1,595**	1,542	1,559
Other	**118**	117	144
Interest and similar expense[2]	**(498)**	(575)	(698)
Net interest income	**1,215**	1,084	1,005
Net trading income[3]			
Commodities[4],[5]	**1,216**	1,486	953
Credit, interest rate and foreign exchange products	**292**	307	228
Equities	**194**	148	193
Net trading income	**1,702**	1,941	1,374
Fee and commission income			
Service fee from related body corporate entities[6]	**460**	365	–
Brokerage and other trading-related fee income	**132**	133	227
Portfolio administration fees	**118**	109	107
Lending fees	**65**	67	62
Other fee and commission income	**121**	136	120
Total fee and commission income	**896**	810	516
Net operating lease income			
Rental income	**310**	363	483
Depreciation and other operating lease-related charges	**(156)**	(174)	(277)
Net operating lease income	**154**	189	206

(1) Includes interest income of $1,566 million (half year to 31 March 2021: $1,513 million; half year to 30 September 2020: $1,519 million) on financial assets measured at amortised cost and $29 million (half year to 31 March 2021: $29 million; half year to 30 September 2020: $40 million) on financial assets measured at FVOCI.
(2) Includes interest expense on financial liabilities measured at amortised cost calculated using the effective interest rate method of $471 million (half year to 31 March 2021: $571 million; half year to 30 September 2020: $671 million).
(3) Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships, fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign currency-dominated monetary assets and liabilities.
(4) Includes $190 million (half year to 31 March 2021: $257 million; half year to 30 September 2020: $228 million) of transportation, storage and certain other trading related costs.
(5) Includes $5 million (half year to 31 March 2021: $5 million; half year to 30 September 2020: $6 million) depreciation on right-of-use (ROU) assets held for trading-related business.
(6) Represents fee and service income earned from the Non-Bank Group by the service entities acquired from MGL during half year ended 31 March 2021. For details, refer to Note 22 *Acquisition and disposals of subsidiaries and businesses*.

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Credit and other impairment (charges)/reversal			
Credit impairment (charges)/reversal			
Loan assets	**(41)**	(3)	(193)
Margin money and settlement assets	**(11)**	(5)	(24)
Financial investments, other assets, undrawn credit commitments, letters of credit and financial guarantees	**(42)**	(38)	(26)
Gross credit impairment charges	**(94)**	(46)	(243)
Recovery of loans previously written off	**–**	–	2
Net credit impairment charges	**(94)**	(46)	(241)
Other impairment reversal/(charges)			
Interests in associates and joint ventures	**12**	(14)	(10)
Intangible and other non-financial assets	**(1)**	(11)	(11)
Net other impairment reversal/(charges)	**11**	(25)	(21)
Total credit and other impairment charges	**(83)**	(71)	(262)
Net other operating income			
Investment income			
Net gain on:			
Disposal of businesses and subsidiaries	**455**	8	–
Financial investments and other assets	**24**	56	61
Total investment income	**479**	64	61
Share of net profits from associates and joint ventures	**15**	29	12
Other income	**34**	6	31
Total net other operating income	**528**	99	104
Net operating income	**4,412**	4,052	2,943

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	**(1,602)**	(1,324)	(551)
Share-based payments	**(156)**	(133)	(73)
Provision for long service leave and annual leave	**(38)**	(3)	(19)
Total employment expenses	**(1,796)**	(1,460)	(643)
Brokerage, commission and fee expenses			
Brokerage and other trading-related fee expenses	**(202)**	(204)	(253)
Other fee and commission expenses	**(49)**	(25)	(43)
Total brokerage, commission and fee expenses	**(251)**	(229)	(296)
Non-salary technology expenses			
Information services	**(52)**	(51)	(41)
Depreciation on own use assets: equipment	**(9)**	(7)	(3)
Service provider and other non-salary technology expenses	**(259)**	(181)	(44)
Total non-salary technology expenses	**(320)**	(239)	(88)
Other operating expenses			
Occupancy expenses			
Lease and other occupancy expenses(1)	**(81)**	(79)	(55)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(18)**	(14)	(2)
Total occupancy expenses	**(99)**	(93)	(57)
Other expenses			
Service cost recoveries from related body corporate entities	**–**	(283)	(825)
Professional fees	**(90)**	(111)	(67)
Indirect and other taxes	**(60)**	(42)	(44)
Audit fees	**(14)**	(13)	(15)
Amortisation of intangible assets	**(12)**	(11)	(11)
Advertising and promotional expenses	**(20)**	(16)	(10)
Other	**(121)**	(97)	(47)
Total other expenses	**(317)**	(573)	(1,019)
Total other operating expenses	**(416)**	(666)	(1,076)
Total operating expenses	**(2,783)**	(2,594)	(2,103)
Operating profit before income tax	**1,629**	1,458	840

(1) Includes $47 million (half year to 31 March 2021: $35 million; half year to 30 September 2020: $2 million) of depreciation on ROU assets relating to property leases.

Note 3
Segment reporting

(i) Operating Segments

AASB 8 *Operating Segments* requires the 'management approach' to disclosing information about the Consolidated Entity's reportable segments. The financial information is reported on the same basis as used internally by senior management for evaluating Operating Segment performance and for deciding how to allocate resources to Operating Segments. Such information may be produced using different measures to that used in preparing the statutory income statement.

For internal reporting, performance measurement and risk management purposes, the Consolidated Entity is divided into two Operating Groups and a Corporate segment (reportable segments).

The financial information disclosed relates to the Consolidated Entity's continuing operations.

These segments have been set up based on the different core products and services offered. The Operating Groups comprise:

- **BFS** provides a diverse range of personal banking, wealth management, business banking and vehicle finance[1] products and services to retail clients, advisers, brokers, and business clients
- **CGM** is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups. Consequent to a group internal restructuring, any balances pertaining to an operating segment that are not individually material are also reported as part of the Corporate segment.

Items of income and expense within the Corporate segment include the net result of managing Macquarie Bank's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable.

Other items of income and expenses within the Corporate segment include earnings from investments, changes in central overlays to impairments, unallocated head office costs and costs of Central Service Groups, the Consolidated Entity's performance-related profit share and share-based payments expense and income tax expense.

Below is a selection of key policies applied in determining the Operating segment results.

Internal funding arrangements

Group Treasury has the responsibility for managing funding for the Consolidated Entity, and Operating Groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

Generally, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases the Operating Group bears the funding costs directly and Group Treasury may levy additional charges where appropriate.

Deposits are a funding source for the Banking Group. The value of deposits that the Bank Group generates is recognised within Net interest and trading income for segment reporting purposes.

Transactions between Operating Segments

Operating Segments that enter into arrangements with other Operating Segments must do so on commercial terms or as agreed by the Consolidated Entity's Chief Executive Officer or Chief Financial Officer.

Internal transactions are recognised in each of the relevant categories of income and expense and eliminated on consolidation as appropriate.

Accounting for derivatives that hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in fair value are presented in net trading income and gives rise to income statement volatility unless designated in a hedge accounting relationship, in which case the carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk to reduce volatility in the income statement. If designated in a cash flow hedge accounting relationship, the effective portion of the derivative's fair value gains or losses is deferred in the cash flow hedge reserve as part of Other comprehensive income (OCI), and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. For segment reporting, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

(1) Includes general plant and equipment.

Note 3
Segment reporting continued

(i) Operating Segments continued

Central Service Groups

The Central Service Groups provide a range of functions supporting MBL's Operating Groups, ensuring they have the appropriate workplace support and systems to operate effectively and the necessary resources to meet their regulatory, compliance, financial reporting, legal and risk management requirements.

Central Service Groups recover their costs from Operating Groups generally on either a time and effort allocation basis or a fee for service basis. Central Service Groups include the Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance Group (LGG) and Central Executive.

In November 2020, MGL's service entities were transferred from the Non-Bank Group to the Consolidated Entity following approval from both the MGL and MBL Boards.

The transfer was achieved through the execution of sale and purchase agreements whereby the Consolidated Entity acquired a 100% interest in Macquarie Group Services Australia (MGSA) and its subsidiaries from MGL and a 100% interest in Macquarie Global Services Private Limited (MGSPL) from Macquarie Global Finance Services (Mauritius) Limited (an indirect subsidiary of MGL).

The service entities largely employ staff in Central Service Groups, together with some back and middle office staff from MGL's Operating Groups. The transfer resulted in an increase of approximately 7,500 employees for the Consolidated Entity. Where the Consolidated Entity and its staff provide services to the Non-Bank Group, the Consolidated Entity earns fees for these services, which are charged on arms-length basis.

Performance-related profit share and share-based payments

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREP) is recognised in the Corporate segment and not allocated to Operating Groups.

Income tax

Income tax expense and benefits are recognised in the Corporate segment and are not allocated to the Operating Groups. However, to recognise an Operating Group's contribution to permanent income tax differences, the internal management revenue/charge category is used.

This internal management revenue/charge category, which is primarily used for permanent income tax differences generated by the Operating Groups, are offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on consolidation.

Reportable segment assets

Segment assets are the external operating assets that are employed by a segment in its operating activities.

Note 3
Segment reporting continued

(i) Operating Segments continued

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment:

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate[(1)] $m	Total $m
				HALF YEAR TO 30 SEP 21
Net interest and trading income	**974**	**1,868**	**75**	**2,917**
Fee and commission income	**220**	**216**	**460**	**896**
Net operating lease income	**–**	**152**	**2**	**154**
Net credit and other impairment (charges)/reversals	**(31)**	**(60)**	**8**	**(83)**
Net other operating income	**–**	**510**	**18**	**528**
Internal management revenue/(charges)	**–**	**34**	**(34)**	**–**
Net operating income	**1,163**	**2,720**	**529**	**4,412**
Total operating expenses	**(681)**	**(948)**	**(1,154)**	**(2,783)**
Operating profit/(loss) before income tax	**482**	**1,772**	**(625)**	**1,629**
Income tax expense	**–**	**–**	**(386)**	**(386)**
Net profit/(loss) contribution	**482**	**1,772**	**(1,011)**	**1,243**
Reportable segment assets	**100,067**	**162,829**	**43,231**	**306,127**
				HALF YEAR TO 31 MAR 21
Net interest and trading income	902	2,030	93	3,025
Fee and commission income	215	222	373	810
Net operating lease income	–	186	3	189
Net credit and other impairment (charges)/reversals	(37)	(67)	33	(71)
Net other operating income	12	70	17	99
Internal management (charge)/revenue	–	(4)	4	–
Net operating income	1,092	2,437	523	4,052
Total operating expenses	(638)	(937)	(1,019)	(2,594)
Operating profit/(loss) before income tax	454	1,500	(496)	1,458
Income tax expense	–	–	(442)	(442)
Net profit/(loss) contribution	454	1,500	(938)	1,016
Reportable segment assets	90,227	94,668	31,953	216,848

(1) The corporate segment in the current and prior comparative periods includes certain balances relating to the Cash Equities business – primarily being margin money and settlements assets amounting to $879 million (31 March 2021: $335 million and; 30 September 2020: $3,871 million). Following the transfer of the business from the CGM segment to the Macquarie Capital segment in the Non-Bank Group during the period ended September 2020, certain balances have remained on the Consolidated Entity's balance sheet for an interim transition period.

Note 3
Segment reporting continued

(i) Operating Segments continued

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate[1] $m	Total $m
				HALF YEAR TO 30 SEP 20
Net interest and trading income/(expense)	844	1,546	(11)	2,379
Fee and commission income	201	225	90	516
Net operating lease income	–	198	8	206
Net credit and other impairment charges	(78)	(173)	(11)	(262)
Net other operating income	15	70	19	104
Internal management revenue/(charge)	1	1	(2)	–
Net operating income	983	1,867	93	2,943
Total operating expenses	(668)	(943)	(492)	(2,103)
Operating profit/(loss) before income tax	315	924	(399)	840
Income tax expense	–	–	(180)	(180)
Net profit/(loss) contribution	315	924	(579)	660
Reportable segment assets	80,041	103,079	22,734	205,854

(1) The corporate segment in the current and prior comparative periods includes certain balances relating to the Cash Equities business – primarily being margin money and settlements assets amounting to $879 million (March 2021: $335 million and; September 2020: $3,781 million). Following the transfer of the business from the CGM segment to the Macquarie Capital segment in the Non-Bank Group during the prior period, certain balances have remained on the Consolidated Entity's balance sheet for an interim transition period.

Note 3
Segment reporting continued

(ii) Fee and commission income/(expense) relating to contracts with customers

The following is an analysis of the Consolidated Entity's fee and commission income/(expense) by reportable segment:

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate $m	Total $m
Fee and commission income				**HALF YEAR TO 30 SEP 21**
Service fee from related body corporate entities	**–**	**–**	**460**	**460**
Brokerage and other trading-related fee income	**24**	**108**	**–**	**132**
Portfolio administration fees	**117**	**1**	**–**	**118**
Lending fees	**60**	**5**	**–**	**65**
Other fee and commission income	**19**	**102**	**–**	**121**
Total fee and commission income	**220**	**216**	**460**	**896**
Fee and commission income				HALF YEAR TO 31 MAR 21
Service fee from related body corporate entities	–	–	365	365
Brokerage and other trading-related fee income	23	93	17	133
Portfolio administration fees	107	2	–	109
Lending fees	62	5	–	67
Other fee and commission income/(expense)	23	122	(9)	136
Total fee and commission income	215	222	373	810
Fee and commission income				HALF YEAR TO 30 SEP 20
Brokerage and other trading-related fee income	24	108	95	227
Portfolio administration fees	105	2	–	107
Lending fees	56	6	–	62
Other fee and commission income/(expense)	16	109	(5)	120
Total fee and commission income	201	225	90	516

Note 3
Segment reporting continued

(iii) Products and services

Segment reporting based on products and services is based on the following activities of the Consolidated Entity:

- **Lending**: home loans, corporate loans, structured financing, banking activities, asset financing and leasing
- **Financial markets**: broker services and trading in fixed income, equities, foreign exchange and commodities
- **Corporate support services**: business support services (including staff, technology, occupancy and other ancillary services) provided for day-to-day operations
- **Wealth management**: distribution and management of wealth management products.

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Revenue from external customers			
Lending	**2,400**	1,959	2,049
Financial markets	**2,365**	2,658	2,216
Corporate support services	**427**	365	–
Wealth management	**152**	153	151
Total revenue from external customers[1]	**5,344**	5,135	4,416

(iv) Geographical areas

Geographical segments have been determined based on the tax domicile of the entity where the transactions have been recorded. The operations of the Consolidated Entity are headquartered in Australia.

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Revenue from external customers			
Australia	**2,270**	2,501	2,183
Europe, Middle East and Africa[2]	**1,333**	820	864
Americas[3]	**1,323**	1,532	916
Asia Pacific	**418**	282	453
Total	**5,344**	5,135	4,416

(v) Major customers

The Consolidated Entity does not rely on any major customer.

(1) Revenue from external customers includes fee and commission income relating to contracts with customers, interest and similar income, net trading income, operating lease income, service fees from related body corporate entities, share of net profits/losses from associates and joint ventures, income associated with investing activities and other operating income.
(2) Includes external revenue generated in the United Kingdom of $1,173 million (half year to 31 March 2021: $770 million; half year to 30 September 2020: $836 million).
(3) Includes external revenue generated in the United States of America of $1,299 million (half year to 31 March 2021: $1,421 million; half year to 30 September 2020: $855 million).

Note 4
Income tax expense

(i) Reconciliation of income tax expense to *prima facie* tax expense

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Prima facie income tax expense on operating profit[1]	**(489)**	(437)	(252)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	**110**	(7)	75
Other items	**(7)**	2	(3)
Total income tax expense	**(386)**	(442)	(180)

(ii) Tax (expense)/benefit relating to OCI items

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
FVOCI reserve	**–**	2	(16)
Own credit risk	**2**	1	33
Cash flow hedges and cost of hedging	**(3)**	(4)	–
Total tax (expense)/benefit relating to OCI items	**(1)**	(1)	17

Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these, and other taxation claims and litigation, including seeking advice where appropriate, and considers that it holds appropriate provisions.

(1) *Prima facie* income tax expense on operating profit is calculated at the Australian statutory corporate tax rate of 30% (half year to 31 March 2021: 30%; half year to 30 September 2020: 30%).

Note 5
Dividends

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Dividends to ordinary equity holder			
Dividend paid	**–**	500	–
Total dividends paid (Note 16)	**–**	500	–

Note 6
Trading assets

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Listed equity securities	**7,090**	6,657	5,256
Commodities	**6,982**	6,691	6,183
Commodity contracts	**4,104**	3,345	1,745
Debt securities			
Commonwealth and foreign government securities	**2,520**	4,385	4,995
Corporate loans and securities	**267**	133	317
Other	**1**	1	22
Total trading assets	**20,964**	21,212	18,518

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 7			
Margin money and settlement assets			
Margin money	**9,817**	4,552	4,191
Security settlements	**3,595**	1,828	3,453
Commodity settlements	**2,680**	1,922	1,518
Total margin money and settlement assets	**16,092**	8,302	9,162

Note 8
Other assets

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Commodity-related receivables	**2,556**	1,661	2,132
Debtors and prepayments[1]	**1,252**	1,016	858
Income tax receivables	**347**	277	237
Interests in associates and joint ventures	**308**	281	227
Intangible assets	**143**	146	162
Other	**44**	38	31
Total other assets	**4,650**	3,419	3,647

(1) Includes $160 million (31 March 2021: $117 million, 30 September 2020: $159 million) of fee and commission receivables.

Note 9
Loan assets

	AS AT 30 SEP 21			AS AT 31 MAR 21			AS AT 30 SEP 20		
	Gross $m	ECL allowance[1] $m	Net $m	Gross $m	ECL allowance[1] $m	Net $m	Gross $m	ECL allowance[1] $m	Net $m
Home loans[2]	**81,365**	**(73)**	**81,292**	71,588	(67)	71,521	61,673	(76)	61,597
Corporate, commercial, and other lending	**16,911**	**(334)**	**16,577**	14,596	(366)	14,230	12,679	(416)	12,263
Asset financing[2]	**11,976**	**(344)**	**11,632**	13,584	(343)	13,241	14,205	(328)	13,877
Total loan assets	**110,252**	**(751)**	**109,501**	99,768	(776)	98,992	88,557	(820)	87,737

(1) The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in FVOCI reserves. Refer to Note 10 *Expected credit losses*.
(2) Includes $13,580 million (31 March 2021: $11,344 million; 30 September 2020: $14,810 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 14 *Issued debt securities*.

Note 10
Expected credit losses

The Consolidated Entity models the ECL for on-balance sheet financial assets measured at amortised cost or FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantee contracts and letters of credit.

Model Inputs

The Consolidated Entity segments its credit portfolio between retail and wholesale exposures, and further splits these portfolios into representative groupings which are typically based on shared risk characteristics.

The Consolidated Entity has developed several models to predict the ECL. These models incorporate a range of inputs notably that of Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) ('credit inputs') as well as Forward Looking Indicators (FLI).

For retail portfolios, behavioural variables are also considered in the determination of inputs for ECL modelling. The key model components used in measuring the ECL include:

- exposure at default (EAD): The EAD represents the estimated exposure in the event of a default
- probability of default (PD): The calculation of PDs for retail and wholesale exposures is generally performed at a facility level. Retail exposures are segmented based on product type and shared characteristics that are highly correlated to credit risk such as region, product, counterparty groupings, loan-to-value ratio (LVR) and other similar criteria. Wholesale portfolio PDs are a function of industry type, internal credit ratings, region and transition matrices are used to determine a point in time PD estimate. PD estimates for both retail and wholesale portfolios are also adjusted for FLI
- loss given default (LGD): The LGD associated with the PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios.

Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors.

Qualitative factors include, but are not limited to, whether an exposure has been identified and placed on Credit Watch, an internal credit monitoring mechanism supervised by the Credit Watch Management Committee to closely monitor exposures showing signs of stress. All exposures on Credit Watch are classified as stage II or, if defaulted, as stage III.

SICR thresholds, which require judgement, are used to determine whether an exposure's credit risk has increased significantly. The SICR methodology is based on relative credit risk approach which considers changes in an underlying exposure's credit risk since origination. This may result in exposures being classified in Stage II that are of a higher credit quality than other similar exposures that are classified as Stage I. Accordingly, while increases in the quantum of Stage II exposures will suggest a relative deterioration of credit quality, it should not necessarily be inferred that the assets are of a lower credit quality.

Definition of default

The Consolidated Entity's definition of default determines the reference point for the calculation of the ECL components, and in particular the PD. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Consolidated Entity to the realisation of collateral, or the borrower is 90 days or more past due.

The Consolidated Entity periodically monitors its exposures for potential indicators of default such as significant financial difficulty of the borrower including breaches of lending covenants; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Forward-looking information (FLI)

The inclusion of FLI in calculating ECL allowances adjusts the PD, the determination of SICR as well as the LGD (that is relevant to the determination of the recovery rates on collateral). The predicted relationships between these key indicators and the key model components (EAD, PD and LGD) in measuring the ECL have been developed by analysing historical data as part of the development of internal models, and the calibration and validation process.

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Overtime the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $400 million. These judgements are reviewed by FMG and RMG at each reporting date.

Note 10
Expected credit losses continued

Forward-looking information continued

RMG is responsible for the FLI including the development of scenarios and recommending the range of probability weights to apply to those scenarios. For this purpose, four possible economic scenarios have been developed for this period, being an upside, downside, more severe downside, and baseline scenario. In calculating the ECL, each of the scenarios is probability weighted and then applied to the exposures' PDs and LGDs.

The scenarios have been developed using a combination of publicly available data, internal forecasts, and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the alternate scenarios. For the current reporting period, the Consolidated Entity has re-introduced a fourth scenario to better reflect the range of potential loss outcomes and associated macroeconomic uncertainties.

Refinement of the scenarios includes benchmarking to external data from reputable sources, which includes forecasts published from a range of market economists and official data sources, including major central banks, where available.

Where limited official data sources against which to benchmark key economic indicators on a forward-looking basis are available, management exercises judgement when determining the duration, severity and impact of the macroeconomic scenarios used by the Consolidated Entity.

Assigning probabilities to these scenarios requires professional judgement which draws on internal risk and economics' specialist input and comparison to general market outlooks and publicly available market commentary.

The scenarios and the associated probabilities are ultimately approved by senior risk and finance executives.

The scenarios for each of the key regions where Macquarie's ECL is derived have been set out on the following page. Noting the wide range of possible scenarios and macroeconomic outcomes, and the continuing uncertainty of how COVID-19 and its social and economic consequences will flow, these scenarios represent plausible forward-looking views as at the reporting date.

These scenarios impact the modelled ECL provisioning levels through determination of PDs and determination of losses that may be incurred should a default occur. The ability of borrowers to service their obligations through personal or business income is generally estimated using unemployment rates, GDP, commodity prices and interest rates. The losses that the Consolidated Entity may incur should a default occur, and the collateral utilised is generally estimated through property and share price index outlooks.

The modelled ECL for each scenario is sensitive to the speed and resilience of post-COVID-19 economic normalisation, and the longevity of monetary and fiscal intervention, as these influence both the PD, and the value of collateral that may be utilised.

Future economic conditions may differ to the scenarios outlined, the impact of which will be accounted for in future reporting periods.

Note 10
Expected credit losses continued

Forward-looking information continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$950 million(1)	Probable	**Global:** The baseline scenario assumes the global economic recovery continues into 2022 as containment measures and vaccine rollouts enable countries to cautiously open up. Job retention schemes and other policy measures are expected to be withdrawn gradually, with unemployment rates receding slowly as growth picks up in most economies. Global growth is expected to ease back towards pre-COVID-19 trend levels over the next 12 months. **Australia:** The September 2021 quarter reflected a sharp contraction in Australian GDP as a result of COVID-19 lockdowns across much of the country. A steady recovery is expected over the next 12 months. Unemployment is projected to decline to below 4.5% by the end of 2022 as the recovery gathers pace. House prices are projected to grow at approximately 5% year on year, supported by low interest rates as the RBA maintains the cash rate at historic lows until late 2023. **United States:** Having recovered to, and exceeded, pre-COVID-19 output levels, the rate of growth in the US economy is projected to slow over the next 12 months. Growth in 2022 is projected to be at 3% year on year, down from an estimated 5.6% year on year in 2021, but still above historical trends. Equity markets are above their early 2020 peak. This growth is not projected to continue in 2022 as the US Federal Reserve tapering of stimulus takes effect, however a material decline in the equity markets from current levels is not projected. **Europe:** After enduring a prolonged second wave of COVID-19 infections, the Eurozone recovery is projected to remain behind developed markets. Unemployment rates have been largely controlled through job retention schemes and Europe's overall unemployment rate is projected to continue to steadily decline towards long-run levels. The European Central Bank (ECB) is projected to maintain an accommodative monetary policy position through 2022 and into 2023.
Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,150 million(1)	Possible	**Global:** The downside scenario projects growth in global GDP that is approximately 1% lower than the baseline scenario through to 2025. **Australia:** The scenario projects that the post-lockdown economic recovery is delayed, with GDP trending up at a slower pace. Unemployment is projected to remain above 5% for much of 2022. Continued supportive monetary policy from the RBA is projected leading house price growth to stabilise but not fall. **United States:** The scenario projects modestly lower growth compared to the baseline through to 2025. As a consequence the US Federal Reserve would delay the tapering of stimulus and interest rate increases. Unemployment rates are projected to remain at approximately 5.5% until 2023. **Europe:** The scenario projects GDP growth to be below 1% year on year through 2022 and 2023, resulting in unemployment levels above 8.5%. Equity prices are projected to remain close to current levels throughout the forecast period to 2025.
More Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,600 million(1)	Unlikely	**Global:** The scenario projects a slowdown followed by a recession throughout 2022 and into 2023. A robust recovery from 2024 onwards is projected, however this recovery would remain significantly below the baseline scenario expectations. **Australia:** The scenario projects GDP to recover to pre-pandemic levels before Australia re-enters a recession in the second half of 2022. Unemployment rates are projected to rise to approximately 7% and, despite continued low interest rates, house prices are projected to decline by approximately 9% over 2022 and 2023. **United States:** The scenario projects the current economic recovery slows in late-2021 and GDP contracts by 3% year on year in 2022. House prices are projected to decline by 8% from their peak by the end of 2023 as unemployment rate peaks at a projection of approximately 8% in 2023. **Europe:** The scenario projects growth to be impacted with GDP declining further below pre-pandemic levels, with a recovery to pre-pandemic levels not reached until the end of the 2025 forecast period. Unemployment, house prices and equity indexes are all projected to be significantly impacted within this scenario.
Upside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$850 million(1)	Unlikely	**Global:** The upside scenario projects growth in global GDP that is approximately 1% higher that then the baseline scenario throughout the forecast period to 2025. **Australia:** The scenario projects the post-lockdown recovery continues through 2022, with the RBA cash rate projected to rise by the end of 2022. Property and equity markets are projected to stabilise without declining. Unemployment rates in this scenario are projected to fall below 4% in 2022. **United States:** The scenario projects the strong growth trend to continue, restoring GDP to pre-pandemic trend levels. By 2023 the unemployment rate is projected to be below 3.5% and to remain at that level through to the end of 2025. US Federal Reserve policy normalisation is projected to increase in 2022 resulting in equity indexes stabilising and slowing the growth in house prices. **Europe:** The scenario projects moderately higher growth than the baseline expectations throughout 2022 and 2023 resulting in Europe's unemployment falling below 7% by 2024.

(1) This number provides comparative ECL provision information as at the reporting date assuming the scenarios outlined, but does not reflect changes in the credit rating of the counterparties that may occur if these scenarios were to occur, nor changes to individually assessed stage 3 provisions. Changes in credit ratings or these individually assessed provisions may have a material impact on these ECL provisions.

Notes to the consolidated financial statements

For the half year ended 30 September 2021 continued

Note 10
Expected credit losses continued

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9[1] *Financial Instruments*.

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT[1]				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Total exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 21
Cash and bank balances	**28,769**	–	**–**	**28,769**	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	**12,259**	**14,846**	**–**	**27,105**	–	–	–	–
Margin money and settlement assets	**15,569**	–	**–**	**15,569**	**65**	–	–	**65**
Financial investments	**10**	**8,566**	**–**	**8,576**	–	**4**	–	**4**
Held for sale and other assets	**2,282**	–	**–**	**2,282**	**167**	–	–	**167**
Loan assets	**110,096**	–	**–**	**110,096**	**750**	–	–	**750**
Due from related body corporate entities	**2,066**	–	**–**	**2,066**	**1**	–	–	**1**
Undrawn credit commitments, letters of credit and financial guarantees[2]	–	–	**6,813**	**6,813**	–	–	**24**	**24**
Total	**171,051**	**23,412**	**6,813**	**201,276**	**983**	**4**	**24**	**1,011**
								AS AT 31 MAR 21
Cash and bank balances	15,966	–	–	15,966	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	9,284	17,362	–	26,646	–	–	–	–
Margin money and settlement assets	8,024	–	–	8,024	54	–	–	54
Financial investments	18	7,624	–	7,642	–	6	–	6
Held for sale and other assets	1,160	–	–	1,160	111	–	–	111
Loan assets	99,575	–	–	99,575	776	–	–	776
Due from related body corporate entities	1,508	–	–	1,508	1	–	–	1
Undrawn credit commitments, letters of credit and financial guarantees[2]	–	–	6,338	6,338	–	–	24	24
Total	135,535	24,986	6,338	166,859	942	6	24	972

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amounts presented in the Statement of financial position.
(2) Gross exposure for undrawn credit commitments, letters of credit and financial guarantees (not measured at FVTPL) represents the notional values of these contracts.

Note 10
Expected credit losses continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT[1]				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Total exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								AS AT 30 SEP 20
Cash and bank balances	6,869	–	–	6,869	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	11,448	17,921	–	29,369	–	–	–	–
Margin money and settlement assets	9,128	–	–	9,128	55	–	–	55
Financial investments	31	7,250	–	7,281	–	9	–	9
Held for sale and other assets	1,532	–	–	1,532	85	–	–	85
Loan assets	88,445	–	–	88,445	820	–	–	820
Due from related body corporate entities	3,928	–	–	3,928	2	–	–	2
Undrawn credit commitments, letters of credit and financial guarantees[2]	–	–	4,891	4,891	–	–	9	9
Total	121,381	25,171	4,891	151,443	962	9	9	980

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance. The gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statement of financial position.
(2) Gross exposure for undrawn credit commitments, letters of credit and financial guarantees (not measured at FVTPL) represents the notional values of these contracts.

Notes to the consolidated financial statements

For the half year ended 30 September 2021 continued

Note 10
Expected credit losses continued

The table below represents the reconciliation from the opening balance to the closing balance of the ECL allowances:

	Margin money and settlement assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Due from related body corporate entities $m	Undrawn credit commitments, letters of credit and financial guarantees $m	Total $m
Balance as at 1 Apr 2020	66	10	77	688	1	10	852
Credit impairment charge/(reversal) (Note 2)	24	4	21	193	2	(1)	243
Amounts written off, previously provided for	(33)	–	(3)	(27)	–	–	(63)
Reclassifications, foreign exchange and other movements	(2)	(5)	(10)	(34)	(1)	–	(52)
Balance as at 30 Sep 2020	55	9	85	820	2	9	980
Credit impairment charge/(reversal) (Note 2)	5	(7)	31	3	(2)	16	46
Amounts written off, previously provided for	–	–	(4)	(48)	–	–	(52)
Reclassifications, foreign exchange and other movements	(6)	4	(1)	1	1	(1)	(2)
Balance as at 31 Mar 2021	54	6	111	776	1	24	972
Credit impairment charge/(reversal) (Note 2)	**11**	**3**	**40**	**41**	–	**(1)**	**94**
Amounts written off, previously provided for	–	–	**(4)**	**(51)**	–	–	**(55)**
Reclassifications, foreign exchange and other movements	–	**(5)**	**20**	**(16)**	–	**1**	–
Balance as at 30 Sep 2021	**65**	**4**	**167**	**750**	**1**	**24**	**1,011**

Loan assets continue to represent the Consolidated Entity's most significant component of credit exposures on which ECL allowances are carried. The credit quality of the Consolidated Entity's loan assets, is monitored through its credit policies, as set out in Note 35.1 *Credit risk* in the consolidated entity's March 2021 Annual Financial Statements.

Note 10
Expected credit losses continued

ECL on loan assets

The table below represents the reconciliation of the ECL allowance on loan assets to which the impairment requirements under AASB 9 are applied.

		LIFETIME ECL		
	Stage I 12-month ECL $m	Stage II Not credit impaired $m	Stage III Credit impaired $m	Total ECL Allowance $m
Balance as at 1 Apr 2020	173	288	227	688
Transfers during the period	2	(20)	18	–
Credit impairment charge (Note 2)	86	54	53	193
Amounts written off, previously provided for	–	–	(27)	(27)
Reclassifications, foreign exchange and other movements	(10)	(10)	(14)	(34)
Balance as at 30 Sep 2020	251	312	257	820
Transfers during the period	28	(5)	(23)	–
Credit impairment charge/(reversal) (Note 2)	37	(111)	77	3
Amounts written off, previously provided for	–	–	(48)	(48)
Reclassifications, foreign exchange and other movements	(1)	6	(4)	1
Balance as at 31 Mar 2021	315	202	259	776
Transfers during the period	**18**	**1**	**(19)**	–
Credit impairment charge/(reversal) (Note 2)	**20**	**(29)**	**50**	**41**
Amounts written off, previously provided for	–	–	**(51)**	**(51)**
Reclassifications, foreign exchange and other movements	**(8)**	**(2)**	**(6)**	**(16)**
Balance as at 30 Sep 2021	**345**	**172**	**233**	**750**

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 11			
Trading liabilities			
Listed equity securities	**5,402**	6,134	5,971
Debt securities	**29**	–	–
Total trading liabilities	**5,431**	6,134	5,971

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 12			
Margin money and settlement liabilities			
Margin money	**15,572**	12,336	13,225
Security settlements	**2,565**	1,929	2,395
Commodity settlements	**2,473**	1,986	1,126
Total margin money and settlement liabilities	**20,610**	16,251	16,746
Note 13			
Other liabilities			
Accrued charges, employment-related liabilities and provisions(1)	**1,947**	2,038	944
Creditors	**655**	674	628
Commodity-related payables	**544**	604	595
Lease liabilities	**428**	479	36
Income tax payable	**375**	396	187
Other	**157**	158	35
Total other liabilities	**4,106**	4,349	2,425

(1) Includes provisions recognised for actual and potential claims and proceedings that arise in the ordinary course of business. The range of likely outcomes and increase in provisions during the current period in each of these matters did not have and is not currently expected to have a material impact on the Consolidated Entity.

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Note 14			
Issued debt securities			
Bonds, negotiable certificate of deposits and commercial paper[1]	**55,587**	42,555	38,132
Structured notes[2]	**1,819**	2,113	2,486
Total issued debt securities[3],[4]	**57,406**	44,668	40,618

Subsequent to 30 September 2021, the Consolidated Entity has raised $2.7 billion[5] of term funding.

The Consolidated Entity has not had any defaults of principal, interest, or other breaches with respect to its issued debt securities during the reported periods.

Reconciliation of issued debt securities by major currency

(In Australian dollar equivalent)

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
United States dollar	**32,790**	22,146	15,883
Australian dollar	**19,374**	17,168	17,839
Euro	**2,238**	3,195	4,253
Pound sterling	**1,444**	580	897
Swiss franc	**1,100**	1,031	1,133
Japanese yen	**175**	168	187
Norwegian krone	**162**	157	160
Chinese renminbi	**72**	68	92
Hong Kong dollar	**51**	48	52
Korean won	**–**	107	110
Other	**–**	–	12
Total issued debt securities	**57,406**	44,668	40,618

(1) Includes $12,170 million (31 March 2021: $9,994 million; 30 September 2020: $12,264 million) liabilities to note holders and debt holders for which loan assets are held by consolidated SEs and are available as security. Refer to Note 9 *Loan assets*.
(2) Includes debt instruments on which the return is linked to commodities, equities, currencies, interest rates or credit risk of a counterparty.
(3) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities which are measured at DFVTPL is $1,996 million (31 March 2021: $2,136 million, 30 September 2020: $2,609 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 19 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.
(4) Includes a cumulative fair value loss of $15 million (31 March 2021: $10 million loss, 30 September 2020: $8 million loss) due to changes in own credit risk on DFVTPL debt securities recognised directly in OCI.
(5) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on exchange rates at the time of issuance and includes undrawn facilities.

Note 15
Contributed equity

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Ordinary share capital	**8,779**	8,279	8,279
Other equity	**262**	244	222
Total contributed equity	**9,041**	8,523	8,501

(i) Ordinary share capital[1]

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Opening balance of 634,361,966 (1 October 2020: 634,361,966; 1 April 2020: 634,361,966) fully paid ordinary shares	**8,279**	8,279	8,288
Issue of 20,746,888 shares to parent entity[2] on 30 September 2021 at $24.10 per share	**500**	–	–
Other	**–**	–	(9)
Closing balance of 655,108,854 (31 March 2021: 634,361,966; 30 September 2020: 634,361,966) fully paid ordinary shares	**8,779**	8,279	8,279

(ii) Other equity

Equity contribution from ultimate parent entity

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**244**	222	220
Additional paid in capital	**18**	22	2
Balance at the end of the period	**262**	244	222

MEREP awards are primarily settled in MGL ordinary shares. Where MEREP awards are issued by MGL to employees of the Consolidated Entity, and MGL is not subsequently reimbursed by the Consolidated Entity, the Consolidated Entity recognises the grant date fair value of the award net of tax as a capital contribution from MGL. If the issued awards expire, the reversal of the original contribution is recognised as a return of capital.

(1) Ordinary shares have no par value.
(2) Macquarie B.H. Pty Limited.

Note 16
Reserves, retained earnings and non-controlling interests

(i) Reserves

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Foreign currency translation reserve			
Balance at the beginning of the period	**397**	580	1,197
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax[1]	**187**	(183)	(617)
Balance at the end of the period	**584**	397	580
FVOCI reserve			
Balance at the beginning of the period	**35**	36	(33)
Revaluation movement for the period, net of tax	**–**	2	69
Changes in ECL allowance, net of tax	**(3)**	(3)	–
Balance at the end of the period	**32**	35	36
Cash flow hedge reserve			
Balance at the beginning of the period	**(113)**	(176)	(157)
Revaluation movement for the period, net of tax	**(2)**	55	(48)
Transferred to income statement on realisation, net of tax	**25**	8	29
Balance at the end of the period	**(90)**	(113)	(176)
Share of reserves in associates and joint ventures			
Balance at the beginning of the period	**(5)**	(6)	(6)
Share of other comprehensive income from associates and joint ventures during the period, net of tax	**–**	1	–
Balance at the end of the period	**(5)**	(5)	(6)
Other reserves			
Balance at the beginning of the period	**(8)**	(10)	(10)
Transferred to income statement on realisation, net of tax	**–**	2	–
Balance at the end of the period	**(8)**	(8)	(10)
Total reserves at the end of the period	**513**	306	424

(1) The current period movement represents the revaluation of the Consolidated Entity's unhedged investments in foreign operations primarily driven by the depreciation of the Australian dollar against the foreign currencies. Refer to Note 35.3 *Market risk* of Consolidated Entity's March 2021 financial report for the Consolidated Entity's foreign exchange risk management policy in relation to the alignment of capital supply to capital requirements.

Note 16
Reserves, retained earnings and non-controlling interests continued

(ii) Retained earnings

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**5,245**	4,918	4,336
Change attributable to group restructure(1)	**–**	(189)	–
Profit attributable to the ordinary equity holder of MBL	**1,243**	1,016	660
Dividends paid on ordinary share capital (Note 5)	**–**	(500)	
Gain on change in non-controlling ownership interest	**–**	1	–
Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax	**(3)**	(1)	(78)
Balance at the end of the period	**6,485**	5,245	4,918

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
(iii) Non-controlling interests(2)			
Share capital	**48**	46	47
Reserves	**4**	4	3
Accumulated losses	**(52)**	(50)	(50)
Total non-controlling interests	**–**	–	–

(1) Represents adjustment to retained earnings for the difference between the purchase price and the book value of the net assets of Macquarie's service entities acquired from the Non-Bank Group. Refer to Note 22 *Acquisition and disposal of subsidiaries and businesses*.
(2) Non-controlling interests represents equity in subsidiaries that is not attributable, directly or indirectly, to the parent company. As such, it is ineligible to absorb losses arising elsewhere within the Consolidated Entity.

Note 17
Notes to the consolidated statement of cash flows

(i) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period are reflected in the related items in the consolidated statement of financial position as follows:

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Cash and bank balances[(1),(2)]	**26,138**	13,590	3,948
Cash collateralised lending and reverse repurchase agreements	**13,074**	15,480	17,651
Financial investments	**738**	248	460
Cash and cash equivalents	**39,950**	29,318	22,059

(1) Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as cash and bank balances primarily relates to $2,461 million (31 March 2021: $2,294 million; 30 September 2020: $2,524 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $170 million (31 March 2021: $82 million; 30 September 2020: $397 million) that are not readily available to meet the Consolidated Entity's short-term cash commitments.
(2) Cash and bank balances include $999 million (31 March 2021: $946 million; 30 September 2020: $648 million) of balances, held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.

Note 17
Notes to the consolidated statement of cash flows continued

(ii) Reconciliation of profit after income tax to net cash flows generated from/(utilised in) operating activities

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Profit after income tax	**1,243**	1,016	660
Adjustments to profit after income tax:			
Depreciation and amortisation	**251**	250	301
Expected credit losses and other impairment charges	**83**	71	262
Investment income and gain on sale of operating lease assets and other non-financial assets	**(471)**	(71)	(62)
Share of net profits from associates and joint ventures	**(15)**	(29)	(12)
Changes in assets and liabilities:			
Trading, trading-related and collateralised lending balances (net of liabilities)[1]	**8,399**	4,419	(9,288)
Issued debt securities	**11,053**	5,376	(3,055)
Loan assets and balances with related body corporate entities	**(18,159)**	(11,458)	(2,171)
Borrowings	**(349)**	315	(479)
Other assets and liabilities	**(523)**	(129)	(447)
Debtors, prepayments, accrued charges and creditors	**(290)**	577	(164)
Operating lease assets	**(236)**	(323)	(84)
Interest, fee and commission receivable and payable	**(57)**	18	(63)
Tax balances	**153**	323	87
Carrying values of associates due to dividends received	**–**	2	–
Deposits	**7,471**	7,040	10,165
Net cash flows generated from/(utilised in) operating activities	**8,553**	7,397	(4,350)

(iii) Reconciliation of loan capital:

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**6,804**	5,985	4,997
Cash flows:[2],[3]			
Issuance	**1,405**	1,220	2,474
Redemption	**(1,084)**	–	(740)
Non-cash changes:			
Foreign currency translation and other movements	**220**	(401)	(746)
Balance at the end of the period	**7,345**	6,804	5,985

(1) Includes unrealised foreign exchange movements relating to derivatives which largely offsets the unrealised foreign exchange movements on financial assets and liabilities.
(2) During half year ended 30 September 2021, the Consolidated Entity issued BCN3 $655 million (half year to 31 March 2021: $nil; half year to 30 September 2020: issued BCN2 $641 million). These are perpetual securities which are eligible for conversion into a variable number of the Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier.
(3) During the half year ended 30 September 2021, the Consolidated entity raised $750 million (half year to March 2021: $1,220 million; half year to September 2020: $1,833 million) through the issue of Tier 2 Loan Capital and redeemed $1,084 million (31 March 2021: $nil; 30 September 2020: $740 million) of Loan Capital under fixed repayment obligation.

Note 18
Contingent liabilities and commitments

	As at 30 Sep 21 $m	As at 31 Mar 21 $m	As at 30 Sep 20 $m
Contingent liabilities:			
Letters of credit	**1,385**	1,197	1,075
Performance-related contingencies[1]	**841**	888	1,047
Indemnities	**183**	164	217
Guarantees	**76**	195	67
Total contingent liabilities[2]	**2,485**	2,444	2,406
Commitments:			
Undrawn credit facilities and securities commitments[3]	**6,274**	5,865	4,813
Other asset developments	**850**	754	831
Total commitments	**7,124**	6,619	5,644
Total contingent liabilities and commitments	**9,609**	9,063	8,050

The Consolidated Entity operates in a number of regulated markets and is subject to regular regulatory reviews and inquiries. From time to time these may result in litigation, fines or other regulatory enforcement actions. At the reporting date there are no matters of this nature which are expected to result in a material economic outflow of resources that has not been provided for. The Consolidated Entity considers the probability of there being a material adverse effect in respect of litigation or claims that have not been provided for to be remote.

(1) Includes $556 million (31 March 2021: $591 million; 30 September 2020: $737 million) in favour of a related party for which collateral of a similar amount has been received.
(2) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.
(3) Undrawn credit facilities are irrevocably extended to clients. These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Consolidated Entity. Securities underwriting include firm commitments to underwrite debt and equity securities issuances and private equity commitments.

Note 19

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for Trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of financial assets and liabilities of the Consolidated Entity.

The methods and significant assumptions that have been applied in determining the fair values of financial instruments are disclosed in Note 20 *Fair values of assets and liabilities.*

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets									**AS AT 30 SEP 21**
Cash and bank balances	–	–	–	–	28,769	–	28,769	–	28,769
Cash collateralised lending and reverse repurchase agreements	–	–	5,700	14,846	12,259	–	32,805	20,546	12,259
Trading assets(1)	13,982	–	–	–	–	6,982	20,964	13,982	–
Margin money and settlement assets	–	–	588	–	15,504	–	16,092	588	15,504
Derivative assets(2)	76,488	–	636	–	–	–	77,124	77,124	–
Financial investments									
Equity	–	–	228	–	–	–	228	228	–
Debt	–	–	10	8,605	10	–	8,625	8,615	10
Held for sale and other assets(3)	–	1,956	13	–	2,115	1,231	5,315	1,969	2,115
Loan assets(4)	–	34	119	–	109,348	–	109,501	153	109,825
Due from related body corporate entities(5)	510	–	3	–	2,064	440	3,017	513	2,064
Property, plant and equipment and right-of-use assets	–	–	–	–	–	2,899	2,899	–	–
Deferred tax assets	–	–	–	–	–	788	788	–	–
Total assets	**90,980**	**1,990**	**7,297**	**23,451**	**170,069**	**12,340**	**306,127**	**123,718**	**170,546**
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	420	–	–	13,389	–	13,809	420	13,389
Trading liabilities	5,431	–	–	–	–	–	5,431	5,431	–
Margin money and settlement liabilities	–	–	–	–	20,610	–	20,610	–	20,610
Derivative liabilities(2)	77,392	–	409	–	–	–	77,801	77,801	–
Deposits	–	214	–	–	91,469	–	91,683	214	91,480
Held for sale and other liabilities(6)	–	539	–	–	967	2,600	4,106	539	539
Borrowings	–	–	–	–	2,214	–	2,214	–	2,222
Due to related body corporate entities(7)	827	–	–	–	8,708	99	9,634	827	8,708
Issued debt securities(4)	–	1,819	–	–	55,587	–	57,406	1,819	55,927
Deferred tax liabilities	–	–	–	–	–	49	49	–	–
Loan capital(4)	–	–	–	–	7,345	–	7,345	–	7,667
Total liabilities	83,650	2,992	409	–	200,289	2,748	290,088	87,051	200,542

(1) Non-financial instruments represent commodities carried at fair value less costs to sell.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL.
(3) Non-financial assets primarily represents equity interests in associates and joint ventures, prepayments, tax receivables and intangible assets.
(4) Items measured at amortised cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risks.
(5) Due from related body corporate entities includes derivatives and trading positions classified as HFT and all other receivables from related body corporate entities are carried at amortised cost.
(6) Non-financial liabilities primarily represent accrued charges, employee-related provisions and tax payables. The fair value of other liabilities carried at amortised cost excludes lease liabilities.
(7) Due to related body corporate entities includes derivatives and trading positions classified as HFT. All other intercompany payables are carried at amortised cost except for non-financial liabilities.

Note 19
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets								AS AT 31 MAR 21	
Cash and bank balances	–	–	–	–	15,966	–	15,966	–	15,966
Cash collateralised lending and reverse repurchase agreements	–	–	7,909	17,362	9,284	–	34,555	25,271	9,284
Trading assets(1)	14,521	–	–	–	–	6,691	21,212	14,521	–
Margin money and settlement assets	–	–	332	–	7,970	–	8,302	332	7,970
Derivative assets(2)	19,973	–	579	–	–	–	20,552	20,552	–
Financial investments									
Equity	–	–	206	–	–	–	206	206	–
Debt	–	–	110	7,665	18	–	7,793	7,775	18
Held for sale and other asset(3)	–	1,266	12	–	1,049	1,166	3,493	1,278	1,049
Loan assets(4)	–	64	129	–	98,799	–	98,992	193	99,177
Due from related body corporate entities(5)	384	–	–	–	1,507	263	2,154	384	1,507
Property, plant and equipment and right-of-use assets	–	–	–	–	–	2,797	2,797	–	–
Deferred tax assets	–	–	–	–	–	826	826	–	–
Total assets	34,878	1,330	9,277	25,027	134,593	11,743	216,848	70,512	134,971
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	345	–	–	4,197	–	4,542	345	4,197
Trading liabilities	6,134	–	–	–	–	–	6,134	6,134	–
Margin money and settlement liabilities	–	–	–	–	16,251	–	16,251	–	16,251
Derivative liabilities(2)	16,801	–	674	–	–	–	17,475	17,475	–
Deposits	–	–	–	–	84,140	–	84,140	–	84,157
Held for sale and other liabilities(6)	–	605	–	–	1,063	2,682	4,350	605	584
Due to related body corporate entities(7)	902	–	–	–	14,976	23	15,901	902	14,976
Borrowings	–	–	–	–	2,473	–	2,473	–	2,484
Issued debt securities(4)	–	2,113	–	–	42,555	–	44,668	2,113	42,893
Deferred tax liabilities	–	–	–	–	–	36	36	–	–
Loan capital(4)	–	–	–	–	6,804	–	6,804	–	7,072
Total liabilities	23,837	3,063	674	–	172,459	2,741	202,774	27,574	172,614

(1) Non-financial instruments represent commodities carried at fair value less costs to sell.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL.
(3) Non-financial assets primarily represents prepayments and tax receivables.
(4) Items measured at amortised cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(5) Due from related body corporate entities includes derivatives and trading positions classified as HFT and all other receivables from related body corporate entities are carried at amortised cost.
(6) Non-financial liabilities primarily represent accrued charges, employee-related provisions and tax payables. The fair value of other liabilities excludes lease liabilities.
(7) Due to related body corporate entities includes derivatives and trading positions classified as HFT. All other inter-company payables are carried at amortised cost except for non-financial liabilities.

Note 19
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets								AS AT 30 SEP 20	
Cash and bank balances	–	–	–	–	6,869	–	6,869	–	6,869
Cash collateralised lending and reverse repurchase agreements		–	13,564	17,921	11,448	–	42,933	31,485	11,448
Trading assets[1]	12,335	–	–	–	–	6,183	18,518	12,335	–
Margin money and settlement assets	–	–	89	–	9,073	–	9,162	89	9,082
Derivative assets[2]	20,548	–	1,070	–	–	–	21,618	21,618	–
Financial investments									
Equity	–	–	192	–	–	–	192	192	–
Debt	–	–	53	7,299	31	–	7,383	7,352	31
Held for sale and other assets [3]	–	1,733	11	–	1,447	910	3,712	1,744	1,447
Loan assets[4]	–	33	79	–	87,625	–	87,737	112	88,025
Due from related body corporate entities[5]	364	–	–	–	3,926	235	4,525	364	3,926
Property, plant and equipment and right-of-use assets		–	–	–	–	2,239	2,239	–	–
Deferred tax assets	–	–	–	–	–	577	577	–	–
Total assets	33,247	1,766	15,058	25,220	120,419	10,144	205,854	75,291	120,828
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	1,079	–	–	3,875	–	4,954	1,079	3,875
Trading liabilities	5,971	–	–	–	–	–	5,971	5,971	–
Margin money and settlement liabilities	–	–	–	–	16,746	–	16,746	–	16,746
Derivative liabilities[2]	15,605	–	534	–	–	–	16,139	16,139	–
Deposits	–	–	–	–	77,186	–	77,186	–	77,218
Held for sale and other liabilities[6]	–	608	–	–	571	1,285	2,464	608	534
Due to related body corporate entities[7]	1,515	–	–	–	18,080	52	19,647	1,515	18,080
Borrowings	–	–	–	–	2,256		2,256	–	2,270
Issued debt securities[4]	–	2,486	–	–	38,132	–	40,618	2,486	38,433
Deferred tax liabilities	–	–	–	–	–	45	45	–	–
Loan capital[4]	–	–	–	–	5,985	–	5,985	–	6,078
Total liabilities	23,091	4,173	534	–	162,831	1,382	192,011	27,798	163,234

(1) Non-financial instruments represent commodities carried at fair value less costs to sell.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL.
(3) Non-financial assets primarily represents prepayments and tax receivables.
(4) Items measured at amortised cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(5) Due from related body corporate entities includes derivatives and trading positions classified as HFT and all other receivables from related body corporate entities are carried at amortised cost.
(6) Non-financial liabilities primarily represent accrued charges, employee-related provisions and tax payables. The fair value of other liabilities excludes lease liabilities.
(7) Due to related body corporate entities includes derivatives and trading positions classified as HFT. All other inter-company payables are carried at amortised cost except for non-financial liabilities.

Note 20
Fair values of assets and liabilities

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

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

The appropriate fair value hierarchy level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement. AASB 13 *Fair Value Measurement* requires the use of the price within the bid-offer spread that is most representative of fair value.

Valuation systems will typically generate mid-market prices. The bid-offer adjustment reflects the extent to which bid-offer costs would be incurred if substantially all of the residual net exposure to market risks were closed, on a portfolio basis, using available hedging instruments.

The fair values calculated for financial instruments which are carried in the statement of financial position at amortised cost (as disclosed in Note 19 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold for, or a liability repurchased in a market-based transaction:

- the fair values of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities
- the fair value of demand deposits with no fixed maturity approximates to their carrying amount as they are short-term in nature or are payable on demand
- the fair values of variable rate financial instruments, including cash collateral on lending and borrowing and repurchase agreements approximates their carrying amounts
- the fair value of all loan assets, term deposits and debt liabilities carried at amortised cost, is determined with reference to changes in interest rates and credit spreads
- the fair value of fixed rate loans and debt investments carried at amortised cost is estimated by reference to current market rates offered on similar loans and the creditworthiness of the borrower
- the fair value of issued debt securities and loan capital, where carried at amortised cost, is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread
- substantially all of the Consolidated Entity's commitments to extend credit are at variable rates. As such, there is no significant exposure to fair value fluctuations resulting from interest rate movements relating to these commitments
- the fair value of balances due to/from related body corporate entities approximates the carrying value as interest on the balances is generally payable/receivable at variable rates of interest.

Note 20
Fair values of assets and liabilities continued

The following methods and significant assumptions have been applied in determining the fair values of financial instruments including balances with related body corporate entities that are measured at fair value:

- trading assets and liabilities, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques
- repurchase and reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to the securities which are held or provided as the collateral for the financing agreement
- financial investments classified at FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of pricing models or other recognised valuation techniques that maximise the use of market price and observable market inputs
- fair values of fixed rate loans classified as FVTPL or FVOCI and issued debt classified as DFVTPL are estimated by reference to current market rates offered on similar loans and issued debt
- for financial assets carried at fair value, in order to reflect counterparty credit risk, an adjustment is incorporated into the valuation. Where exposures are managed on a portfolio basis then the adjustment is calculated on a counterparty basis for those exposures
- for financial liabilities carried at fair value, in order to reflect the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations
- the Consolidated Entity's has incorporated the market implied funding costs for uncollateralised derivative positions as a Funding Valuation Adjustment (FVA). FVA is determined by calculating the net expected exposures at a counterparty level and applying MBL's internal Treasury lending rates as an input into the calculation. The approach takes into account the PD of each counterparty, as well as any mandatory break clauses.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test those outputs reflect prices from observable current market transactions in the same instrument or other available observable market data.

To the extent possible, models use only observable market data (for example OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument such as volatility and correlation.

Note 20
Fair values of assets and liabilities continued

The following table summarises the levels of the fair value hierarchy for financial instruments and commodities measured at fair value

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				**AS AT 30 SEP 21**
Cash collateralised lending and reverse repurchase agreements	**–**	**20,546**	**–**	**20,546**
Trading assets[1]	**8,716**	**11,710**	**538**	**20,964**
Margin money and settlement assets	**–**	**588**	**–**	**588**
Derivative assets	**31**	**76,749**	**344**	**77,124**
Financial investments	**541**	**7,569**	**733**	**8,843**
Held for sale and other assets	**–**	**1,931**	**38**	**1,969**
Loan assets	**–**	**98**	**55**	**153**
Due from related body corporate entities[2]	**–**	**513**	**–**	**513**
Total assets	**9,288**	**119,704**	**1,708**	**130,700**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**–**	**420**	**–**	**420**
Trading liabilities	**5,265**	**166**	**–**	**5,431**
Derivative liabilities	**44**	**76,971**	**786**	**77,801**
Deposits	**–**	**214**	**–**	**214**
Held for sale and other liabilities	**–**	**539**	**–**	**539**
Due to related body corporate entities[2]	**–**	**827**	**–**	**827**
Issued debt securities	**–**	**1,819**	**–**	**1,819**
Total liabilities	**5,309**	**80,956**	**786**	**87,051**
Assets				AS AT 31 MAR 21
Cash collateralised lending and reverse repurchase agreements	–	25,271	–	25,271
Trading assets[1]	10,188	10,604	420	21,212
Margin money and settlement assets	–	332	–	332
Derivative assets	232	20,059	261	20,552
Financial investments	507	6,822	652	7,981
Held for sale and other assets	–	1,253	25	1,278
Loan assets	–	138	55	193
Due from related body corporate entities[2]	–	384	–	384
Total assets	10,927	64,863	1,413	77,203
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	345	–	345
Trading liabilities	6,024	110	–	6,134
Derivative liabilities	224	16,973	278	17,475
Held for sale and other liabilities	–	605	–	605
Due to related body corporate entities[2]	–	902	–	902
Issued debt securities	–	2,113	–	2,113
Total liabilities	6,248	21,048	278	27,574

(1) Includes commodities carried at fair value less costs to sell.
(2) Includes balances with related body corporate entities. For details, refer Note 19 *Measurement categories of financial instruments*.

Note 20
Fair values of assets and liabilities continued

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				AS AT 30 SEP 20
Cash collateralised lending and reverse repurchase agreements	–	31,485	–	31,485
Trading assets[1]	9,272	9,062	184	18,518
Margin money and settlement assets	–	89	–	89
Derivative assets	183	21,055	380	21,618
Financial investments	417	6,662	465	7,544
Held for sale and other assets	–	1,744	–	1,744
Loan assets	–	108	4	112
Due from related body corporate entities[2]	–	364	–	364
Total assets	9,872	70,569	1,033	81,474
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	1,079	–	1,079
Trading liabilities	5,851	120	–	5,971
Derivative liabilities	566	15,305	268	16,139
Held for sale and other liabilities	–	608	–	608
Due to related body corporate entities[2]	–	1,515	–	1,515
Issued debt securities	–	2,486	–	2,486
Total liabilities	6,417	21,113	268	27,798

(1) Includes commodities carried at fair value less costs to sell.
(2) Includes balances with related body corporate entities. For details, refer Note 19 *Measurement categories of financial instruments*.

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Note 20
Fair values of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for the financial instruments and commodities measured at fair value:

	Trading assets $m	Financial investments $m	Held for sale and other assets $m
Balance as at 1 Apr 2020	310	527	–
Purchases, originations, issuances and other additions	66	212	1
Sales, settlements and repayments	(73)	(209)	(1)
Transfers into Level 3[2]	–	81	–
Transfers out of Level 3[2]	(96)	(146)	–
Fair value movements recognised in the income statement			–
Net trading loss[3]	(23)	(3)	–
Other income	–	6	–
Fair value movements recognised in OCI[3]	–	(3)	–
Balance as at 30 Sep 2020	184	465	–
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	(23)	3	–
Balance as at 1 Oct 2020	184	465	–
Purchases, originations, issuances and other additions	388	218	22
Sales, settlements and repayments	(32)	–	–
Transfers into Level 3[2]	116	–	–
Transfers out of Level 3[2]	(68)	(62)	–
Fair value movements recognised in the income statement			
Net trading loss[3]	(168)	(49)	–
Other income	–	40	3
Fair value movements recognised in OCI[3]	–	40	–
Balance as at 31 Mar 2021	420	652	25
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	41	(6)	2
Balance as at 1 Apr 2021	**420**	**652**	**25**
Purchases, originations, issuances and other additions	**83**	**39**	**31**
Sales, settlements and repayments	**(13)**	**(33)**	**(19)**
Transfers into Level 3[2]	**14**	**166**	**–**
Transfers out of Level 3[2]	**(83)**	**(56)**	**–**
Fair value movements recognised in the income statement			
Net trading income/(loss)[3]	**117**	**14**	**–**
Other income	**–**	**–**	**1**
Fair value movements recognised in OCI[3]	**–**	**(49)**	**–**
Balance as at 30 Sep 2021	**538**	**733**	**38**
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[3]	**134**	**5**	**2**

(1) The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $344 million (31 March 2021: $261 million; 30 September 2020: $380 million) and derivative liabilities are $786 million (31 March 2021: $278 million; 30 September 2020: $268 million).
(2) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the period.
(3) The Consolidated Entity employs various hedging techniques in order to manage risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency financial instruments measured at amortised cost that are not presented in the table above.

Loan assets $m	Held for sale and other liabilities $m	Derivative financial instruments (net fair values)[(1)] $m	Total $m
64	–	458	1,359
–	(2)	22	299
(15)	2	(81)	(377)
–	–	12	93
(28)	–	(58)	(328)
(5)	–	(241)	(272)
(12)	–	–	(6)
–	–	–	(3)
4	–	112	765
(17)	–	(241)	(278)
4	–	112	765
110	–	164	902
–	–	(198)	(230)
–	–	(7)	109
–	–	34	(96)
–	–	(122)	(339)
(59)	–	–	(16)
–	–	–	40
55	–	(17)	1,135
(60)	–	(146)	(169)
55	**–**	**(17)**	**1,135**
–	**–**	**11**	**164**
–	**–**	**4**	**(61)**
–	**–**	**(6)**	**174**
–	**–**	**17**	**(122)**
–	**–**	**(451)**	**(320)**
–	**–**	**–**	**1**
–	**–**	**–**	**(49)**
55	**–**	**(442)**	**922**
–	**–**	**(421)**	**(280)**

Directors' Report

Financial Report

Note 20
Fair values of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

During the period, the Consolidated Entity did not have significant transfers between Level 1 and Level 2.

Transfers into Level 3 were due to the lack of observable valuation inputs for certain investments and trading balances. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the period. Financial assets reclassified in/out of the fair value hierarchy disclosure due to recognition and measurement category changes, or due to changes in significant influence or control are also presented as transfers into/out of Level 3.

Unrecognised gains or losses

For financial instruments, the best evidence of fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only data from observable markets. Where such alternative evidence exists, the Consolidated Entity recognises profit or loss immediately when the financial instrument is recognised ('day 1 profit or loss'). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in the income statement over the life of the transaction or when the inputs become observable.

The table below summarises the deferral and recognition of profit or loss where a valuation technique has been applied for which significant unobservable inputs are used:

	Half year to 30 Sep 21 $m	Half year to 31 Mar 21 $m	Half year to 30 Sep 20 $m
Balance at the beginning of the period	**75**	110	168
Deferred gain/(losses) on new transactions and other adjustments	**29**	13	(8)
Foreign exchange movements	**1**	(29)	6
Recognised in net trading income during the period[1]	**(43)**	(19)	(56)
Balance at the end of the period	**62**	75	110

(1) Includes amortisation, subsequent realisation due to unobservable inputs becoming observable, maturity and termination.

Note 20
Fair values of assets and liabilities continued

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions for Level 3 financial instruments whose fair values are determined in whole or in part using unobservable inputs. The impact of the sensitivity of financial instruments which hedge the Level 3 positions, but are classified as Level 1 or 2, is not included in the table below:

	FAVOURABLE CHANGES	UNFAVOURABLE CHANGES
	Profit or loss $m	Profit or loss $m
Product type		**AS AT 30 SEP 21**
Commodities	**141**	**(131)**
Equity and equity-linked products	**3**	**(23)**
Interest rate and other products	**9**	**(9)**
Total	**153**	**(163)**
Product type		AS AT 31 MAR 21
Commodities	112	(73)
Equity and equity-linked products	4	(14)
Interest rate and other products	11	(11)
Total	127	(98)
Product type		AS AT 30 SEP 20
Commodities	107	(60)
Equity and equity-linked products	18	(27)
Interest rate and other products	11	(10)
Total	136	(97)

The favourable and unfavourable changes from using reasonably possible alternative assumptions for the valuation of the above product types have been calculated by recalibrating the valuation model using stressed significant unobservable inputs within the Consolidated Entity's range of reasonably possible estimates.

Note 20
Fair values of assets and liabilities continued

Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair value. The range of values represent the highest and lowest input used in the valuation techniques. The range does not therefore reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

					RANGE OF INPUTS	
	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	Minimum value	Maximum value
						AS AT 30 SEP 21
Equity and equity-linked products	**223**	**–**	Market comparability	Price in %[1]		
Commodities	**732**	**781**	Pricing model	Commodity margin curves	**(175.4)**	**1,691.0**
			Pricing model	Correlations	**(46.0%)**	**100.0%**
			Pricing model	Volatility and related variables	**(3.5%)**	**19.5%**
Interest rate and other products	**753**	**5**	Market comparability	Price in %[1]		
			Pricing model	Correlations	**0.0%**	**100.0%**
			Pricing model	Bond yields	**(2.2%)**	**4.8%**
Total	**1,708**	**786**				
						AS AT 31 MAR 21
Equity and equity-linked products	161	–	Market comparability	Price in %[1]		
Commodities	596	278	Pricing model	Commodity margin curves	(121.4)	1,458
			Pricing model	Correlations	(43.0%)	100.0%
			Pricing model	Volatility and related variables	8.3%	290.5%
Interest rate and other products	656	–	Pricing model	Correlations	0.0%	100.0%
			Pricing model	Bond yields	(2.3%)	2.9%
Total	1,413	278				
						AS AT 30 SEP 20
Equity and equity-linked products	148	–	Market comparability	Price in %[1]		
Commodities	452	263	Pricing model	Commodity margin curves	(334.0)	913.0
			Pricing model	Correlations	(55.0%)	100.0%
			Pricing model	Volatility and related variables	0.0%	400.0%
Interest rate and other products	433	5	Pricing model	Correlations	0.0%	100.0%
			Pricing model	Bond yields	0.0%	4.5%
Total	1,033	268				

(1) The range of inputs related to market comparability has not been disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Note 20
Fair values of assets and liabilities continued

Correlation

Correlation is a measure of the relationship between the movements of input variables (i.e., how the change in one input variable influences a change in the other variable). Correlation is a key input into the valuation of derivatives with more than one underlying and is generally used to value hybrid and exotic instruments.

Volatility

Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of the amount a particular underlying instrument, parameter or index will change in value over time. Volatility is an input in the valuation of derivatives containing optionality. Volatility and skew are impacted by the underlying risk, term and strike price of a derivative.

Correlations and volatilities are derived through the extrapolation of observable volatilities, recent transaction prices, quotes from other market participants, data from consensus pricing services and historical data adjusted for current conditions.

Inputs for equity and equity-linked products

Unlisted equity securities are generally valued by referencing market transactions for comparable companies adjusted as appropriate for current economic conditions. Other significant unobservable inputs may include discount rates determined using inputs specific to the underlying investment, and forecast cash flows and the earnings or revenue of investee entities.

Inputs for interest rate products (discount rate)

Loans are generally valued using discount rates. Significant unobservable inputs may include interest rates and credit spreads of counterparties and original issue discounts on primary debt issuances.

Note 21
Financial risk management – derivatives

Derivative instruments, which include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets, are entered into by the Consolidated Entity for client trading purposes and for hedging of financial risks inherent in other recognised financial instruments as well as forecasted transactions.

The Consolidated Entity's approach to financial risk management, as set out in its financial statements for the year ended 31 March 2021 in Note 35 *Financial risk management*, remained unchanged during the period. This included entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties, particularly in respect of derivatives. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

Derivative assets of $77.1 billion as at 30 September 2021 increased significantly from $20.6 billion as at 31 March 2021. Derivative liabilities of $77.8 billion as at 30 September 2021 also increased significantly from $17.5 billion as at March 2021. These increases were primarily due to an increase in client trade volumes and mark-to-market movements resulting from elevated commodity prices, particularly in EMEA.

These derivative balances are presented in the statement of financial position after offsetting balances where the Consolidated entity has both a legal right of set off and the intention to settle on a net basis. After taking into account $56.3 billion (31 March 2021: $11.0 billion) of derivatives held with counterparties that are governed by the MNAs[1] and cash and other financial collateral[1] relating to derivative assets of $8.3 billion (31 March 2021: $4.4 billion) and derivative liabilities of $7.8 billion (31 March 2021: $2.8 billion), there are residual derivative assets of $12.6 billion (31 March 2021: $5.1 billion) and derivative liabilities of $13.8 billion (31 March 2021: $3.8 billion).

(1) Includes offsetting exposures the Consolidated Entity has with counterparties under MNAs with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.

Note 22
Acquisitions and disposals of subsidiaries and businesses

Acquisition of businesses

In November 2020, the MGL and MBL Boards approved the transfer of Macquarie's service entities from the Non-Bank Group to the Consolidated Entity. The transfer was achieved through execution of sale and purchase agreements whereby the Consolidated Entity acquired a 100% interest in Macquarie Group Services Australia Pty Ltd. (MGSA), and its subsidiaries from MGL and a 100% interest in Macquarie Global Services Private Limited from Macquarie Global Finance Services (Mauritius) Limited (an indirect subsidiary of MGL).

The acquisition of the service entities, together with the acquisition of Bond Street Custodians Limited from the Non-Bank Group was accounted for by the Consolidated Entity as a business combination under common control by recognising the net assets acquired at the original carrying values at the MGL consolidated group level at the date of acquisition with the excess of the consideration paid being recognised as a restructure reserve within retained earnings.

There were no other businesses which were acquired during the current and prior comparative reporting periods.

Aggregate details of net assets acquired or consolidated due to the above mentioned acquisitions are as follows:

	Half year to 31 Mar 21 $m
Carrying value of net assets acquired	
Cash and bank balances	318
Loan assets and other assets[1]	534
Property, plant and equipment and right-of-use assets	590
Deferred tax assets	231
Other liabilities[2]	(1,209)
Deferred tax liabilities	(38)
Total carrying value of net assets recognised	**426**
Cash consideration	**615**
Difference between consideration and net assets recognised within equity	**189**
Net cash flow	
Payments for the acquisition of subsidiaries and businesses	615
Less: Cash and cash equivalents acquired	(318)
Net cash outflow	297

Other acquisitions and disposals

Disposal of businesses and subsidiaries

During the half year ended 30 September 2021, the Consolidated Entity realised a gain of $455 million on the partial sale of less than 5% of the UK Meters portfolio of assets comprising the industrial and commercial portfolio.

Note 23
Events after the reporting date

There were no material events subsequent to 30 September 2021 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

(1) Primarily includes employee stock option related prepayments.
(2) Primarily includes operating lease liabilities and employee related provisions.

Directors' declaration

For the half year ended 30 September 2021

In the Directors' opinion:

(a) the financial statements and notes set out on pages 19 to 71 are in accordance with the *Corporations Act 2001* (Cth) including:

  (i) complying with the Australian Accounting Standards, and

  (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2021 and performance for the half year ended on that date, and

(c) there are reasonable grounds to believe that Macquarie Bank Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the CEO and CFO required by section 295A of the *Corporations Act 2001* (Cth). This declaration is made in accordance with a resolution of the Directors.

Peter Warne
Independent Director and Chairman

Stuart Green
Managing Director and Chief Executive Officer

Sydney
29 October 2021

Independent auditor's review report

To the members of Macquarie Bank Limited

pwc

Report on the half-year financial report

We have reviewed the half-year financial report of Macquarie Bank Limited (the Company) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 September 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Macquarie Bank Limited does not comply with the *Corporations Act 2001* (Cth) including:

- giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2021 and of its performance for the half-year ended on that date
- complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001* (Cth).

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* (Cth) and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* (Cth) including giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth).

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
29 October 2021

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