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XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated under the laws of the British Virgin Islands with limited liability)

(Stock code: 03868)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2019	2018	
	(HK\$ million)	(HK\$ million) <i>(Restated)</i>	
Revenue	1,593.1	1,200.6	32.7%
Profit before income tax	1,022.1	785.3	30.2%
Profit attributable to the Company's equity holders	891.0	740.8	20.3%
Dividends	911.6	315.9	188.6%
Distributable Income ⁽¹⁾	906.8	677.3	33.9%
Earnings per Share – basic and diluted	15.03 HK cents	15.61 HK cents	-3.7%
As at 31 December			
	2019	2018	Change
	(HK\$ million)	(HK\$ million)	
Equity attributable to the Company's equity holders	10,193.7	6,381.7	59.73%

Note:

- (1) The calculation of Distributable Income is based on the dividend policy set forth in the prospectus of the Company dated 15 May 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Energy Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**” or “**Xinyi Energy**”) for the year ended 31 December 2019, together with the restated comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i> <i>(Restated)</i>
Revenue	4	1,593,086	1,200,556
Cost of sales	6	(377,590)	(289,055)
Gross profit		1,215,496	911,501
Other income	4	6,132	19,771
Other gains, net	5	432	5,119
Administrative expenses	6	(51,294)	(54,013)
Operating profit		1,170,766	882,378
Finance income	7	28,589	6,759
Finance costs	7	(177,245)	(103,885)
Profit before income tax		1,022,110	785,252
Income tax expense	8	(131,124)	(44,439)
Profit for the year		<u>890,986</u>	<u>740,813</u>
Profit for the year attributable to equity holders of the Company		<u>890,986</u>	<u>740,813</u>
Basic and diluted earnings per Share (Expressed in HK cents per Share)	9	<u>15.03</u>	<u>15.61</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Restated)</i>
Profit for the year	890,986	740,813
Other comprehensive loss for the year, net of tax:		
<i>Items that may be reclassified to profit or loss</i>		
– Currency translation differences	<u>(233,550)</u>	<u>(444,389)</u>
Total comprehensive income for the year attributable to the equity holders of the Company	<u>657,436</u>	<u>296,424</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

		As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i> (Restated)	As at 1 January 2018 <i>HK\$'000</i> (Restated)
Note				
ASSETS				
Non-current assets				
	Property, plant and equipment	9,495,521	6,070,173	6,616,225
	Right-of-use assets	439,016	307,680	335,277
	Prepayments for property, plant and equipment	12 10,268	12,527	16,658
	Deferred income tax assets	7,634	3,370	—
	Goodwill	330,303	—	—
	Total non-current assets	10,282,742	6,393,750	6,968,160
Current assets				
	Trade and other receivables and prepayments	12 3,052,167	1,841,373	2,054,033
	Amounts due from fellow subsidiaries	267	—	—
	Cash and cash equivalents	1,631,244	421,263	472,243
	Total current assets	4,683,678	2,262,636	2,526,276
	Total assets	14,966,420	8,656,386	9,494,436
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
	Share capital	67,525	54	54
	Other reserves	7,224,779	4,249,491	4,612,128
	Retained earnings	2,901,435	2,132,165	1,473,104
	Total equity	10,193,739	6,381,710	6,085,286

		As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i> (Restated)	As at 1 January 2018 <i>HK\$'000</i> (Restated)
	Note			
LIABILITIES				
Non-current liabilities				
Bank borrowings	14	1,225,580	1,034,622	1,285,254
Lease liabilities		426,527	284,360	296,386
Other payables	13	30,446	19,107	24,586
Deferred income tax liabilities		214,047	305	—
Total non-current liabilities		1,896,600	1,338,394	1,606,226
Current liabilities				
Bank borrowings	14	727,388	652,578	1,429,583
Lease liabilities		15,140	10,034	7,575
Accruals and other payables	13	387,622	251,256	353,572
Amount due to immediate holding company		1,717,870	—	—
Current income tax liabilities		28,061	22,414	12,194
Total current liabilities		2,876,081	936,282	1,802,924
Total liabilities		4,772,681	2,274,676	3,409,150
Total equity and liabilities		14,966,420	8,656,386	9,494,436

NOTES:

1 Summary of significant accounting policies

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

2 Basis of preparation

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

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

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

The Group has applied the following new standard, amendments to standards and interpretation for the first time for their annual reporting period commencing 1 January 2019:

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

The impact of the adoption of HKFRS 16 is disclosed in Note 3 below.

Apart from aforementioned HKFRS 16, the adoption of the above new and amended standards and interpretation does not have any significant impact on the results and financial position of the Group.

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

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

The Group will apply the above new and amended standards and revised framework when they become effective. The Group anticipates that the application of the above new and amended standards and revised framework have no material impact on the results and the financial position of the Company in the current or future reporting periods and on foreseeable future transactions.

3 Changes in accounting policies

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

Adjustments recognised on adoption of HKFRS 16

The Group has applied the full retrospective approach as if the new rules had always been applied.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the lease payments, discounted using the lessee's incremental borrowing rate on the lease commencement date. The right-of-use assets for property lease and the lease liabilities were retrospectively restated to the lease commencement date. The right-of-use assets for property leases were depreciated on a straight-line basis. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 6.25%.

The table below shows the adjustments recognised for each individual line item as at 1 January 2018, 31 December 2018 and 31 December 2019. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	31 December 2019 HK\$'000	HKFRS 16 HK\$'000	31 December 2019 HK\$'000	31 December 2018 HK\$'000	HKFRS 16 HK\$'000	31 December 2018 HK\$'000	1 January 2018 HK\$'000	HKFRS 16 HK\$'000	1 January 2018 HK\$'000
			(As presented)	(As originally presented)		(Restated)	(As originally presented)		(Restated)
Consolidated Balance Sheet (extract)									
Non-current assets									
Property, plant and equipment	9,508,479	(12,958)	9,495,521	6,084,338	(14,165)	6,070,173	6,630,993	(14,768)	6,616,225
Right-of-use assets	—	439,016	439,016	—	307,680	307,680	—	335,277	335,277
Prepayments for property, plant and equipment (originally presented as prepayments for property, plant and equipment and operating lease)	53,162	(42,894)	10,268	44,571	(32,044)	12,527	56,361	(39,703)	16,658
Deferred income tax assets	—	7,634	7,634	—	3,370	3,370	—	—	—
Goodwill	314,585	15,718	330,303	—	—	—	—	—	—
Current assets									
Trade and other receivables and other prepayments	3,068,851	(16,684)	3,052,167	1,845,482	(4,109)	1,841,373	2,057,372	(3,339)	2,054,033
Total assets	<u>14,576,588</u>	<u>389,832</u>	<u>14,966,420</u>	<u>8,395,654</u>	<u>260,732</u>	<u>8,656,386</u>	<u>9,216,969</u>	<u>277,467</u>	<u>9,494,436</u>
Non-current liabilities									
Deferred income tax liabilities	213,610	437	214,047	—	305	305	—	—	—
Lease liabilities	—	426,527	426,527	—	284,360	284,360	—	296,386	296,386
Current liabilities									
Lease liabilities	—	15,140	15,140	—	10,034	10,034	—	7,575	7,575
Accrual and other payables	406,667	(19,045)	387,622	261,232	(9,976)	251,256	358,671	(5,099)	353,572
Total liabilities	<u>4,349,622</u>	<u>423,059</u>	<u>4,772,681</u>	<u>1,989,953</u>	<u>284,723</u>	<u>2,274,676</u>	<u>3,110,288</u>	<u>298,862</u>	<u>3,409,150</u>
Net assets	<u>10,226,966</u>	<u>(33,227)</u>	<u>10,193,739</u>	<u>6,405,701</u>	<u>(23,991)</u>	<u>6,381,710</u>	<u>6,106,681</u>	<u>(21,395)</u>	<u>6,085,286</u>
Retained earnings	2,937,310	(35,875)	2,901,435	2,157,971	(25,806)	2,132,165	1,494,696	(21,592)	1,473,104
Other reserves	7,222,131	2,648	7,224,779	4,247,676	1,815	4,249,491	4,611,931	197	4,612,128
Total equity	<u>10,226,966</u>	<u>(33,227)</u>	<u>10,193,739</u>	<u>6,405,701</u>	<u>(23,991)</u>	<u>6,381,710</u>	<u>6,106,681</u>	<u>(21,395)</u>	<u>6,085,286</u>

	31 December		31 December		31 December	
	2019	HKFRS 16	2019	2018	HKFRS 16	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(As presented)</i>	<i>(As originally presented)</i>		<i>(Restated)</i>
Consolidated Income Statement (extract)						
Cost of sales	(387,919)	10,329	(377,590)	(300,570)	11,515	(289,055)
Gross profit	1,205,167	10,329	1,215,496	899,986	11,515	911,501
Administrative expenses	(51,484)	190	(51,294)	(54,013)	-	(54,013)
Operating profit	1,160,247	10,519	1,170,766	870,863	11,515	882,378
Finance costs	(153,198)	(24,047)	(177,245)	(84,966)	(18,919)	(103,885)
Profit before income tax	1,035,638	(13,528)	1,022,110	792,656	(7,404)	785,252
Income tax expense	(135,324)	4,200	(131,124)	(47,629)	3,190	(44,439)
Profit for the year	900,314	(9,328)	890,986	745,027	(4,214)	740,813

	31 December		31 December		31 December	
	2019	HKFRS 16	2019	2018	HKFRS 16	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(As presented)	(As originally presented)		(Restated)
Consolidated Statement of Cash Flows (extract)						
Cash generated from operations	1,324,954	27,708	1,352,662	1,235,136	14,516	1,249,652
Interest paid	(82,098)	(18,412)	(100,510)	(87,784)	(13,132)	(100,916)
Net cash inflow from operating activities	<u>1,111,195</u>	<u>9,296</u>	<u>1,120,491</u>	<u>1,109,943</u>	<u>1,384</u>	<u>1,111,327</u>
Principal elements of lease payments	—	(9,296)	(9,296)	—	(1,384)	(1,384)
Net cash inflow/(outflow) from financing activities	<u>2,289,602</u>	<u>(9,296)</u>	<u>2,280,306</u>	<u>(1,036,904)</u>	<u>(1,384)</u>	<u>(1,038,288)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,231,729</u>	<u>—</u>	<u>1,231,729</u>	<u>(30,818)</u>	<u>—</u>	<u>(30,818)</u>

(i) *Impact on earnings per share*

Earnings per share decreased by HK\$0.15 cents per share and (2018: HK\$0.09 cents per share) for the years ended 31 December 2019 as a result of the adoption of HKFRS 16.

(ii) *Practical expedients applied*

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

4 Revenue, other income and segment information

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

	2019	2018
Revenue	HK\$'000	HK\$'000
Recognised at a point in time:		
– Sales of electricity	621,449	457,068
– Tariff adjustment	966,730	743,488
Recognised over time:		
– Solar farm operation and management services	4,907	—
	<u>1,593,086</u>	<u>1,200,556</u>
Other income	2019	2018
	HK\$'000	HK\$'000
Government grants (Note)	2,077	7,872
Other income	4,055	11,899
	<u>6,132</u>	<u>19,771</u>

Note:

Government grants mainly represent grants received from the government of the People's Republic of China (the “**PRC Government**”) in subsidising the Group's general operations.

Segment information

The Group is mainly engaged in the management and operation of solar farms in the PRC. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

No segment of assets and liabilities are presented as no discrete financial information is available.

All of the non-current assets of the Group are located in the PRC and with country of domicile being the PRC.

Revenue from major customers which are state grid companies for the year is set out below:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	232,853	137,456
Customer B	230,287	232,325
Customer C	229,503	249,537
Customer D (Note)	176,260	82,901
Customer E	163,592	143,001
Customer F (Note)	107,246	141,808
Customer G (Note)	136,964	126,838

Note:

The revenue from Customer F and G for the year ended 31 December 2019, and Customer D for the year ended 31 December 2018 did not exceed 10% of total revenue. The amounts shown above are for the comparative purpose only.

5 Other gains, net

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Foreign exchange gains, net	<u>432</u>	<u>5,119</u>

6 Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Depreciation charge of property, plant and equipment	338,092	258,498
Depreciation charge of right-of-use assets	15,589	12,788
Employee benefit expenses (including directors' emoluments)	29,554	19,568
Electricity	7,955	8,453
Auditor's remuneration - statutory audits	1,379	72
Auditor's remuneration - non-audit services	410	—
Legal and professional fees	1,249	70
Listing expenses	14,726	31,216
Insurance expenses	3,664	4,749
Other expenses	<u>16,266</u>	<u>7,654</u>
	<u>428,884</u>	<u>343,068</u>

7 Finance income and costs

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Restated)</i>
Finance income		
Interest income from bank deposits	<u>28,589</u>	<u>6,759</u>
Finance cost		
Interest on lease liabilities	24,047	18,919
Interest expense on bank borrowings	80,834	88,236
Interest expense on deferred payment of business combination purchases consideration	72,364	—
Less: Amount capitalised on qualifying assets	<u>—</u>	<u>(3,270)</u>
	<u>177,245</u>	<u>103,885</u>

8 Income tax expense

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Restated)</i>
Current income tax	137,308	47,629
Deferred income tax	<u>(6,184)</u>	<u>(3,190)</u>
Income tax expense	<u>131,124</u>	<u>44,439</u>

Notes:

- (a) The Company was incorporated in the British Virgin Islands and is exempted from payment of the British Virgin Islands income tax.
- (b) No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year.

- (c) Provision made for PRC corporate income tax (“CIT”) amounted to HK\$137,308,000 (2018: HK\$47,629,000) for the year ended 31 December 2019. The statutory income tax rate applicable to the PRC subsidiaries of the Group is 25% (2018: 25%). Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Energy Technology (Wuhu) Limited (“Xinyi Technology (Wuhu)”), are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants, insurance claim received and interest income are subject to the CIT with the statutory income tax rate of 25%. Xinyi Technology (Wuhu) is subject to the CIT with the statutory income tax rate of 25%.

9 Earnings per share

(a) Basic

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

	2019	2018 (Restated)
Profit attributable to equity holders of the Company (HK\$'000)	890,986	740,813
Adjusted weighted average number of ordinary shares in issue (thousands)	5,929,468	4,744,740
Basic earnings per share (HK cents per share)	15.03	15.61

Note:

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2019 has been determined on the assumption that the capitalisation issue had been effective from 1 January 2018 (2018: Same).

(b) Diluted

For the year ended 31 December 2018, diluted earnings per share equals basic earnings per share as there was no potential dilutive share.

For the year ended 31 December 2019, the Company has one category of potentially dilutive shares, the Over-allotment Option (“Over-allotment Option”). Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company’s shares for the period from the listing date (28 May 2019) to lapse date of the lapsed option (19 June 2019) and exercise date of the exercised option (19 June 2019) respectively) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option.

	2019 HK\$’000
Profit attributable to equity holders of the Company (HK\$’000)	890,986
Adjusted weighted average number of ordinary shares in issue (thousands)	5,929,468
Effect of potentially dilutive shares from	
Over-allotment Option granted (thousands)	438
Weighted average number of ordinary shares in issue	
for the purpose of calculating diluted earnings per share (thousands)	5,929,906
Diluted earnings per share (HK cents per share)	15.03

10 Dividends

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividend of HK\$0.05 (2018: Nil) per share (Note (a))	337,624	—
Proposed final dividend of HK\$0.085 (2018: final dividend of HK\$58.27) per share (Note (b))	<u>573,961</u>	<u>315,949</u>

Notes:

- (a) An interim dividend of HK\$0.05 per share (2018: Nil) was paid in cash to shareholders for whose names appeared on the Register of Members of the Company on 29 August 2019.
- (b) A final dividend in respect of the financial year ended 31 December 2019 of HK\$0.085 per share (2018: HK\$58.27 per share), amounting to a total dividend of HK\$573,961,000 (2018: HK\$315,949,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2019 proposed final dividend is based on 6,752,478,471 shares in issue as at 31 January 2020 (2018: 5,422,560 shares in issue as at 21 January 2019). These consolidated financial statements do not reflect this dividend payable.

11 Business combination

To build up a more diversified solar farm investment portfolio, the Group acquired Xinyi Solar Farm (Group 1) Limited for its several solar farm projects in the PRC from Xinyi Power (BVI) Limited (“**Xinyi Power (BVI)**”), the immediate holding company of the Company, at a gross agreed purchase price of HK\$4,083,256,000 during the year ended 31 December 2019. The gross agreed purchase price was determined in strict compliance with the terms and conditions of the sale and purchase agreement and a novation agreement dated on 5 December 2018 and 3 June 2019, respectively. Pursuant to the sale and purchase agreement, Xinyi Power (BVI) received 50% of the gross agreed purchase price upon completion of the acquisition of six utility-scale ground-mounted solar farm projects (the “**2019 Portfolio**”)⁽¹⁾ (the “**2019 Acquisition**”). The deferred consideration will be fully settled on 28 May 2023, or upon the receipt of the

payment from the PRC Government of the tariff adjustments of the solar power plants, whichever is earlier.

The table below summarised the details of the solar farm projects acquired.

Name of the company	Equity interest acquired	Solar power plants acquired		
		Location	Number of plants	Approved capacity (MW)
New Wisdom International Limited and its subsidiaries, Xinyi Solar (Xiaochang) Limited and Xinyi Solar (Xiaogan) Limited	100%	Hubei	2	160
Sky Falcon Development Limited and its subsidiary, Xinyi Solar (Suiping) Limited	100%	Henan	1	110
Perfect Alliance Development Limited and its subsidiary, Xinyi Renewable Energy (Shouxian) Limited	100%	Anhui	1	200
Profit Noble Development Limited and its subsidiary, Xinyi Solar (Huainan) Limited	100%	Anhui	1	20
Sky Cheer Investments Limited and its subsidiary, Xinyi Solar (Wuwei) Limited	100%	Anhui	1	50

Note:

The 2019 Portfolio includes the six utility-scale ground-mounted solar farm projects owned by various wholly-owned subsidiaries of Xinyi Solar, namely Xiaochang Solar Farm One, Xiaochang Solar Farm Two, Suiping Solar Farm, Shouxian Solar Farm Two, Huainan Solar Farm, and Wuwei Solar Farm Two, with an aggregate approved capacity of 540 MW for electricity generation.

The above business combinations are individually immaterial to the Group. Aggregate financial information as at acquisition date is presented as follows:

	Total <i>HK\$'000</i>
Purchases consideration	
Fair value of cash consideration	3,701,928
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	3,894,507
Right-of-use assets	154,501
Deferred income tax assets	69
Trade and other receivables and prepayments (Note (d))	1,095,627
Cash and cash equivalents	25,874
Bank borrowings	(1,135,412)
Accruals and other payables	(286,391)
Lease liabilities	(158,356)
Deferred income tax liabilities (Note (e))	(218,794)
Total identifiable net assets	3,371,625
Goodwill (Note (f))	330,303
	<u>3,701,928</u>
Net cash outflow arising from the 2019 Acquisition	
Cash consideration	3,701,928
Less: Cash and cash equivalents acquired	(25,874)
Less: Deferred cash consideration payable	(1,660,300)
	<u>2,015,754</u>
Net cash outflow represents	
Upfront payment upon completion of 2019 Acquisition (Note (a))	2,041,628
Deferred cash consideration (Note (b))	1,660,300
	<u>3,701,928</u>

Notes:

(a) Upfront payment upon completion of 2019 Acquisition

Upfront payment represents 50% of the gross agreed purchase price of HK\$4,083,256,000.

(b) Deferred cash consideration

Deferred cash consideration represents present value of estimated payment schedule of the remaining 50% of the gross agreed purchase price discounted at the effective interest rate of 6.38%.

(c) Revenue and profits contribution

The table below illustrates the revenue and the profits included in the consolidated income statement since acquisition date contributed by the 2019 Acquisition.

	Total HK\$'000
Revenue	392,268
Profits contributed to the Group	<u>257,522</u>

If the 2019 Acquisition had occurred on 1 January 2019, the consolidated income statement would show pro-forma revenue of approximately HK\$1,816,945,000 and pro-forma profit of HK\$1,017,358,000.

(d) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were HK\$837,753,000 and included trade and tariff adjustment receivables with fair values as below:

	Total HK\$'000
Trade and tariff adjustment receivables	<u>824,452</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$824,452,000.

(e) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of approximately HK\$218,794,000 have been provided for in relation to these fair value adjustments.

(f) Goodwill

The Group recognised goodwill of approximately HK\$330,303,000 in the consolidated balance sheet in connection with the 2019 Acquisition. The goodwill from the 2019 Acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the 2019 Acquisition, the Group benefits through the synergies expected to arise after the 2019 Acquisition because of the close proximity of these projects to other solar farms currently operated by the Group. The goodwill will not be deductible for tax purposes.

12 Trade and other receivables and prepayments

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Trade receivables (Note (a))	2,582,554	1,429,020
Bills receivables (Note (a))	9,905	16,373
Trade and bills receivables	2,592,459	1,445,393
Deposits and other receivables (Note (c))	4,937	2,289
Other tax receivables (Note (d))	453,610	384,235
Prepayments for listing expenses	—	9,267
Prepayments for property, plant and equipment	10,268	12,527
Other prepayments	1,161	189
	3,062,435	1,853,900
Less: Non-current portion		
Prepayments for property, plant and equipment	(10,268)	(12,527)
	(10,268)	(12,527)
Current portion	3,052,167	1,841,373

(a) Trade and bills receivables

As at 31 December 2019, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Receivables from sales of electricity	60,143	18,472
Tariff adjustment receivables	2,522,411	1,410,548
	2,582,554	1,429,020

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

The ageing analysis of trade receivables is as follows:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	308,102	210,367
91 days to 180 days	402,183	238,878
181 days to 365 days	572,959	398,078
Over 365 days	1,299,310	581,697
	<u>2,582,554</u>	<u>1,429,020</u>

The maturity of the bills receivables is within 1 year.

The carrying amounts of the Group's trade and bills receivables are denominated in RMB.

(b) Loss allowance of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue ("Catalogue"). Since June 2018, the Group had seven ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality, with an aggregate capacity of 704 MW, successfully enlisted on the seventh batch of the Catalogue.

Out of the 6 solar farms acquired in 2019, a ground-mounted solar farm, located in Anhui Province, with aggregate capacity of 20 MW, has already been successfully enlisted on the seventh batch of the Catalogue in June 2018.

During the year ended 31 December 2019, the Group received aggregate payment of RMB622,331,000 (equivalent to HK\$704,176,000) for the subsidies mainly incurred during April 2017 to February 2018 of the solar farms enlisted on the sixth and seventh batch of the Catalogue (2018: RMB670,590,000 (equivalent to HK\$709,981,000) for the subsidies recognised up to March 2017 of the solar farms enlisted on the sixth and seventh batch of the Catalogue).

Given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the expected collection timing of tariff adjustment receivables is within the normal operating cycle, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2019 (2018: Nil).

(c) Deposits and other receivables

Deposits and other receivables are all expected to be recoverable and therefore no provision was made. The ageing of deposits and other receivables was within 1 year.

The carrying amounts of the Group's deposits and other receivable are denominated in RMB.

(d) Other tax receivables

Other tax receivables mainly represent value added tax (“VAT”) recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress). They will be offset against output VAT on sales of solar electricity and tariff adjustment. The balance is denominated in RMB.

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

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

13 Accruals and other payables

	2019	2018
	HK\$'000	HK\$'000
		(Restated)
Payables for property, plant and equipment	404,131	257,850
Accrued listing expenses	1,516	6,130
Others (Note (b))	12,421	6,383
	418,068	270,363
Less: Non-current portion		
Retention payables for property, plant and equipment	(30,446)	(19,107)
Current portion	387,622	251,256

Notes:

(a) The carrying amounts of accruals and other payables approximate their fair values.

(b) The balance mainly comprises accruals of professional fees, interest for bank borrowings and accrued staff costs.

14 Bank borrowings

The bank borrowings are unsecured and repayable as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	727,388	652,578
Between 1 and 2 years	1,009,580	462,672
Between 2 and 5 years	216,000	571,950
	<u>1,952,968</u>	<u>1,687,200</u>
Less: Non-current portion	<u>(1,225,580)</u>	<u>(1,034,622)</u>
Current portion	<u>727,388</u>	<u>652,578</u>

As at 31 December 2019, all bank loans bore floating interest rates (2018: same). These bank borrowings are repayable by instalments up to 2022 (2018: 2021). The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 31 December 2019 (2018: same), as the impact of discounting is not significant. The effective interest rates were as follows:

	2019	2018
Bank borrowings	<u>4.15%</u>	<u>3.93%</u>

As at 31 December 2018, the bank borrowings were secured by corporate guarantees provided by Xinyi Solar Holdings Limited, the ultimate holding company, Xinyi Power (BVI), the immediate holding company and Xinyi Solar (BVI) Limited, a fellow subsidiary. Upon separate listing of the Company on 28 May 2019, the corporate guarantees were released and replaced by corporate guarantees provided by the Company and its subsidiaries.

15 Subsequent event

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The year ended 31 December 2019 was an exceptional year for Xinyi Energy as it has completed the listing (the “**Listing**”) of the Company’s shares (the “**Shares**”) on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Listing allows the Group to access to the international capital markets and represents a new leap to a separate financing platform. As a listed company on the Stock Exchange, the Group has forged ahead to a new starting point attaining new heights, aiming towards sustainability for achieving a long-term business development.

After completion of the acquisition of the 2019 Portfolio, (as discussed below), the Group recorded revenue of HK\$1,593.1 million, representing an increase of 32.7%, as compared to the amount of revenue in 2018. Profit attributable to equity holders of the Company increased by 20.3% to HK\$891.0 million. Basic earnings per Share were 15.03 HK cents for 2019, as compared to 15.61 HK cents in 2018. According to the dividend policy adopted by the Company, the Board proposes to declare a final dividend of 8.5 HK cents per Share, in the total amount of HK\$573,961,000, representing 100% of the Distributable Income (as discussed below), subject to the approval by the Shareholders at the forthcoming annual general meeting (“**Annual General Meeting**”) of the Company.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's revenue was mainly derived from solar power electricity generation. The Group also received service fee income from the provision of the solar farm operation and management services. Revenue from solar power electricity generation, which included sales of electricity and tariff adjustment, significantly increased, as compared to the year ended 31 December 2018, due to completion of the acquisition of the 2019 Portfolio in June 2019.

The table below sets forth an analysis of the Group's revenue for the year ended 31 December 2019, as compared to the year ended 31 December 2018:

Revenue – By business

	2019		2018		Increase	
	<u>HK\$'million</u>	<u>% of revenue</u>	<u>HK\$'million</u>	<u>% of revenue</u>	<u>HK\$'million</u>	<u>%</u>
Sales of electricity	621.5	39.0	457.1	38.1	164.4	36.0
Tariff adjustment	966.7	60.7	743.5	61.9	223.2	30.0
	1,588.2	99.7	1,200.6	100.0	387.6	32.3
Operation and management services	4.9	0.3	—	—	4.9	N/A
Total	<u>1,593.1</u>	<u>100.0</u>	<u>1,200.6</u>	<u>100.0</u>	<u>392.5</u>	<u>32.7</u>

The Group's revenue contributed by the sales of electricity and the tariff adjustment increased by 36.0% to HK\$621.5 million and 30.0% to HK\$966.7 million, respectively, as compared to the same for the year ended 31 December 2018. The increases were primarily due to the completion of the acquisition of the 2019 Portfolio, which was, however, partially offset by the depreciation of Renminbi ("RMB") against Hong Kong dollar ("HK\$"). There has been no curtailment in the power purchased by the customers of the Group during both years.

Solar power electricity generation revenue – By portfolio

	2019		2018		Increase/(Decrease)	
	<u>HK\$'million</u>	<u>% of revenue</u>	<u>HK\$'million</u>	<u>% of revenue</u>	<u>HK\$'million</u>	<u>%</u>
Initial Portfolio ⁽¹⁾	1,195.9	75.3	1,200.6	100.0	(4.7)	(0.4)
2019 Portfolio ⁽²⁾	392.3	24.7	—	—	392.3	N/A
Total	<u>1,588.2</u>	<u>100.0</u>	<u>1,200.6</u>	<u>100.0</u>	<u>387.6</u>	<u>32.3</u>

Notes:

- (1) The Initial Portfolio includes nine solar farm projects, i.e. Nanping Solar Farm, Hong'an Solar Farm, Wuwei Solar Farm One, Lixin Solar Farm, Fanchang Solar Farm, Binhai Solar Farm, Shouxian Solar Farm, Sanshan Solar Farm and Jinzhai Solar Farm
- (2) The 2019 Portfolio includes five solar farm projects, i.e. Xiaochang Solar Farm One and Two, Suiping Solar Farm, Shouxian Solar Farm Two, Huainan Solar Farm and Wuwei Solar Farm Two.

Revenue generated from the nine utility-scale ground-mounted solar farm projects comprising the Initial Portfolio slightly decreased to HK\$1,195.9 million for the year ended 31 December 2019, as compared to HK\$1,200.6 million for the year ended 31 December 2018. In fact, the revenue of the Initial Portfolio denominated in RMB during the year ended 31 December 2019 increased by 4.2% as compared to the revenue in RMB during the year ended 31 December 2018. The increase in revenue denominated in RMB was offset by the depreciation of RMB against HK\$ during the year.

In 2019, the Group's revenue from solar power electricity generation was contributed by the solar farms operated and managed by the Group as follows:

Name of the solar farm projects	Location	Approved capacity (MW)
Initial Portfolio		
Nanping Solar Farm.....	Fujian Province, PRC	30
Hong'an Solar Farm.....	Hubei Province, PRC	100
Wuwei Solar Farm One	Anhui Province, PRC	100
Lixin Solar Farm.....	Anhui Province, PRC	140
Fanchang Solar Farm	Anhui Province, PRC	60
Binhai Solar Farm	Tianjin Municipality, PRC	174
Shouxian Solar Farm.....	Anhui Province, PRC	100
Sanshan Solar Farm	Anhui Province, PRC	100
Jinzhai Solar Farm	Anhui Province, PRC	150
		954
2019 Portfolio		
Xiaochang Solar Farm One.....	Hubei Province, PRC	130
Xiaochang Solar Farm Two	Hubei Province, PRC	30
Suiping Solar Farm	Henan Province, PRC	110
Shouxian Solar Farm Two	Anhui Province, PRC	200
Huainan Solar Farm	Anhui Province, PRC	20
Wuwei Solar Farm Two.....	Anhui Province, PRC	50
		540
Total		1,494

The Group received HK\$4.9 million from solar farm operation and management services rendered for the year ended 31 December 2019, which accounted for 0.3% of total revenue in 2019. For the purpose of establishing a clear delineation of business activities between Xinyi Energy and Xinyi Solar, the Group has entered into the Solar Farm Operation and Management Agreement (the “**Solar Farm O&M Agreement**”) with Xinyi Solar. Pursuant to the Solar Farm O&M Agreement, Xinyi Solar has agreed to engage the Group to operate and manage all connection-ready solar farm projects developed and constructed by Xinyi Solar. Those operation and management services provided by the Group are on normal commercial terms, taking into consideration the service quality, price, work efficiency, etc. of the Group, as compared to the services provided to independent third parties.

Cost of sales

The Group has achieved an efficient operation with lower costs through implementing the sophisticated management for individual solar farms and nationwide centralised surveillance system, which can provide real-time monitoring and collection of operating and performance data of all solar farm projects.

For the year ended 31 December 2019, the Group’s cost of sales increased by 30.6% to HK\$377.6 million from HK\$289.1 million for the year ended 31 December 2018. The increase in the amount of cost of sales was primarily due to the increased depreciation, staff cost and rental expenses, following the completion of the acquisition of the 2019 Portfolio. The cost of sales as a percentage to revenue for the year ended 31 December 2019 slightly decreased by 0.4% to 23.7% from 24.1% for the year ended 31 December 2018.

Gross profit

The Group's gross profit increased by 33.4% to HK\$1,215.5 million for the year ended 31 December 2019 from HK\$911.5 million during the year ended 31 December 2018, which is in line with the increase in revenue. The gross profit margins were 76.3% and 75.9% for the year ended 31 December 2019 and 2018, respectively. The slight increase in the gross profit margin during the year ended 31 December 2019 was primarily due to (a) a slight increase in the level of solar irradiation during the year, even though there was a slight decrease during the first quarter of 2019; and (b) the streamlined business operation and various efficiency enhancement measures, as well as certain savings in fixed cost (e.g. electricity) owing to economies of scale.

Other income

For the year ended 31 December 2019, other income significantly decreased by 69.2% to HK\$6.1 million from HK\$19.8 million for the year ended 31 December 2018. The decrease was primarily due to (a) the decrease in the amount of insurance compensation; (b) the decrease in receipt of government grant; and (c) decreased amount of discounts received from the suppliers as the Group was not engaged in construction business during the second half 2019 following the Listing.

Other gains, net

The Group recorded other gains, net of HK\$0.4 million during the year ended 31 December 2019, as compared to other gains, net of HK\$5.1 million during the year ended 31 December 2018 due to the depreciation of the RMB against the HK\$.

Administrative expenses

For the year ended 31 December 2019, the administrative expenses decreased by HK\$2.7 million from HK\$54.0 million for the year ended 31 December 2018 to HK\$51.3 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in (a) insurance premium; and (b) listing expenses, which were partially offset by the increase in (a) employees' benefit expenses; (b) Directors' emoluments; and (c) miscellaneous expenses after the Listing and completion of the acquisition of the 2019 Portfolio.

Finance income and finance cost

The finance income increased by 323.0% to HK\$28.6 million for the year ended 31 December 2019 due to (a) the bank interest income on the net proceeds of the global offering (the “**Global Offering**”); and (b) receipt of an aggregate subsidy payment in the second half of the year.

For the year ended 31 December 2019, the total finance costs amounted to HK\$177.2 million, as compared to HK\$103.9 million during the year ended 31 December 2018. The interest expenses on bank borrowings decreased from HK\$88.2 million during the year ended 31 December 2018 to HK\$80.8 million during the year ended 31 December 2019. The decrease was mainly due to the reduction in the balance of interest-bearing bank borrowings for the construction of the solar farm projects. The Group capitalised interest expense in the amount of HK\$3.3 million into the construction costs of solar farm projects during the year ended 31 December 2018.

The interest component on lease liabilities increased by 27.0% to HK\$24.0 million during the year ended 31 December 2019 from HK\$18.9 million during the year ended 31 December 2018, due to the completion of the 2019 Acquisition. Alongside this, the imputed interest expenses on the deferred payment of the consideration of the 2019 Acquisition was HK\$72.4 million during the year ended 31 December 2019.

Income tax expense

The Group incurred income tax expense of HK\$131.1 million during the year ended 31 December 2019, as compared to HK\$44.4 million during the year ended 31 December 2018. The increase was primarily attributable to: (a) the acquisition of the 2019 Portfolio; and (b) all nine solar farm projects under the Initial Portfolio commencing the payment of PRC income tax at the rate of 50% of the amount of the income tax expense payable at the statutory rate of 25% (2018: four solar farm projects of the Initial Portfolio.)

Adjusted EBITDA, Distributable Income and net profit

For the year ended 31 December 2019, the adjusted EBITDA (the calculation of adjusted EBITDA is set forth in the prospectus of the Company dated 15 May 2019) was HK\$1,484.4 million, representing an increase of 34.9%, as compared to HK\$1,100.3 million for the previous year. The adjusted EBITDA margin was 93.2% during the year ended 31 December 2019 as compared to 91.6% during the year ended 31 December 2018.

Pursuant to the distribution policy of the Group, for the year ended 31 December 2019, the Distributable Income was HK\$906.8 million, which represents an increase of 33.9%, as compared to HK\$677.3 million during the year ended 31 December 2018.

Net profit attributable to equity holders of the Company during the year ended 31 December 2019 was HK\$891.0 million, representing an increase of 20.3%, as compared to HK\$740.8 million during the year ended 31 December 2018. The slightly decrease in the net profit margin to 55.9% during the year ended 31 December 2019 from 61.7% during the year ended 31 December 2018 was due to commencement of payment of income tax expense for members of the companies operating the Initial Portfolio and certain solar farm projects under the 2019 Portfolio when there was no material change in the gross profit margin and the operating profit margin for the year under audit.

FINAL DIVIDEND

The Group dedicated to enhancing value for the Shareholders. The Company has adopted a well-defined policy on distribution based on cash inflow generated by solar power electricity generation (the “**Distributions**”) following the Listing. It is the Board’s intention to declare and distribute interim and final Distributions in each year not less than 90% of the Distributable Income, and with an intent to distribute 100% of the Distributable Income in each year. For the two years ended 31 December 2019 and 2020, we have committed to declare and distribute interim and final Distributions representing a 100% of the Distributable Income.

In September 2019, we paid out our first interim dividend after Listing which declared in August 2019 by the Company for the first six months ended of 2019. The amount of final dividend for 2019 will continue to the well-defined policy on Distributions.

FINANCE RESOURCES AND LIQUIDITY

As at 31 December 2019, the Group's total assets amounted to HK\$14,966.4 million, representing an increase by 72.9% and net assets amounted to HK\$10,193.7 million, increasing by 59.7% as at 31 December 2018. The Group current ratio as at 31 December 2019 was 1.6, as compared to 2.4 as at 31 December 2018 as the increases in (a) cash and cash equivalent; and (b) trade and other receivables were partially offset by the increase in bank borrowings and the amount due to the immediate holding company.

The Group's net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2019 was 3.2% (31 December 2018: 19.8%), representing a decrease of 83.8%. The decrease was primarily due to (i) the increase in total equity after the Listing and acquisition of the 2019 Portfolio and (ii) significant increase in cash and cash equivalents, partially offset by the increase in bank borrowings.

The net proceeds from the Global Offering (following the partial exercise of the Over-allotment Option) were HK\$3,762.3 million. The Group has adopted a prudent approach to cash and financial management to ensure proper risk control and lower the cost of funding. As at 31 December 2019, the Group had cash and cash equivalents of HK\$1,631.2 million, representing an increase of 287.2%, as compared to HK\$421.3 million as at 31 December 2018.

As at 31 December 2019, the Group's financial position remained healthy, with the cash and cash equivalents balance at HK\$1,631.2 million. During the year ended 31 December 2019, net cash generated from operating activities was HK\$1,120.5 million (2018: HK\$1,111.3 million), which was primarily attributable to the profit before income tax of HK\$1,022.1 million and partially offset by an increase in trade and other receivables and a decrease of accruals and other payables. Net cash used in investing activities amounted to HK\$2,169.1 million (2018: HK\$103.9 million), which was primarily attributable to the payment for acquisition of the 2019 Portfolio and settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the year. Net cash generated from financing activities amounted to HK\$2,280.3 million (2018: net cash used in financing activities, HK\$1,038.3 million) which was primarily attributable to proceed from issuance of ordinary shares for the (a) global offering at HK\$3,652.3 million; and (b) over-allotment at HK\$242.8 million, partially offset by the repayment of bank borrowings and dividends paid to the Company's shareholders during the year.

For the year ended 31 December 2019, the Group has received the tariff adjustments of RMB622.3 million (equivalent to HK\$704.2 million) belonging to the sixth and seventh batch of the renewable energy tariff subsidy catalogue (“**Catalogue**”), in relation to the electricity generation up to first quarter of 2018.

BUSINESS REVIEW

The year ended 31 December 2019 was the first year for the Group to publish its annual results following the Listing. The Group also achieved a stable, sustainable and healthy business growth during the year. Within few months after the Listing, the Group was included as a constituent stock in the Hang Seng Composite Index and the Hang Seng Stock Connect Hong Kong Index, respectively, demonstrating the capital market's recognition of the Group's performance.

The Group currently has sufficient cash with net gearing ratio remaining at a very low level, which enables the Group to invest in other solar farm projects. The Group will also adhere to the approach of maintaining organic and stable growth, and capture the opportunities arising from the booming environmental protection market in PRC.

For the year ended 31 December 2019, our revenue increased by 32.7% to HK\$1,593.1 million and profit attributable to equity holders of the Company increased by 20.3% to HK\$891.0 million. Basic earnings per Share were 15.03 HK cents for the year ended 31 December 2019, as compared to 15.61 HK cents for 2018.

Contribution from the acquisition of the 2019 Portfolio

As the time of the Listing, the approved capacity of the Initial Portfolio was 954 MW. On 3 June 2019, pursuant to the Target Sale and Purchase Agreement, the Group completed the acquisition of the 2019 Portfolio with an approved capacity of 540 MW. During the year ended 31 December 2019, the amount of the revenue contributed by the 2019 Portfolio was HK\$392.3 million, representing 24.7% of the total revenue of solar power electricity generation of the Group. Because the Group only recognised the revenue of the 2019 Portfolio after completion of the acquisition around the middle of the year, the Group believe that 2019 Portfolio will contribute more revenue in the upcoming year and afterwards.

For the year ended 31 December 2019, all of our solar farm projects are located in provinces or municipality with high electricity demand, such as Anhui Province, Hubei Province and Tianjin Municipality, in the PRC. Have not experienced any curtailment issue in electricity generation from our customer such as The State Grid Corporation.

Level of solar irradiation

The total power generation from our solar farm projects is depending on the level of solar irradiation. However, solar irradiation varies across different geographical locations, and this variation affects the annual utilisation hours of solar power projects at different locations. According to the historical data, on the national level, the PRC has experienced minor variation in the solar irradiation level, as compared to the same for the past decades. In 2019, the PRC recorded an average annual solar irradiation level of 1,470.5 kWh/m², as compared to the same of 1,486.5 kWh/m² in 2018, which are 1.6% and 0.5% respectively, lower than 10 years average annual solar irradiation level between 2009 and 2018.

Due to an unexpected cloudy and enduring raining weather in the Central and Eastern of the PRC during the first quarter of 2019, the average utilisation rate of our Initial Portfolio during the first half of the year decreased by 1.7%, as compared to the same period in 2018. However, benefited from the increase in the total number of sunny weather during the second half of the year, the average utilisation rate for the year ended 31 December 2019 was 2.9% higher than the same period of 2018.

BUSINESS OUTLOOK

In 2019, it was the first year for the photovoltaic (the “**PV**”) industry of PRC to undergo a significant change from the Feed-in-Tariff (the “**FiT**”) regime (which includes a significant portion of subsidy by the PRC Government in the form of tariff adjustment) to a grid-parity regime after the “Notice on Actively Promoting the Work on Subsidy-Free Grid Parity for Wind Power and Solar Power (2019) (關於積極推進風電、光伏發電無補貼平價上網有關工作的通知)” (the “**2019 Grid-Parity Notice**”) jointly issued by the National Development and Reform Commission (the “**NDRC**”) and the National Energy Administration (the “**NEA**”) on 7 January 2019. The Directors believe that the 2019 Grid-Parity Notice has been widely welcomed within the industry since it is favourable to the healthy development of the renewable energy industry and can reduce the reliance on the subsidy provided by the PRC Government.

The Group has proactively embraced the opportunities during the new market environment to cope with the advent of the grid-parity regime. Even though the Group has completed the acquisition of 2019 Portfolio right after the Listing, the Group’s business strategy for future acquisitions of solar farm projects will shift from FiT projects to grid-parity projects. The Directors believe that the Group should exercise the call option and the right of first refusal granted by Xinyi Solar to first acquire grid-connected grid-parity solar farm projects with construction completed for the purpose of strengthening the Group’s solar farm project under management. Besides, the Group will continue to identify acquisition targets under the grid-parity regime from independent third parties which can provide a better visibility in the future cash flows.

In 2020, the Group plans to acquire solar farm projects from Xinyi Solar in the aggregate approved capacity of not less than 230 MW pursuant to the arrangements entered into between the Group and Xinyi Solar at the time of spin-off the Group in June 2019. In addition, the Group is in discussion with independent third parties for acquisitions in 2020 once the solar farm projects achieve grid connection and substantial completion of construction.

Name of the solar farm projects	Location	Type of projects	Vendor	Approved capacity (MW)
Solar Farm I	Hubei Province, PRC	Grid-parity	Independent third party	150
Solar Farm II	Anhui Province, PRC	Grid-bidding	Independent third party	20
Total				170

The NDRC, Ministry of Finance (the “**MoF**”) and NEA jointly released the Several Opinions on Promoting the Healthy Development of Non-hydro Renewable Energy Power Generation (關於促進非水可再生能源發電健康發展的若干意見) (the “**2020 Opinion**”) dated 20 January 2020. Pursuant to the 2020 Opinion, the PRC Government will not announce new additions to the existing “Renewable Energy Tariff Subsidy Catalogue” (《可再生能源補助目錄》) any longer. The grid companies (including (i) The State Grid Corporation and (ii) China Southern Power Grid) will regularly announce a “Renewable Energy Power Generation Project List” (《可再生能源發電項目清單》) (the “**List**”) based on the project type, time of grid connection and technical level of the solar farm projects. All solar farm projects listed in the Catalogues will be enlisted in the List automatically, and all of the eligible solar farm projects i.e. five solar farm projects belonging to the 2019 Portfolio with an aggregate approved capacity of 520 MW, which are outside the Catalogues previously will

be also enlisted once completed the submission and application in the National Renewable Energy Information Management Platform. The future cashflow of these eligible solar farm projects will be much easier to predict even though there is still no guarantee on the timing of payments.

Due to the unexpected outbreak of the novel coronavirus (the “**COVID-19**”) from December 2019, almost all provinces and municipalities of the PRC have delayed the resumption of the work of employees and business operation after the Chinese New Year. This has caused a serious adverse impact on the overall market’s economic performance in January and February of 2020 and thereafter. However, due to the business model of the Group as a solar farm owner and operator, its daily operation has not been affected by the outbreak or disaster but by the solar irradiation level. This proves once again the stability of the solar power electricity generation business.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company completed the Listing and the Global Offering in May 2019 by offering 2,007,738,471 new Shares representing 29.7% of the number of Shares in issue immediately after completion of the Global Offering. The amount of gross proceeds raised from the Global Offering was HK\$3,895.0 million. The expenses incurred by the Group for the Listing and the Global Offering amounted to HK\$132.7 million, of which HK\$45.9 million was charged to profit or loss and the HK\$86.8 million was debited to the equity of the Group. The net proceeds from the Global Offering amounted to HK\$3,762.3 million.

As disclosed in the prospectus (the “**Prospectus**”) of the Company dated 15 May 2019, the Company has used HK\$2,041.6 million, representing 54.3% of the net proceeds from the Global Offering (following the partial exercise of the Over-allotment Option) for the acquisition of the 2019 Portfolio. Such amount represents 50% of the agreed purchase price of the 2019 Portfolio.

The Group has also used HK\$386.0 million to refinance part of the loans of the Group for the purpose of reducing the amount of interest expense payable by the Group.

The remaining balance of HK\$1,334.7 million is currently maintained as part of the cash and bank balances of the Group.

The Directors have considered using the amount to purchase money-market instruments issued by authorised financial institutions and/or licensed banks in Hong Kong or the PRC or investment-grade bond products, but none of these instruments or products satisfy the investment and risk appetite of the Group. If there is any change in the use of the unutilised amount of the net proceeds from the Global Offering, the Company will issue an announcement in full compliance with the Listing Rules.

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 December 2019, the Group incurred expenditures of HK\$4,083.3 million for the purchase of the 2019 Portfolio. The amount of the total consideration is HK\$4,083.3 million, of which it has paid to Xinyi Solar a sum of HK\$2,041.6 million. The remaining balance of HK\$2,041.7 million would be paid by the Group pursuant to the terms and conditions of the Target Sale and Purchase Agreement. Such amount is classified as amount due to immediate holding company as at 31 December 2019 amounted to HK\$1,717.9 million. In addition, the Group incurred capital expenditure of HK\$166.5 million for the year ended 31 December 2019 which was primarily used in development of the Initial Portfolio. As at 31 December 2019, the Group did not have other capital commitments (2018: HK\$5.14 million).

PLEDGE OF ASSETS

The Group did not have any pledged asset as security for bank borrowings as of 31 December 2019.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2019, the Group acquired the 2019 Portfolio with an aggregate capacity of 540 MW. Please refer to note 11 to the consolidated financial statements in this announcement for further details. Except for this, there was no further material acquisition and disposal of subsidiaries for the year ended 31 December 2019.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The Group's solar farm projects are in the PRC with most of the transactions denominated and settled in RMB. Its financial performance and assets value could be affected by the exchange rate fluctuation between RMB and HK\$. The Group may use financial instruments for hedging purposes when faced material difficulties and liquidity problems resulting from currency exchange fluctuation.

All of the revenue generated from the solar farm projects are denominated in RMB and the bank borrowings are denominated in HK\$. There is a currency mismatch between bank borrowings with the source of revenue. The Directors believe that the risk of currency mismatch may be minimised by the lower bank borrowing rates of HK\$, as compared to the RMB. As at 31 December 2019, all bank borrowings were denominated in HK\$.

The Group has not experienced any material difficulties and liquidity problems resulting from the fluctuation of currency exchange. However, the Group may use financial instruments for hedging purposes as and when required. For the year ended 31 December 2019, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

The Group has highly valued the human resources, continuously shares the reciprocal benefits and shared growth with its employees. The Group consistently explore the potential and ability of its employees. On the other hand, the Group will continue to attract additional employees as and when appropriate for business development.

As at 31 December 2019, the Group had 232 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$29.6 million for the year ended 31 December 2019. Its employees are remunerated based on their qualifications, job nature, performance and working experiences plus reference to the prevailing market rate. Apart from the basic remuneration and discretionary bonus, the Group also provide statutory social welfare contribution to employees in PRC and mandatory provident fund scheme to employees in Hong Kong respectively, under their laws and regulations.

SHARE OPTION SCHEME

As at the date of this announcement, no share option has been granted by the Company. Prior to the Listing, members of the Group were non-wholly owned subsidiaries of Xinyi Solar and some of our employees have been granted share options under the share option scheme adopted by Xinyi Solar.

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

During the period from the date of the Listing and up to 31 December 2019, except for the new issue of Shares under the Global Offering, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As at the date of this announcement and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from or any breach of the provisions in the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix 14 to The Rules Governing the Listing of Securities on Stock Exchange (the “**Listing Rules**”) for the year ended 31 December 2019.

AUDIT COMMITTEE OF THE BOARD

The audit committee (the “**Audit Committee**”) of the Company was established on 22 November 2018 with written terms of reference in compliance with the CG Code, comprising of three independent non-executive directors namely, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P., and Ms. LYU Fang. Mr. LEUNG Ting Yuk is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group and discuss the internal control procedures and financial reporting matters.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the period from the Listing Date to 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float between 15% and 25% as the market capitalization of the Company at the time of Listing exceeds HK\$10 billion of the Shares held by the public as required under the Listing Rules.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange in due courses.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the board of Directors held on 16 March 2020, the Directors have recommended the payment of a final dividend (the “**Final Dividend**”) of 8.5 HK cents per share for the year ended 31 December 2019. The recommendation of payment of the Final Dividend are subject to the approval of the Shareholders at the forthcoming Annual General Meeting which would be held on or before Friday, 15 May 2020. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 24 June 2020 to the Shareholders whose names appear on the register of members of the Company on Monday, 25 May 2020.

The Company’s register of members will be closed from Thursday, 21 May 2020 to Monday, 25 May 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the Final 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 by 4:30 p.m. on Wednesday, 20 May 2020.

The Final Dividend is made out of the Distributable Income. The Final Dividend will be paid from the Group’s internal financial resources as well as the available banking facilities in Hong Kong.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 15 May 2020. The register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020 (both days inclusive), during which period no transfer of Shares will be effected in order to determine the entitlement to attend and vote at the annual general meeting. All Share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 May 2020 for such purpose. A notice convening the Annual General Meeting will be published on the websites of the Company and the Stock Exchange and dispatched to the Shareholders on Tuesday, 14 April 2020.

By order of the Board
Xinyi Energy Holdings Limited
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 16 March 2020

As of the date of this announcement, the Board comprises four executive Directors, namely, Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, Mr. TUNG Fong Ngai, Mr. LEE Yau Ching and Ms. CHENG Shu E, one non-executive Director, namely Dr. LEE Yin Yee, B.B.S., and three independent non-executive Directors, namely Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.xinyienergy.com.