XINYI ENERGY HOLDINGS LIMITED
信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 03868

ANNUAL REPORT 2019

CONTENTS

Corporate Information

NON-EXECUTIVE DIRECTOR AND CHAIRMAN

Dr. LEE Yin Yee, B.B.S. *(Chairman)* ø~

EXECUTIVE DIRECTORS

Tan Sri Datuk TUNG Ching Sai
P.S.M, *D.M.S.M* *(Vice Chairman)* ø<
Mr. TUNG Fong Ngai *(Chief Executive Officer)*^
Mr. LEE Yau Ching
Ms. CHENG Shu E =

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk* ø<=
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.#+ <=
Ms. LYU Fang # 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
- ^ Chairman of acquisition committee
- = Members of acquisition committee

COMPANY SECRETARY

Mr. TUEN Ling, CPA

REGISTERED OFFICE

Jayla Place
Wickhams Cay I
Road Town
Tortola, VG1110
British Virgin Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 102, Meidiya Road
E Qiao Town
Sanshan District
Wuhu Country
Auhui Province
CHINA

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2118-2120, 21/F
Rykadan Capital Tower
No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

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

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road 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) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Bank Corporation Limited
DBS Bank (Hong Kong) Limited
China Citic Bank
Huishang Bank Corporation Limited

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BRITISH VIRGIN ISLANDS

Ocorian Corporate Services (BVI) Limited
(Change of name from Estera Corporate Services (BVI) Limited to Ocorian Corporate Services (BVI) Limited with effect from 6 April 2020)
Jayla Place, Wickhams Cay I
PO Box 3190
Road Town, Tortola, VG1110
British Virgin 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.xinyienergy.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 03868
Listing date: 28 May 2019
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK$2.00
Market capitalisation as of the date of this annual report:
Approximately HK$13.5 billion

KEY DATES

Closure of register of members for the purpose of determining the entitlements to attend and vote at the Annual General Meeting:
Tuesday, 12 May 2020 to Friday, 15 May 2020 (both days inclusive)
Date of Annual General Meeting:
Friday, 15 May 2020
Closure of register of members for the purpose of determining the entitlements to the final dividend:
Thursday, 21 May 2020 to Monday, 25 May 2020 (both days inclusive)
Proposed final dividend payable date:
On or about Wednesday, 24 June 2020

Chairman's Statement

Dear Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyi Energy Holdings Limited (the "**Company**" or "**Xinyi Energy**"). I announce herewith the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019.

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 (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. According to the distribution 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 defined in the prospectus of the Company dated 15 May 2019 (the "**Prospectus**")), subject to the approval by the shareholders ("**Shareholders**") at the forthcoming annual general meeting ("**Annual General Meeting**") of the Company.

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 the People's Republic of China (the "**PRC**") .

For the year ended 31 December 2019, our revenue increased by 32.7% to HK$1,593.1 million and profit attributable to the 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 megawatt ("**MW**"). On 3 June 2019, pursuant to the Target Sale and Purchase Agreement (as defined in the Prospectus), 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 reognised 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.

Notes:

1) The nine utility-scale ground-mounted solar farm projects, namely 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, with an aggregate approved capacity of 954 MW for electricity generation (the "**Initial Portfolio**").

2) The six utility-scale ground-mounted solar farm projects, 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 "**2019 Portfolio**").

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/m^2, as compared to the same of 1,486.5 kWh/m^2 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 (the "**2019 Acquisition**") 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 Holdings Limited ("**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 May 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.

Chairman's Statement

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》) (the "**Catalogue**") 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 (可再生能源信息管理平台). 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.

CONCLUSION

With the implementation of the 2020 Opinion, the PV industry in the PRC will continue to be highly competitive and challenging. The Group will adopt a prudent, proactive and practical approach in its development for the purpose of creating a constant level of return to our Shareholders and becoming one of the market leaders in the PRC. Meanwhile, the Group will continue to maintain the distribution policy by distributing 100% of our distributable income in 2020.

Finally, I would like to express my sincere gratitude to all members of the Board and all our staff for their dedicated efforts and contributions to the Group, as well as the support from our Shareholders.

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

Hong Kong, 16 March 2020

OVERVIEW

After completion of the acquisition of the 2019 Portfolio (the "**2019 Acquisition**"), 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.

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	
	HK$'million	***% of revenue***	*HK$'million*	*% of revenue*	*HK$'million*	*%*
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	**1,593.1**	**100.0**	1,200.6	100.0	392.5	32.7

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$966.7 million, respectively, as compared to the same for the year ended 31 December 2018. The increases were primarily due to the completion of the 2019 Acquisition, which was, however, partially offset by the depreciation of Renminbi ("**RMB**") against Hong Kong dollar ("**HK$**"). 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)	
	HK$'million	***% of revenue***	*HK$'million*	*% of revenue*	*HK$'million*	*%*
Initial Portfolio	**1,195.9**	**75.3**	1,200.6	100.0	(4.7)	(0.4)
2019 Portfolio	**392.3**	**24.7**	–	–	392.3	N/A
Total	**1,588.2**	**100.0**	1,200.6	100.0	387.6	32.3

Management's Discussion and Analysis

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 Holdings Limited ("**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 2019 Acquisition. 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 (the "**Listing**") of the Company's share.

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$5.1 million during the year ended 31 December 2018 due to the deprecation of the RMB against the HK$.

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 2019 Acquisition.

Management's Discussion and Analysis

Finance income and finance costs

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 (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.

Note:

The calculation of distribution income (the "**Distribution Income**") is based on the dividend policy set forth in the prospectus of the Company dated 15 May 2019 (the "**Prospectus**").

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.

FINANCIAL 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 (a) bank borrowings; and (b) 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 (a) the increase in total equity after the Listing and 2019 Acquisition; and (b) 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 (a) an increase in trade and other receivables; and (b) 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 2019 Acquisition 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$3,652.2 million; and (b) over-allotment at HK$242.8 million, partially offset by (a) the repayment of bank borrowings; and (b) 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 Catalogue, in relation to the electricity generation up to first quarter of 2018.

Management's Discussion and Analysis

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 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 2019 Acquisition. 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2019 Acquisition. 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 (as defined in the Prospectus). 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 15 to the consolidated financial statements in this annual report 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 RATES

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.

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. LEE Yin Yee, B.B.S. (李賢義), aged 67, is our non-executive Director and our Chairman. Dr. LEE Yin Yee, B.B.S. is responsible for formulating the overall business strategies of our Group. Dr. LEE Yin Yee, B.B.S. has been leading the business development of our Group since December 2013. Dr. LEE Yin Yee, B.B.S. has over nine years of experience in the power industry and over 30 years of experience in the glass industry. Dr. LEE Yin Yee, B.B.S. is the founder of Xinyi Glass Holdings Limited ("**Xinyi Glass**") (stock code: 00868) and is currently an executive director and the chairman of Xinyi Glass and an executive director and the chairman of Xinyi Solar Holdings Limited ("**Xinyi Solar**") (stock code: 00968). Dr. LEE Yin Yee, B.B.S. obtained an honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018.

Dr. LEE Yin Yee, B.B.S. is a Committee Member of the 10th-13th Session of The Chinese People's Political Consultative Conference (第10至13屆中國人民政治協商會議委員) and an Honorary Citizen of Shenzhen, the PRC. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the First Chairman of Fu Jian Chamber of Commerce in Shenzhen (formerly known as "Shenzhen Fujian Corporate Association"). Dr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong.

Dr. LEE Yin Yee, B.B.S. is the brother-in-law of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, our Vice Chairman and executive Director, and an uncle of Mr. LEE Yau Ching, our executive Director, and Mr. TUNG Fong Ngai, our executive Director.

EXECUTIVE DIRECTORS

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* (董清世), aged 54, is our executive Director and our Vice Chairman. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* has been responsible for the formulation and implementation of the business strategies of our Group since the commencement of construction of the first utility-scale ground-mounted solar farm project at the beginning of 2014. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* joined our Group in December 2013. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* has over nine years of experience in the power industry and more than 30 years of experience in glass manufacturing industry and is currently an executive director and the chief executive officer of Xinyi Glass. Also, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is currently a non-executive director and the vice chairman of Xinyi Solar.

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is a standing committee member of the 12th Session of The Chinese People's Political Consultative Conference of Guangxi Zhuang Autonomous Region (中國人民政治協商會議廣西壯族自治區委員會常委), the Vice Chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), and a member of the Executive Committee of the 12th Session of the All-China Federation of Industry and Commerce (第十二屆全國工商聯執行委員會委員). Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in 2001 and was awarded the Young Industrialist Awards of Hong Kong in 2006. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* obtained from the Sun Yat-Sen University a Senior Executive Master's Degree in Business Administration in 2007.

Since November 2015, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* has been the chairman and a non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited, a company listed on the GEM of the Hong Kong Stock Exchange (stock code: 08328).

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is the brother-in-law of Dr. LEE Yin Yee, B.B.S., our non-executive Director and our Chairman, and an uncle of Mr. TUNG Fong Ngai, our executive Director.

Profile of Directors and Senior Management

Mr. TUNG Fong Ngai (董貺漄), aged 32, is our executive Director and our Chief Executive Officer. Mr. TUNG Fong Ngai is the Chairman of the Acquisition Committee and is principally responsible for overseeing the daily business operations of our Group and evaluating potential solar farm acquisition and investment opportunities. Mr. TUNG Fong Ngai joined our Group in March 2016. Since then, Mr. TUNG Fong Ngai has been overseeing the Solar Farm Operation Business. Mr. TUNG Fong Ngai joined Xinyi Glass in September 2012 as an executive assistant and was mainly responsible for project-related supervision and coordination. During the period between November 2012 and March 2016, Mr. TUNG Fong Ngai was the chief operating officer of Xinyi Electronic Glass Company Limited, a subsidiary of Xinyi Glass.

Mr. TUNG Fong Ngai graduated from the University of Melbourne with a bachelor's degree in Commerce in 2010 and obtained a master's degree in business administration from Tsinghua University in 2012. Mr. TUNG Fong Ngai is currently a committee member of Shenzhen Bao'an District of the Chinese People's Political Consultative Conference.

Mr. TUNG Fong Ngai is a nephew of Dr. LEE Yin Yee, B.B.S., our non-executive Director and the Chairman of the Board, and Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, our executive Director and the Vice Chairman of our Board.

Mr. LEE Yau Ching (李友情), aged 44, is our executive Director. Mr. LEE Yau Ching is mainly responsible for formulating the overall business strategies of our Group and planning and identifying suitable acquisition opportunities of solar farm projects. Mr. LEE Yau Ching joined our Group in December 2013 and has over five years of experience in the power industry. Mr. LEE Yau Ching is currently an executive director and the chief executive officer of Xinyi Solar.

Upon graduating from The Hong Kong University of Science and Technology in 1999 with a bachelor's degree in business administration majoring in finance, Mr. LEE Yau Ching joined Xinyi Glass in June 1999. From June 1999 to February 2004, Mr. LEE Yau Ching worked in various departments of Xinyi Glass, including overseas sales, finance, production and sales of construction glass and production and sales of automobile glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass and was responsible for planning the overall marketing strategy and overseeing the marketing department. From February 2006 to February 2011, Mr. LEE Yau Ching was the chief operation officer of Xinyi Glass. Mr. LEE Yau Ching has started the management of the Solar Glass Business from the middle of 2006 and since November 2010, he has been the chief executive officer of Xinyi Solar and is mainly responsible for overseeing the business and daily operation of Xinyi Solar and its subsidiaries ("**Xinyi Solar Group**"). Mr. LEE Yau Ching was awarded the "Young Industrialist Awards of Hong Kong 2014".

Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, B.B.S., our non-executive Director and the Chairman of our Board.

Ms. CHENG Shu E (程樹娥), aged 61, is our executive Director and our general manager. Ms. CHENG Shu E is mainly responsible for overseeing the operations of our solar farm projects and is a member of the Acquisition Committee. She joined our Group in January 2016 and is responsible for the operation and maintenance of solar farm projects of our Group.

Ms. CHENG Shu E has over eight years of experience in managing various operational aspects of different types of solar farm projects. Ms. CHENG Shu E joined Xinyi Glass and its subsidiaries in May 1999 and has been working in various departments of Xinyi Glass and its subsidiaries, including technology development, quality control, and administration. In August 2010, Ms. CHENG Shu E joined Xinyi Solar Group as a vice general manager and was responsible for the sourcing of the required materials and components (including solar power panels and the protective glass) and the installation of distributed solar power generation systems for its own electricity consumption. Ms. CHENG Shu E joined our Group in January 2016. Ms. CHENG Shu E graduated from South China University Technology in 1982 with a bachelor's degree in inorganic non-metallic materials engineering.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk (梁廷育), aged 45, was appointed as an independent non-executive Director since November 2018. Mr. LEUNG is also the chairman of the audit committee and a member of remuneration committee, nomination committee and acquisition committee. Mr. LEUNG obtained a bachelor's degree of Commerce with major in accounting from University of Wollongong, Australia. Mr. LEUNG is a member of the Certified Practicing Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. Mr. LEUNG has over 18 years of experience in financial management, accounting and auditing.

Mr. LEUNG has been an independent non-executive director of Yanchang Petroleum International Limited (stock code: 00346) since December 2009 and Most Kwai Chung Limited (Stock Code: 01716) since March 2018. Mr. LEUNG has been appointed as an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 08081) since May 2016 to January 2019. Save as the aforesaid, Mr. LEUNG did not hold any directorship in other listed companies in the past three years.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P., (葉國謙), aged 68, is our independent non-executive Director. The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. is currently a Hong Kong SAR Deputy to the 13th National People's Congress of People's Republic of China, a Non-official member of the Executive Council of Hong Kong, the Chairman of Hon Wah Educational Organization, Party Affairs Advisor to the Democratic Alliance for Betterment and Progress of Hong Kong and the chairman of Mandatory Provident Fund Schemes Advisory Committee. The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. was awarded the Grand Bauhinia Medal in 2017 and the Gold Bauhinia Star in 2004.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. was a member of the Legislative Council representing the District Council (First) functional constituency between 2008 and 2016, during which he was the chairman of the Committee on Members' Interests and the Panel on Security.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. is an independent non-executive director of Vantage International (Holdings) Limited, a company listed on the Main Board of Hong Kong Stock Exchange (stock code: 00015).

Ms. LYU Fang (吕芳), aged 41, is our independent non-executive Director. Ms. LYU Fang has been the head of the Strategy Development Department of Renewal Energy Generation Research and Development Center at the Institute of Electrical Engineering, Chinese Academy of Sciences, mainly responsible for advising national solar power rules and policies, and carrying out technical training in solar industry. Ms. LYU Fang has 20 years of experience in strategy and policy study on large-scale use of photovoltaic power. Over the years, Ms. LYU Fang has been responsible for numerous solar energy-related researches and projects conducted by the Ministry of Science and Technology of the People's Republic of China and the National Energy Administration of China. Ms. LYU Fang is currently the Secretary General of Solar Photovoltaic Committee of China Renewable Energy Society. Ms. LYU Fang is the Secretary General of China Green Supply Chain Alliance (中國綠色供應鏈聯盟) Photovoltaic Commission (光伏專委會) of the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部). Ms. LYU Fang is also acting as the Chinese Representative of a photovoltaic power research project, Task 1, at the International Energy Agency Photovoltaic Power Systems Program and the representative of the Chinese Secretariat of Paris Agreement-based "Mission Innovation" League of Nations. Ms. LYU Fang obtained a bachelor's degree in economics from Beijing Wuzi University in 1999.

SENIOR MANAGEMENT

Mr. SHE Qifa (佘起發), aged 34, is our senior electrical engineer. Mr. SHE Qifa joined us in January 2017 and has been responsible for supervising the solar farm operation and maintenance teams for the daily operations and maintenance of our solar farm projects since January 2017. With over five years of experience in formulating and implementing repairs and maintenance and repowering schedules of solar farm projects of different technical specifications, Mr. SHE Qifa is familiar with the construction process of solar farm projects and is well-equipped to provide technical support to our solar farm projects and monitor solar farm projects assets. Mr. SHE Qifa graduated from West Anhui University with a bachelor's degree in electronic information science and technology in 2007.

Ms. ZHENG Lili (鄭莉莉), aged 31, is our administration officer. Ms. ZHENG Lili joined us in January 2017 and has been responsible for our Group human resources management and office administrative support since January 2017. Ms. ZHENG Lili will be responsible for the daily business operations and other administrative matters of our Group upon the Spin-Off and the Listing. Ms. ZHENG Lili graduated from Wuhu Institute of Technology in 2009 with a bachelor's degree in electrical engineering.

Mr. TUEN Ling (段寧), aged 39, is our Financial Controller and Company Secretary. Mr. TUEN Ling joined us as financial controller in January 2017 and has been mainly responsible for monitoring the financial operation of our Group since January 2017. Mr. TUEN Ling worked for the Xinyi Solar Group from September 2016 to December 2016 and was responsible for monitoring its financial operation. Mr. TUEN Ling has over 14 years of experience in management accounting and financial management. Upon graduating from Macquarie University in 2005 with a bachelor's degree in business administration majoring in accounting, Mr. TUEN Ling worked as an auditor at two multinational accounting firms in Hong Kong, respectively, from July 2006 to September 2008 and September 2008 to April 2010. From January 2011 to January 2015 and July 2015 to June 2016, Mr. TUEN Ling worked at the financial department of two companies that are listed on the Hong Kong Stock Exchange, respectively. Mr. TUEN Ling is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 May 2019.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the code provisions of the CG Code for the period from 28 May 2019 (being the first date of listing of its shares on the Stock Exchange, hereafter the "**Listing Date**") to 31 December 2019.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Details of the Directors are set forth on pages 14 to 16 of this annual report.

The four executive Directors are 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. Mr. TUNG Fong Ngai is a nephew of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*.

The only non-executive Director is Dr. LEE Yin Yee, B.B.S.. Dr. LEE Yin Yee, B.B.S. is the brother-in-law of Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, and an uncle of Mr. TUNG Fong Ngai and Mr. LEE Yau Ching.

The three independent non-executive Directors are Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

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

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

The Company adopted the board diversity policy (the "**Diversity Policy**") as required by the CG Code in November 2018. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

Dr. LEE Yin Yee, B.B.S. is the Chairman of the Group and Mr. TUNG Fong Ngai is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Dr. LEE Yin Yee, B.B.S. is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. TUNG Fong Ngai closely monitors the operating and financial results of the Group, identifies any weakness in the Group's operation and takes all necessary and appropriate steps to remedy such weakness. Mr. TUNG Fong Ngai is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

One non-executive Director and the three independent non-executive Directors were appointed for a term of three years, commencing from the Listing Date and from 22 November 2018, respectively. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

The table below sets out the number of meetings of the Board in 2019 and individual attendance of each Director at these meetings:

	Meetings attended/held	
Directors	**General meeting**	**Board meeting**
Executive		
TUNG Ching Sai	0/0	2/2
TUNG Fong Ngai	0/0	2/2
LEE Yau Ching	0/0	2/2
CHENG Shu E	0/0	2/2
Non-executive		
LEE Yin Yee	0/0	2/2
Independent non-executive		
LEUNG Ting Yuk	0/0	2/2
IP Kwok Him	0/0	1/2
LYU Fang	0/0	2/2

The Board held only two regular meetings, which fell short of four times as set out in code provision A.1.1 of the CG Code as the listing (the "**Listing**") of the shares (the "**Shares**") of Company only took place in the May 2019.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2019 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Remuneration Committee is The Hon. IP Kwok Him, G.B.M., G.B.S., J.P..

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the period from the Listing Date to 31 December 2019, one meeting of the Remuneration Committee was held.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2019 is set forth below:

In the band of:	Number of individuals
Nil to HK$1,000,000	3

Details of the Directors' remuneration is set out in Note 10 to the consolidated financial statements of the Group on pages 86 to 90 in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Board comprises 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. The chairman of the Audit Committee is Mr. LEUNG Ting Yuk.

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control and risk management systems and oversee the auditing processes of the Group. The Audit Committee was established on 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee held two meetings during the period from the Listing Date to 31 December 2019 which was held on 7 August 2019 and 22 November 2019, respectively, for reviewing the interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors. All the committee members attended these meetings and The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. was absent due to other business engagement of the meeting which was held on 7 August 2019.

NOMINATION COMMITTEE

The Nomination Committee of the Board comprises five members, namely Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Nomination Committee is Dr. LEE Yin Yee, B.B.S..

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established an 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the period from the Listing Date to 31 December 2019, one meeting of the Nomination Committee was held.

NOMINATION POLICY

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

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

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

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

ACQUISITION COMMITTEE

The Acquisition Committee of the Board comprises five members, namely Mr. TUNG Fong Ngai, Ms. CHENG Shu E, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang. The chairman of the Acquisition Committee is Mr. TUNG Fong Ngai.

The primary duties of the Acquisition Committee are to consider and approve acquisitions of the utility-scale ground-mounted solar farm projects and review, evaluate investment projects and issue opinion for long-term development plan of the Company and make recommendations to the Board. The Acquisition Committee was established on 22 November 2018 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the period from the Listing Date to 31 December 2019, no meeting of the Acquisition Committee was held. The Acquisition Committee shall hold meeting as and when required.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditors of the Company regarding the directors' reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 42 to 47 of this annual report.

AUDITORS' REMUNERATION

For the year under review, the professional fees charged by the external auditors of the Company, PricewaterhouseCoopers, in respect of the audit and non-audit services is disclosed in the notes to the financial statements of the Group during the year, which are as follows:

Auditors remuneration	**HK$'000**
– Audit services	1,270
– Non-audit services	410

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of risk management and internal control so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives of the Group.

The key elements of the Group's risk management and internal control structure are as follows:

– Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;

– Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

– Important business functions or activities are managed by experienced, qualified and suitably trained staff;

– Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and

– Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2019.

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

Based on the results of the internal control review for the year ended 31 December 2019 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2019.

INSIDE INFORMATION POLICY

The Company has established an inside information policy ("**Inside Information Policy**") which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulation.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code provision A.6.5, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. The Company provides to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, all the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

COMPANY SECRETARY

The Company Secretary is Mr. TUEN Ling, a member of the Hong Kong Institute of Certified Public Accountants. Mr. TUEN is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2019, Mr. TUEN has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

Pursuant to Article 66 of the articles of association (the "**Articles**") of the Company, an extraordinary general meeting ("**EGM**") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

(i) the annual general meeting provides a forum for the shareholders of the Company (the "**Shareholders**") to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address Shareholders' queries;

(ii) interim and annual results are announced as early as possible, to keep the Shareholders informed of the Group's performance and operations;

(iii) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the Company Secretary or via e-mail to "ir@xinyienergy.com.hk";

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

(v) Investor, analyst and media briefing are held as practicable after the publication of the interim and annual result.

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2019.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The activities of the subsidiaries are principally engaged in the management and operations of solar farms in the People's Republic of Chines (the "**PRC**"). Particulars of the subsidiaries are set forth in Note 14 to the consolidated financial statements in this annual report.

A business review of the Group and further discussion and analysis of these activities of the Group for the year ended 31 December 2019 and the future development are set out in the Chairman's Statement from pages 4 to 6 and Management Discussion and Analysis from pages 7 to 13 of this annual report. These discussions form part of this Report of Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 48 in this annual report. During the year, an interim dividend of 5.0 HK cents per share (the "**Share**"), amounting to a total of approximately HK$337.6 million, was paid to shareholders (the "**Shareholders**") in cash on 18 September 2019.

The Board proposes the payment of a final dividend of 8.5 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 25 May 2020. Subject to approval by Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**"), the final dividend will be paid on or about Wednesday, 24 June 2020.

The register of members of the Company will be closed for the purpose of determining the entitlements to attend and vote at the Annual General Meeting from Tuesday, 12 May 2020 to Friday, 15 May 2020, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 11 May 2020.

The register of members of the Company will be closed from Thursday, 21 May 2020 to Monday, 25 May 2020, both days inclusive, during such period no transfer of the Shares will be registered in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 20 May 2020 for such purpose.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a pure solar farm owner and operator, the Group's business model is to acquire, own, and manage a portfolio of utility-scale ground-mounted solar farm projects and sell the electricity to local subsidiaries of two state-owned grid companies in the PRC. Without involvement of solar farm development and construction, as well as 100% electricity generation from solar power, negative effects of the Group's daily operation on the environmental are relatively low compared to that of traditional fuel-based power companies. Furthermore, the Group has and will endeavor to minimise negative effects by adopting various methods, like using rainwater and applying other technologies for cleaning solar panels to reduce water consumption, implementing nationwide centralised surveillance system for remote monitoring to lower energy and electricity consumption.

In contrast to the negative impacts, electricity generated from solar farms is a clean and renewable energy, which can replace a portion of fuel-based power, and as a result, will mitigate greenhouse-gas emissions. Therefore, to increase the usage of renewable energy is highly important for the world to achieve the UN Sustainable Development Goals. The volume of electricity sold by the Group's solar farms in 2019 was approximately 1.61 billion kWh, up 38.6% from 1.16 billion kWh in 2018, offsetting around 1.35 million tons of CO_2 emission.

The Group's operations strictly comply with all applicable environmental laws and regulations in all material aspects, including the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, etc. During the year ended 31 December 2019, the Group was not aware of any non-compliance with any applicable laws and regulations that have a material impact on the Group relating to environmental protection as well as energy and resources consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is in the process of preparing its ESG report for the year ended 31 December 2019 and will publish it on the Stock Exchange's website and the Company's website on or before Monday, 13 July 2020.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, equipment suppliers and the employees of the Group. During the year ended 31 December 2019, there were no material dispute between the Group and its customers, suppliers and employees.

DONATION

Donations by the Group for charitable and other purposes during the year ended 31 December 2019 amounted to HK$4,000 (2018: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises, The State Grid Corporation. The delay in receiving the tariff adjustment receivables may affect the business and financial condition, cash flow and liquidity of the Group.
- Climate change and extreme weather patterns can cause output of power generation shortfalls and fluctuate significantly.

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

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates" in the Management Discussion and Analysis on page 13 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 73 to 79 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 21 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2019 are set forth in Note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company does not have reserves available for cash distribution and/or distribution, as computed in accordance with the British Virgin Islands Business Companies Act 2004 (and any amendments thereto).

DISTRIBUTION POLICY

The Company adopt a well-defined distribution policy. It is the intention of the Board of Directors to declare and distribute interim and final distributions in each year in an aggregate amount of not less than 90% of distributable income (the "**Distributable Income**") of the Company, with an intent to distribute 100% of Distributable Income of the Company in each year. The respective percentages of the interim and final distributions will be determined by Board of Directors at its discretion, and the amount of the interim distribution need not be in proportion to Distributable Income of the Company in respect of the first six months of the relevant year (or other period in respect of the distribution is made) or in proportion to Distributable Income of the Company for the relevant year.

PRE-EMPTIVE RIGHTS

There are no applicable provisions for pre-emptive rights under the Company's articles of association or the BVI Business Companies Act 2004 under which the Company is incorporated.

DIRECTORS

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

Executive directors

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M (Vice Chairman)*
Mr. TUNG Fong Ngai *(Chief Executive Officer)*
Mr. LEE Yau Ching
Ms. CHENG Shu E

Non-executive director

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

Independent non-executive directors

Mr. LEUNG Ting Yuk
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.
Ms. LYU Fang

In accordance with article 102 of the Company's articles of association, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. TUNG Fong Ngai, Mr. LEE Yau Ching, Ms. CHENG Shu E, Dr. LEE Yin Yee, B.B.S., Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

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

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

(iv) annual Director's fees are as follows:

Chairman of the Audit Committee	:	HK$249,000 per annum for the year ended 31 December 2019 and
		HK$230,000 per annum for the year ending 31 December 2020.
All other Directors	:	HK$217,000 per annum for the year ended 31 December 2019 and
		HK$200,000 per annum for the year ending 31 December 2020.

During the year ended 31 December 2019, three Directors waived the Director's fees of aggregate amount of HK$651,000 to be received by them from the Company. Details of the remuneration of the Directors are set out in Note 10 to the consolidated financial statements in this annual report.

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

Except for the connected transaction and continuing connected transaction disclosed on pages 39 to 40 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

SHARE OPTION SCHEME

Prior to the listing of the Company on the Stock Exchange, members of the Group were non wholly-owned subsidiaries of Xinyi Solar Holdings Limited ("**Xinyi Solar**") and some of the employees of the Group have been granted share options pursuant to a share option scheme adopted by Xinyi Solar.

As of the date of this annual report, no option had been granted or agreed to be granted under the share option scheme (the "**Share Option Scheme**").

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

(i) Purpose

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

(ii) Participants

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

(iii) Maximum number of Shares

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

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

(iv) Maximum number of option to each participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(vii) Option price for subscription of shares

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

(a) the nominal value of a Share;

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

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

(viii) Remaining life of the Share Option Scheme

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 14 to 17 of this annual report.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares and the underlying shares 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:

Long positions in the Shares of the Company

Name of Directors	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)	82,901,405	1.228%
	Interest in a controlled corporation[1]	Charm Dazzle (as defined below)	457,957,500	6.782%
	Interest in a controlled corporation[2]	Full Guang (as defined below)	7,606,019	0.113%
	Joint interest[1]		3,575,733	0.053%
	Family interest[1]		4,337,354	0.064%
	Interest in persons acting in concert[3]		909,783,718	13.473%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Interest in a controlled corporation[4]	Copark (as defined below)	29,803,255	0.441%
	Interest in a controlled corporation[4]	Sharp Elite (as defined below)	187,687,500	2.780%
	Family interest[4]		14,544,041	0.215%
	Interest in persons acting in concert[3]		1,234,126,933	18.276%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") and Charm Dazzle Limited ("**Charm Dazzle**") which in turn are the registered owner of 82,901,405 and 457,957,500 shares respectively. Dr. LEE Yin Yee, B.B.S. also has 3,575,733 shares jointly held with and 4,337,354 shares directly held by his spouse, Madam TUNG Hai Chi.

(2) The interest in the 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* 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*, 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.

(4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") and Sharp Elite Holdings Limited ("**Sharp Elite**") which in turn are the registered owner of 29,803,255 and 187,687,500 shares respectively. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* also has 14,544,041 shares through his spouse, Madam SZE Tan Hung.

(ii) Long positions in shares of associated corporations

Name of Directors	Capacity	Name of the associated corporations	Number of shares held	Approximate percentage in the total issued share capital of associated corporations
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation[1]	Xinyi Solar	829,014,056	10.301%
	Interest in a controlled corporation[2]		35,572,196	0.442%
	Joint Interest[1]		30,076,564	0.374%
	Family interest[1]		49,054,305	0.610%
	Interest in person acting in concert[3]		1,642,609,303	20.411%
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Interest in a controlled corporation[4]	Xinyi Solar	282,277,830	3.508%
	Personal interest[4]		15,754,717	0.196%
	Family interest[4]		80,300,403	0.998%
	Interest in person acting in concert[3]		2,207,993,474	27.436%

Notes:

(1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest which in turn is the registered owner of 829,014,056 shares in the issued share capital of Xinyi Solar Holdings Limited ("**XYS Shares**"). Dr. LEE Yin Yee, B.B.S. also has 30,076,564 XYS Shares jointly held with his spouse, Madam TUNG Hai Chi, and is also deemed to be interested in 49,054,305 XYS Shares directly held by his spouse, Madam TUNG Hai Chi.

(2) The interest in the XYS Shares are held through 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* 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 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*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013.

(4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is the beneficial owner of the entire issued share capital of Copark which is the registered owner of 282,277,830 XYS Shares. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* also has 15,754,717 shares held in his own name and is also deemed to be interested in 80,300,403 XYS Shares directly held by his spouse, Madam SZE Tan Hung.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2019, 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 shareholders	Nature of interest and capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	393,074,211	5.821%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	393,074,211	5.821%
Xinyi Glass Holdings Limited	Beneficial owner	14,328,000	0.212%
	Interest in a controlled corporation	393,074,211	5.821%
Xinyi Solar	Interest in a controlled corporation	3,558,555,000	52.700%
Xinyi Power (BVI) Limited	Beneficial owner	3,558,555,000	52.700%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	218,182,567	3.231%
	Joint interest(1)	10,188,000	0.151%
	Family interest(1)	5,657,906	0.084%
	Interest in persons acting in concert(2)	1,232,133,256	18.247%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	141,373,271	2.094%
	Personal interest(3)	375,000	0.006%
	Joint interest(3)	6,919,618	0.102%
	Interest in persons acting in concert(2)	1,317,493,840	19.511%
Mr. LI Man Yin	Interest in a controlled corporation(4)	54,184,496	0.802%
	Personal interest(4)	394,278	0.006%
	Family interest(4)	162,325	0.002%
	Interest in persons acting in concert(2)	1,411,420,630	20.902%
Mr. LI Ching Wai	Interest in a controlled corporation(5)	58,371,793	0.864%
	Personal interest(5)	200,000	0.003%
	Interest in persons acting in concert(2)	1,407,589,936	20.845%
Mr. SZE Nang Sze	Interest in a controlled corporation(6)	72,716,178	1.077%
	Interest in persons acting in concert(2)	1,393,445,551	20.636%
Mr. NG Ngan Ho	Interest in a controlled corporation(7)	53,980,103	0.799%
	Personal interest(7)	276,425	0.004%
	Interest in persons acting in concert(2)	1,411,905,201	20.909%
Mr. LI Ching Leung	Interest in a controlled corporation(8)	53,944,770	0.799%
	Personal interest(8)	776,322	0.011%
	Family interest(8)	45,870	0.0007%
	Interest in persons acting in concert(2)	1,411,394,767	20.901%

Notes:

(1) Mr. TUNG Ching Bor's interests in the shares are held through High Park Technology Limited and Xu Feng Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor also has 10,188,000 shares jointly held with and 5,657,906 shares directly held by his spouse, Madam KUNG Sau Wai.

(2) 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*, 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.

(3) Mr. LEE Sing Din's interests in the shares are held through Telerich Investment Limited and Precious Smart Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 375,000 shares held in his own name and 6,919,618 shares through a joint account with his spouse, Madam LI Kam Ha.

(4) Mr. Li Man Yin's interests in the shares are held through Perfect All Investments Limited and Will Sail Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin also has 394,278 shares held in his own name and 162,325 shares through his spouse, Madam LI Sau Suet.

(5) Mr. LI Ching Wai's interests in the shares are held through Goldbo International Limited and Yuanyi Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai. Mr. Li Ching Wai also has 200,000 shares held in his own name.

(6) Mr. SZE Nang Sze's interests in the shares are held through Goldpine Limited and Day Dimension Investments Limited both are incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(7) Mr. NG Ngan Ho's interests in the shares are held through Linkall Investment Limited and Far High Investments Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho. Mr. NG Ngan Ho also has 276,425 shares held in his own name.

(8) Mr. LI Ching Leung's interests in the shares are held through Herosmart Holdings Limited and Heng Zhuo Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 776,322 shares held in his own name and 45,870 shares through his spouse, Madam DY Maria Lumin.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive, as at 31 December 2019, the following Directors is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Directors	Name of companies which had such discloseable interest or short positions	Position held within such companies
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Xinyi Group (Glass) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Xinyi Automobile Glass (BVI) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Xinyi Glass Holdings Limited	Director
Mr. LEE Yau Ching	Xinyi Power (BVI) Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. LEE Yau Ching	Xinyi Solar	Director
Dr. LEE Yin Yee, B.B.S.	Realbest	Director
Dr. LEE Yin Yee, B.B.S.	Charm Dazzle	Director
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Copark	Director
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*	Sharp Elite	Director
Mr. LEE Yau Ching	Telerich	Director
Mr. LEE Yau Ching	Precious Smart	Director

Save as disclosed above, the Directors are not aware of any persons who were directly or indirectly interested in 10% or more of the shares then in issue, or equity interest in any member of the Group representing 10% or more of the equity interest in such company, or who had any interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 31 December 2019.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2019, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2019, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

Report of the Directors

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition dated 5 December 2018 entered into by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Convenantors.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR CUSTOMERS

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

– the largest customer	15%
– five largest customers in aggregate	65%

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

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2019 amounted to HK$1,953.0 million (2018: HK$1,687.2 million). Particulars of the bank borrowings are set out in Note 24 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2019, the Group had about 232 full-time employees, amongst which, 229 full-time employees were based in the PRC and 3 full-time employees were based in Hong Kong. As of 31 December 2019, 35 of our employees had bachelors' degrees or above. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 are set out in Note 30 to the consolidated financial statements. Some of these transactions also constitute "Connected Transactions" and "Continuing Connected Transactions" under the Listing Rules, as identified below.

During the year ended 31 December 2019, the Group had the following connected transactions and continuing connected transactions, details of which are set out below:

Connected Transaction – Acquisition of 2019 Portfolio

The Company was entered a solar farm agreement with Xinyi Solar on 5 December 2018. Pursuant to the agreement, the Company will acquisition of all issued shares of the Hong Kong companies of New Wisdom International Limited, Sky Falcon Development Limited, Perfect Alliance Development Limited, Profit Noble Development Limited and Sky Cheer Investments Limited (or their holding company for tax efficiency purpose) ("**2019 Portfolio**") which hold the equity interest of the companies in the PRC operating the utility-scale ground-mounted solar farm projects under 2019 Portfolio (the "**2019 Acquisition**")*. The 2019 Acquisition was completed on 3 June 2019.

* *2019 Portfolio means solar farm projects owned by New Wisdom International Limited, Sky Falcon Development Limited, Perfect Alliance Development Limited, Profit Noble Development Limited and Sky Cheer Investments Limited comprising six utility-scale ground-mounted solar farm projects, 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.*

Continuing Connected Transaction – Solar Farm O&M Agreement

As disclosed in the Company's prospectus dated 15 May 2019, the Company has entered into the solar farm operation and management agreement (the "**Solar Farm O&M Agreement**") dated 5 December 2018 with Xinyi Solar. Xinyi Solar has agreed to engage the Company to operate and manage all connection-ready utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar for period of from 28 May 2019 to 31 December 2021.

The annual cap and the actual transaction amount of the transaction contemplated under the Solar Farm O&M Agreement for the year ended 31 December 2019 are HK$8,177,000 and HK$4,807,000 respectively.

Xinyi Solar is the substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Solar Farm O&M Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

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

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

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

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

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the listed issuer as a whole.

Report of the Directors

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 39 to 40 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

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.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float 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.

AUDITOR

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

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, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 9:30 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyienergy.com, and will be dispatched to the Shareholders in due course.

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.

On Behalf of the Board

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

Hong Kong, 16 March 2020

Independent Auditor's Report

To the Shareholders of Xinyi Energy Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinyi Energy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 48 to 123, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Recoverability of long-aged trade receivables
- Valuation of purchase price allocation ("**PPA**")

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of long-aged trade receivables	
Refer to notes 2.9, 2.11, 2.12, 3.1(b) and 19 to the consolidated financial statements. Trade receivables amounted to HK$2,582,554,000 as at 31 December 2019. The Group had certain amounts of long-aged trade receivables which were exposed to a higher risk of collectability issue. In particular, the collection of tariff adjustment receivables, being the subsidy receivable in respect of the sales of renewable energy, is subject to the registration approval of the solar farms to the Renewable Energy Power Generation Project List (the "**Project List**") with the respective state grid companies. The Group grouped trade receivables based on shared credit risk characteristics and applied simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables. The lifetime expected credit loss allowance is determined based on past settlement history and the observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted with current and forward-looking information on macroeconomic factors that affecting the ability of the customers to settle the receivables.	We understood and evaluated the controls procedures over management's recoverability assessment on the long-aged trade receivables and assessment on the lifetime expected credit loss allowance. We assessed management's assessment of the lifetime expected credit loss allowance by comparing to supportable evidence about the past settlement history of customers and the corresponding historical credit losses. We considered the forward-looking information and factors by reference to industry information. In relation to the tariff adjustment receivables, we assessed the status of the registration process of individual solar farms by making enquiries with the management, inspecting all the registration documents, checking the government publications and industry news and performing research on the settlement pattern of tariff adjustment receivables for other market participants. We also tested, on a sample basis, the accuracy of the ageing profile of the trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter

Recoverability of long-aged trade receivables (Continued)

We focus on this area because the carrying values of long-aged trade receivables are significant to the consolidated balance sheet, and the identification of doubtful debts requires a high degree of judgment and estimates, including assessments on the default rates of customers and the successfulness of the respective solar farm's registration to the Project List.

Based on the procedures described above, we considered the key judgement and estimates applied in the management's assessment on recoverability of long-aged trade receivables are supportable by available evidence.

Valuation of PPA

Refer to note 2.3 and 15 of the consolidated financial statements.

As at 3 June 2019, the Group completed an acquisition of a company, which is principally engaged in investment, management and operation of solar farm projects in the People's Republic of China ("**PRC**"), at a gross agreed purchase price of HK$4,083,256,000.

The acquisition is accounted for as a business combination which requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. The fair value of the assets acquired, liabilities assumed and identified intangible assets was based on a valuation report prepared by an independent external valuer. In aggregate, the fair values of total identifiable net assets amounted to approximately HK$3,371,625,000 was recognised in the consolidated balance sheet as at 3 June 2019.

The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined using the discounted cash flow approach and involved various key assumptions and estimates including, insolation/utilisation hours, electricity prices, operating expenses for maintaining the solar farms and construction costs of the solar farm projects and discount rates.

We focused on this area because the fair values of total identifiable net assets are significant to the consolidated balance sheet and the valuation involved the use of significant judgements and estimates. These estimations are also subject to uncertainties.

We considered the competency, capability and objectivity of the independent external valuer.

We discussed with management and assessed the appropriateness of the methodology, assumptions and estimates used in the valuation of PPA at the date of acquisition with the involvement of our internal valuation specialist.

Our procedures in relation to management's key assumptions and estimates applied included:

— Assessed the cash flow projections used in discounted cash flow through inquiry of management and checking supporting documents including operation plan, agreements and contracts to corroborate the capacity of each solar farm projects;

— Assessed the appropriateness of insolation/utilization hours, electricity prices, operating expenses for maintaining the solar farms, and construction costs of the solar farm projects based on industry data obtained from the renewable energy industry in the PRC and historical operating data of the Group and the acquiree; and

— Evaluated the appropriateness of discount rates by considering the individual solar farm projects' weighted average cost of capital.

Based on the procedures described above, we considered the key assumptions and estimates applied in the valuation of PPA are supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the corporate information, chairman's statement, management's discussion and analysis, profile of directors and senior management, corporate governance report, report of the directors and financial summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the environmental, social and governance report, which is expected to be made available to us after that date.

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

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

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

When we read the environmental, social and governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

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

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

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

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

Independent Auditor's Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Revenue	5	**1,593,086**	1,200,556
Cost of sales	7	**(377,590)**	(289,055)
Gross profit		**1,215,496**	911,501
Other income	5	**6,132**	19,771
Other gains, net	6	**432**	5,119
Administrative expenses	7	**(51,294)**	(54,013)
Operating profit		**1,170,766**	882,378
Finance income	8	**28,589**	6,759
Finance costs	8	**(177,245)**	(103,885)
Profit before income tax		**1,022,110**	785,252
Income tax expense	11	**(131,124)**	(44,439)
Profit for the year		**890,986**	740,813
Profit for the year attributable to equity holders of the Company		**890,986**	740,813
Basic and diluted earnings per share (Expressed in HK cents per share)	12	**15.03**	15.61

The notes on pages 55 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

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

The notes on pages 55 to 123 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000 (Restated)	As at 1 January 2018 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**9,495,521**	6,070,173	6,616,225
Right-of-use assets	17	**439,016**	307,680	335,277
Prepayments for property, plant and equipment	19	**10,268**	12,527	16,658
Deferred income tax assets	25	**7,634**	3,370	—
Goodwill	18	**330,303**	—	—
Total non-current assets		**10,282,742**	6,393,750	6,968,160
Current assets				
Trade and other receivables and prepayments	19	**3,052,167**	1,841,373	2,054,033
Amounts due from fellow subsidiaries	30	**267**	—	—
Cash and cash equivalents	20	**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	21	**67,525**	54	54
Other reserves	22	**7,224,779**	4,249,491	4,612,128
Retained earnings	22	**2,901,435**	2,132,165	1,473,104
Total equity		**10,193,739**	6,381,710	6,085,286
LIABILITIES				
Non-current liabilities				
Bank borrowings	24	**1,225,580**	1,034,622	1,285,254
Lease liabilities	17	**426,527**	284,360	296,386
Other payables	23	**30,446**	19,107	24,586
Deferred income tax liabilities	25	**214,047**	305	—
Total non-current liabilities		**1,896,600**	1,338,394	1,606,226

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000 (Restated)	As at 1 January 2018 HK$'000 (Restated)
Current liabilities				
Bank borrowings	24	**727,388**	652,578	1,429,583
Lease liabilities	17	**15,140**	10,034	7,575
Accruals and other payables	23	**387,622**	251,256	353,572
Amount due to immediate holding company	30	**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

The consolidated financial statements on page 48 to 123 were approved by the Board of Directors on 16 March 2020 and were signed on its behalf.

TUNG Ching Sai
Executive Director

TUNG Fong Ngai
Executive Director and Chief Executive Officer

The notes on pages 55 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Company			
	Share capital *(Note 21)* HK$'000	Other reserves *(Note 22)* HK$'000	Retained earnings *(Note 22)* HK$'000	Total HK$'000
Balance at 31 December 2018 as originally presented	54	4,247,676	2,157,971	6,405,701
Change in accounting policy *(Note 2.2)*	–	1,815	(25,806)	(23,991)
Restated total equity at the beginning of the financial year	54	4,249,491	2,132,165	6,381,710
Comprehensive income				
Profit for the year	–	–	890,986	890,986
Other comprehensive loss				
Currency translation differences	–	(233,550)	–	(233,550)
Total comprehensive income for the year	–	(233,550)	890,986	657,436
Transactions with the owner of the Company				
Issuance of ordinary shares upon				
– initial public offerings *(Note 21(b))*	18,826	3,633,436	–	3,652,262
– over-allotment *(Note 21(c))*	1,252	241,498	–	242,750
– capitalisation issue *(Note 21(d))*	47,393	(47,393)	–	–
Listing expenses charged to share premium	–	(86,846)	–	(86,846)
Dividend:				
– 2018 final dividend *(Note 13)*	–	(315,949)	–	(315,949)
– 2019 interim dividend *(Note 13)*	–	(337,624)	–	(337,624)
Appropriation to statutory reserve	–	121,716	(121,716)	–
Balance at 31 December 2019	67,525	7,224,779	2,901,435	10,193,739

Consolidated Statement of Changes In Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Company			
	Share capital *(Note 21)* *HK$'000*	Other reserves *(Note 22)* *HK$'000*	Retained earnings *(Note 22)* *HK$'000*	Total *HK$'000*
Balance as at 1 January 2018 as originally presented	54	4,611,931	1,494,696	6,106,681
Change in accounting policy *(Note 2.2)*	—	197	(21,592)	(21,395)
Restated total equity at the beginning of the financial year	54	4,612,128	1,473,104	6,085,286
Comprehensive income				
Profit for the year	—	—	740,813	740,813
Other comprehensive loss				
Currency translation differences	—	(444,389)	—	(444,389)
Total comprehensive income for the year	—	(444,389)	740,813	296,424
Transactions with the owner of the Company				
Appropriation to statutory reserve	—	81,752	(81,752)	—
Balance at 31 December 2018	54	4,249,491	2,132,165	6,381,710

The notes on pages 55 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000* *(Restated)*
Cash flows from operating activities			
Cash generated from operations	26(a)	**1,352,662**	1,249,652
Interest paid		**(100,510)**	(100,916)
Income tax paid		**(131,661)**	(37,409)
Net cash generated from operating activities		**1,120,491**	1,111,327
Cash flows from investing activities			
Purchases of and prepayment for property, plant and equipment		**(166,540)**	(110,616)
Proceeds from disposal of property, plant and equipment		**69**	—
Purchase of right-of-use assets		**(638)**	—
Payment for acquisition of subsidiaries, net of cash acquired	15	**(2,015,754)**	—
Settlement of deferred consideration payable of acquisition		**(14,794)**	—
Interest received		**28,589**	6,759
Net cash used in investing activities		**(2,169,068)**	(103,857)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares			
– initial public offerings		**3,652,262**	—
– over-allotment		**242,750**	—
Payments for professional fees in connection with the listing of the Company		**(82,193)**	(9,267)
Proceeds from bank borrowings		**360,000**	1,125,000
Repayments of bank borrowings		**(1,229,644)**	(2,152,637)
Principal elements of lease payments		**(9,296)**	(1,384)
2019 interim dividend paid to the Company's shareholders		**(337,624)**	—
2018 final dividend paid to the Company's shareholders		**(315,949)**	—
Net cash generated from/(used in) financing activities		**2,280,306**	(1,038,288)
Net increase/(decrease) in cash and cash equivalents		**1,231,729**	(30,818)
Cash and cash equivalents at beginning of year		**421,263**	472,243
Effect of foreign exchange rate changes		**(21,748)**	(20,162)
Cash and cash equivalents at end of the year	20	**1,631,244**	421,263

The notes on pages 55 to 123 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Energy Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the management and operations of solar farms in the People's Republic of China (the "**PRC**") (the "**Solar Farm Business**").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is a limited liability company incorporated in the British Virgin Islands (the "**BVI**"). The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 May 2019.

The ultimate holding company of the Company is Xinyi Solar Holdings Limited ("**Xinyi Solar**"), a company whose shares are listed on the Main Board of the Stock Exchange.

These consolidated financial statements are presented Hong Kong dollar ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants and 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) 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 2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 *Basis of preparation (Continued)*

(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
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting	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 Group in the current or future reporting periods and on foreseeable future transactions.

2.2 *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. The new accounting policies are disclosed in Note 2.23.

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%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 *Changes in accounting policies (Continued)*

Adjustments recognised on adoption of HKFRS 16 (Continued)

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$'000 (As presented)	31 December 2018 HK$'000 (As originally presented)	HKFRS 16 HK$'000	31 December 2018 HK$'000 (Restated)	1 January 2018 HK$'000 (As originally presented)	HKFRS 16 HK$'000	1 January 2018 HK$'000 (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	14,576,588	389,832	14,966,420	8,395,654	260,732	8,656,386	9,216,969	277,467	9,494,436
Consolidated Balance Sheet (extract)									
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	4,349,622	423,059	4,772,681	1,989,953	284,723	2,274,676	3,110,288	298,862	3,409,150
Net assets	10,226,966	(33,227)	10,193,739	6,405,701	(23,991)	6,381,710	6,106,681	(21,395)	6,085,286
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	10,226,966	(33,227)	10,193,739	6,405,701	(23,991)	6,381,710	6,106,681	(21,395)	6,085,286

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

	31 December 2019 HK$'000	HKFRS 16 HK$'000	31 December 2019 HK$'000 (As presented)	31 December 2018 HK$'000 (As originally presented)	HKFRS 16 HK$'000	31 December 2018 HK$'000 (Restated)
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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

	31 December 2019	HKFRS 16	**31 December 2019**	31 December 2018	HKFRS 16	31 December 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	**1,111,195**	9,296	**1,120,491**	1,109,943	1,384	1,111,327
Principal elements of lease payments	**–**	(9,296)	**(9,296)**	–	(1,384)	(1,384)
Net cash inflow/(outflow) from financing activities	**2,289,602**	(9,296)	**2,280,306**	(1,036,904)	(1,384)	(1,038,288)
Net increase/(decrease) in cash and cash equivalents	**1,231,729**	–	**1,231,729**	(30,818)	–	(30,818)

(i) Impact on earnings per share

Earnings per share decreased by HK$0.15 cents per share (2018: HK$0.09 cents per share) for the year 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

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

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

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

(a) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 *Subsidiaries* (Continued)

2.3.1 *Consolidation* (Continued)

(a) Business combinations (Continued)

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

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

(b) Changes in ownership interests

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

2.3.2 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency. The results and balance sheets of the Group's subsidiaries incorporated in the PRC are prepared in RMB, which is the functional currency of these subsidiaries.

(b) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated income statements within "other gains, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 *Foreign currency translation* (Continued)

(c) *Group companies*

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 *Property, plant and equipment*

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

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

Construction in progress represents solar power electricity generating equipment and plants ("**Solar Farms**") and buildings on which construction work has not been completed and which, upon completion, management intends to hold for generation of electricity income purposes. Construction in progress is carried at cost which includes development and construction expenditures incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Depreciation of completed Solar Farms commences when the Solar Farms are successfully connected to grids and completed trial operation. Depreciation of completed property, plant and equipment other than construction in progress commences when the assets are ready for use.

– Solar Farms	25 years
– Buildings	30 years
– Motor vehicles, furniture and fixtures, equipment and others	5-15 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statements.

2.7 Goodwill

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

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

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

(a) Classification

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statements or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Recognition and measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated income statements when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("**OCI**"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the consolidated income statements. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated income statements and recognised in "other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the consolidated income statements and presented net in "other gains, net" in the years in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains, net" as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.10 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

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

Impairment on other receivables (excluding prepayments) and receivables from related parties is measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Accruals and other payables

Accruals and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

2.17 Borrowing costs

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

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

All other borrowing costs are recognised in consolidated income statements in the year in which they are incurred.

2.18 Government grant

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grant and when they were built or purchased, the received government grant were netted off with cost of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for electricity generated and supplied, stated net of value added taxes.

Revenue is recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Revenue is recognised as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 *Revenue recognition* *(Continued)*

(a) Sales of electricity

Revenue arising from the sales of electricity is recognised at a point in time in the accounting period when electricity is generated and transmitted.

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

(b) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the sales of electricity to the customer pursuant to the government policy on subsidies of solar energy in respect of the Group's Solar Farm Business. Tariff adjustment is recognised at a point in time at its fair value where there is a reasonable assurance that tariff adjustment will be received and the Group will comply with all attached conditions, if any.

The revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC Government for the provision of subsidy to the solar farm operators in the PRC and the revenue from sales of electricity.

(c) Solar farm operation and management services

Solar farm operation and management services include operation and management of solar farm projects, training, technical and expert support services to the connection-ready solar farm projects held by other parties.

Solar farm operation and management services are recognised over time when the services are provided over time.

2.22 *Employee benefits*

(a) Pension obligations

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

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 *Employee benefits (Continued)*

(b) *Employee leave entitlements*

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

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

(c) *Bonus plans*

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

2.23 *Leases*

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is described in Note 2.2.

Before adoption of HKFRS 16, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the consolidated income statements on a straight-line basis over the period of the lease.

On adoption of HKFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments)

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

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

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

2.24 Dividend distribution

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

2.25 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a financial asset at amortised cost is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the financial asset, and continues unwinding the discount as interest income. Interest income on impaired financial assets at amortised cost are recognised using the original effective interest rate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to various types of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 *Financial risk factors (Continued)*

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews.

The Group had certain investments in foreign operations, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against HK$, which is the functional currency of the Hong Kong subsidiaries, with all other variables held constant, profit after income tax for the year of the Hong Kong subsidiaries would have been approximately HK$69,000 (2018: HK$57,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents.

As at 31 December 2019, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year of the PRC subsidiaries would have been approximately nil (2018: HK$45,000) lower/higher mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 20 and Note 24 to the consolidated financial statements.

As at 31 December 2019, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$966,000 (2018: HK$3,019,000) lower/higher, mainly as a result of higher/lower net interest income/expense being earned/incurred.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 *Financial risk factors (Continued)*

(b) Credit risk

The Group's credit risk arises from trade and other receivables, amounts due from fellow subsidiaries and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis. The carrying amounts of these balances represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	Note	**2019** **HK$'000**	2018 HK$'000 (Restated)
Trade and other receivables excluding prepayments and other tax receivables	19	**2,597,396**	1,447,682
Amounts due from fellow subsidiaries	30	**267**	—
Cash at bank	20	**1,631,244**	421,263
Maximum exposure to credit risk		**4,228,907**	1,868,945

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets at the reporting date with risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that expected to cause a significant change to the customer's ability to meeting its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behavior of the customer, including changes in the payment status of customer and changes in the operating results of the customer; and
- actual or expected significant adverse changes in the policies and incentives of the PRC Government for solar power industry.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 *Financial risk factors (Continued)*

(b) Credit risk (Continued)

As at 31 December 2019, most of the bank deposits were deposited with state-owned banks in the PRC and reputable banks in Hong Kong and most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of cash at bank and bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as at 31 December 2019 (2018: Nil).

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

Trade and tariff adjustment receivables arising from sales of electricity were all due from customers which are state-owned enterprises. Since August 2016, the Group has two ground-mounted Solar Farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250 MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "**Catalogue**"). In June 2018, the remaining seven ground-mounted Solar Farms, located in Nanping in Fujian Province, Bozhou, Wuhu, Fanchang and Shouxian in Anhui Province, Hong'an in Hubei Province, and Binhai in Tianjin Municipality, with an aggregate capacity of 704 MW, were also 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 Huainan in Anhui Province, with aggregate capacity of 20 MW, has already been successfully enlisted on the seventh batch of the Catalogue in June 2018.

The Group has another five ground-mounted solar farms with aggregate approved grid connection capacity of 520 MW ready for applying the Catalogue when the registration period open. On 20 January 2020, the PRC Government announced the Catalogue will be replaced by the "Renewable Energy Power Generation Project List" (the "**List**"). All solar farm projects listed in the Catalogue will be enlisted in the List automatically, and all of the eligible solar farm projects which are outside the Catalogue previously will be also enlisted once completed the submission and application in the National Renewable Energy Information Management Platform. 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, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as at 31 December 2019 (2018: Nil).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 *Financial risk factors (Continued)*

(b) Credit risk (Continued)

The Group's sales are made to several major customers and there is some concentration of credit risks. Sales to the top five customers constituted approximately 65% of the Group's total revenue of the year ended 31 December 2019 (2018: 75%). They accounted for approximately 59% of the gross trade receivable balances as at 31 December 2019 (2018: 67%).

The credit quality of the amounts due from related parties and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the amounts due from related parties and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as at 31 December 2019 (2018: Nil).

The Group believes that no provision for doubtful debts is necessary for the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

(c) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	On demand or less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
At 31 December 2019					
Bank borrowings and interest	**819,532**	**1,049,425**	**221,098**	**—**	**2,090,055**
Accruals and other payables excluding accruals of staff costs and other taxes payable	**383,084**	**30,446**	**—**	**—**	**413,530**
Lease liabilities	**34,844**	**27,456**	**85,224**	**800,925**	**948,449**
Amount due to immediate holding company	**2,026,703**	**—**	**—**	**—**	**2,026,703**
Total	**3,264,163**	**1,107,327**	**306,322**	**800,925**	**5,478,737**

	On demand or less than 1 year *HK$'000* *(Restated)*	Between 1 and 2 years *HK$'000* *(Restated)*	Between 2 and 5 years *HK$'000* *(Restated)*	Over 5 years *HK$'000* *(Restated)*	Total *HK$'000* *(Restated)*
At 31 December 2018					
Bank borrowings and interest	677,898	493,997	581,656	—	1,753,551
Accruals and other payables excluding accruals of staff costs and other taxes payable	248,770	19,107	—	—	267,877
Lease liabilities	40,141	28,330	86,251	849,300	1,004,022
Total	966,809	541,434	667,907	849,300	3,025,450

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "total equity" as shown in the consolidated balance sheets plus net debt. Net debt is calculated as bank borrowings less cash and cash equivalents. As at 31 December 2019, the gearing ratio was as follows:

	Note	**2019** ***HK$'000***	2018 *HK$'000* *(Restated)*
Bank borrowings	24	**1,952,968**	1,687,200
Less: Cash and cash equivalents	20	**(1,631,244)**	(421,263)
Net debt		**321,724**	1,265,937
Total equity		**10,193,739**	6,381,710
Total capital		**10,515,463**	7,647,647
Gearing ratio		**3.06%**	16.55%

The decreases in gearing ratio as at 31 December 2019 compared to 31 December 2018 was mainly due to increase in equity contributed by profits generated, issuance of ordinary shares and increase in cash and cash equivalents as there were proceeds from issuance of ordinary shares.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as at 31 December 2019 (2018: Nil). The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

(b) Business combinations

Accounting for acquisitions require the Group to allocate the purchase price to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, bargain purchase and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated balance sheet of the Group.

(c) Useful lives of property, plant and equipment

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the year in which such estimate is changed.

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled and that is probable that the temporary will not reverse in the foreseeable future (Note 25).

(f) Determination of right-of-use assets and lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2019 HK$'000	2018 HK$'000
Revenue		
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**	—
	1,593,086	1,200,556

	2019 HK$'000	2018 HK$'000
Other income		
Government grants *(Note)*	**2,077**	7,872
Other income	**4,055**	11,899
	6,132	19,771

Note:

Government grants mainly represent grants received from 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.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	2019 HK$'000	2018 HK$'000
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.

6 OTHER GAINS, NET

	2019 HK$'000	2018 HK$'000
Foreign exchange gains, net	432	5,119

7 EXPENSES BY NATURE

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

	2019 HK$'000	2018 HK$'000 (Restated)
Depreciation charge of property, plant and equipment *(Note 16)*	**338,092**	258,498
Depreciation charge of right-of-use assets *(Note 17)*	**15,589**	12,788
Employee benefit expenses (including directors' emoluments) *(Note 9)*	**29,554**	19,568
Electricity	**7,955**	8,453
Auditor's remuneration – audits services	**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	**16,266**	7,654
	428,884	343,068

8 FINANCE INCOME AND COSTS

	2019 HK$'000	2018 HK$'000 (Restated)
Finance income		
Interest income from bank deposits	**28,589**	6,759
Finance costs		
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 *(Note 16)*	**—**	(3,270)
	177,245	103,885

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 *HK$'000*	2018 *HK$'000*
Wages and salaries	**29,157**	19,245
Retirement benefits scheme contribution *(Note)*	**397**	323
	29,554	19,568

The fees of a director incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$23,000 (2018: HK$39,000) for the year ended 31 December 2019. Details of these related party transactions are stated in Note 30(b)(ii).

The wages and salaries of a director incurred by Xinyi Solar (HK) Limited ("**Xinyi Solar (HK)**"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$1,689,000 (2018: HK$2,804,000) for the year ended 31 December 2019. Details of these related party transactions are stated in Note 30(b)(iii).

The retirement benefits of a director incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business amounted to HK$1,000 (2018: HK$3,000) for the year ended 31 December 2019. Details of these related party transactions are stated in Note 30 (b)(iii).

Note:

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

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

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) *Benefits and interests of directors*

(a) *Directors' emoluments*

The remuneration of every director is set out below:

For the year ended 31 December 2019:

Name of directors *(Note (i))*	Fees	Salary	Discretionary bonuses *(Note (ii))*	Allowances and benefits in kind *(Note (iii))*	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dr. LEE Yin Yee, B.B.S.	–	–	–	–	–	–	–
Mr. TUNG Ching Sai	–	–	–	–	–	–	–
Mr. LEE Yau Ching	–	–	–	–	–	–	–
Mr. TUNG Fong Ngai	217	1,920	2,590	–	18	–	4,745
Ms. CHENG Shu E	217	396	484	–	–	–	1,097
Mr. LEUNG Ting Yuk	249	–	–	–	–	–	249
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.	217	–	–	–	–	–	217
Ms. LYU Fang	217	–	–	–	–	–	217
	1,117	2,316	3,074	–	18	–	6,525

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2018:

Name of directors *(Note (i))*	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *(Note (ii))* *HK$'000*	Allowances and benefits in kind *(Note (iii))* *HK$'000*	Employer's contribution to a retirement benefit scheme *HK$'000*	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking *HK$'000*	Total *HK$'000*
Dr. LEE Yin Yee, B.B.S.	–	–	–	–	–	–	–
Mr. TUNG Ching Sai	–	–	–	–	–	–	–
Mr. LEE Yau Ching	–	–	–	–	–	–	–
Mr. TUNG Fong Ngai	–	1,920	1,000	–	18	–	2,938
Ms. CHENG Shu E	–	155	650	57	–	–	862
Mr. LEUNG Ting Yuk	–	–	–	–	–	–	–
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P.	–	–	–	–	–	–	–
Ms. LYU Fang	–	–	–	–	–	–	–
	–	2,075	1,650	57	18	–	3,800

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) *Benefits and interests of directors* (Continued)

(a) *Directors' emoluments* (Continued)

Notes:

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

(ii) The discretionary bonus is determined with reference to the operating results of the Group, individual performance and comparable market statistics during the respective years.

(iii) The allowances and benefits in kind include housing allowances.

(iv) For the year ended 31 December 2019, Mr. LEE Yau Ching made available his service as a director of the Company for the Solar Farm Business before the listing of the Company on 28 May 2019 (2018: same).

The fees of Mr. LEE Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$23,000 (2018: HK$39,000) for the year ended 31 December 2019. No consideration was provided by the Group to Xinyi Solar. Details of these related party transactions are stated in Note 30(b)(ii).

The salaries and discretionary bonus of Mr. LEE Yau Ching incurred by Xinyi Solar (HK), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$1,689,000 (2018: HK$2,804,000) for the year ended 31 December 2019. No consideration was provided by the Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 30(b)(iii).

The retirement benefits of Mr. LEE Yau Ching incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business amounted to HK$1,000 (2018: HK$3,000) for the year ended 31 December 2019. Details of these related party transactions are stated in Note 30(b)(iii).

(v) Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang were appointed as the Company's independent non-executive directors on 22 November 2018. Except these, no director of the Company was appointed/resigned during the year ended 31 December 2019 (2018: Nil).

(vi) Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai, Mr. LEE Yau Ching waived emoluments of HK$217,000, HK$217,000 and HK$217,000 respectively for the year. Except these, no directors waived or agreed to waive any emoluments for the year ended 31 December 2019 (2018: Nil).

(vii) For the year ended 31 December 2019, no incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors (2018: Nil).

(viii) Mr. TUNG Fong Ngai is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

(ix) Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking is HK$1,117,000 (2018: Nil).

(x) Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking is HK$5,408,000 (2018: HK$3,800,000).

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) *Benefits and interests of directors (Continued)*

(b) *Directors' termination benefits*

For the year ended 31 December 2019, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the director; nor are any payable (2018: Nil).

(c) *Consideration provided to third parties for making available directors' services*

There were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of the Company for the year ended 31 December 2019 (2018: Nil).

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

For the year ended 31 December 2019, there were no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which the directors of the Company had material interest, whether directly or indirectly, other than those disclosed in Note 30 (2018: Nil).

(e) *Directors' loans, quasi-loans and other dealings*

For the year ended 31 December 2019, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors, other than those disclosed in Note 30(c) (2018: Nil).

(b) *Five highest paid individuals*

Two (2018: two) of the five highest paid individuals were a director of the Company for the year ended 31 December 2019.

Details of the remuneration of the remaining three (2018: three) non-director highest paid individuals for the year ended 31 December 2019 are analysed as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries, allowances and benefits in kind	**2,022**	1,956
Retirement benefit scheme contributions	**52**	51
	2,074	2,007

10 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the remaining three (2018: three) non-director highest paid individuals for the year ended 31 December 2019 fell within the following bands:

	2019	2018
Nil to HK$1,000,000	**3**	3

11 INCOME TAX EXPENSE

	2019 *HK$'000*	2018 *HK$'000* *(Restated)*
Current income tax	**137,308**	47,629
Deferred income tax *(Note 25)*	**(6,184)**	(3,190)
Income tax expense	**131,124**	44,439

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%.

11 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of PRC as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Profit before income tax	**1,022,110**	785,252
Calculated at tax rate of 25%	**255,527**	196,313
Preferential tax rates on income of certain PRC subsidiaries	**(170,420)**	(179,109)
Effect of different tax rates in other country	**13,915**	5,001
Under-provision in prior year	**2,028**	—
Expenses not deductible for tax purposes	**30,074**	22,234
	131,124	44,439

12 EARNINGS PER SHARE

(a) Basic

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

	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 as described in Note 21(d) had been effective from 1 January 2018 (2018: same).

12 EARNINGS PER SHARE (Continued)

(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
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**

13 DIVIDENDS

	2019 *HK$'000*	2018 *HK$'000*
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)*	**573,961**	315,949

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 December 2019 (2018: 5,422,560 shares in issue as at 21 January 2019). These consolidated financial statements do not reflect this proposed dividend payable for the year ended 31 December, 2019.

14 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2019 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Directly held by the Company					
Xinyi Energy (BVI) Limited ("**Xinyi Energy (BVI)**")	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Xinyi Solar Farm (Group 1) Limited ("**Xinyi Solar Farm (Group 1)**")	The BVI, limited liability company	Investment holding	200 ordinary shares of US$1 each	100%	–
Indirectly held by the Company					
Cheer King Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Mega Gain Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Wise Regal Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Eagle Luck International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Glory City International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Full Wisdom Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Xinyi Energy (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding	1 ordinary shares	100%	–
New Wisdom International Limited ("**New Wisdom**")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Perfect Alliance Development Limited ("**Perfect Alliance**")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Sky Falcon Development Limited ("**Sky Falcon**")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–

Notes to the Consolidated Financial Statements

14 SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Sky Cheer Investments Limited ("**Sky Cheer**")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Profit Noble Development Limited ("**Profit Noble**")	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%	–
Nanping Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD18,000,000	100%	–
Hong'an Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	–
Xinyi Solar (Wuhu) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	–
Xinyi Renewable Energy (Bozhou) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	–
Xinyi Solar (Fanchang) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB75,000,000	100%	–
Xinyi Solar (Tianjin) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD48,000,000	100%	–
Xinyi Solar (Shouxian) Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB215,000,000	100%	–
Wuhu Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	100%	–

14 SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Lu'an Xinyi Renewable Energy Limited	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	100%	–
Xinyi Solar (Xiaochang) Limited ("**Xiaochang**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of USD32,700,000 and paid up capital of USD32,600,000	100%	–
Xinyi Solar (Suiping) Limited ("**Suiping**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of RMB210,000,000	100%	–
Xinyi Renewable Energy (Shouxian) Limited ("**Shouxian**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	–
Xinyi Solar (Huainan) Limited ("**Huainan**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered and paid up capital of USD12,000,000	100%	–
Xinyi Solar (Wuwei) Limited ("**Wuwei**")	The PRC, limited liability company	Management and operation of solar farm in the PRC	Registered capital of USD9,000,000 and paid up capital of USD8,950,000	100%	–
Xinyi Technology (Wuhu)	The PRC, limited liability company	Provision of operation and management services in the PRC	Registered and paid up capital of RMB6,800,000	100%	–

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

15 BUSINESS COMBINATION

To build up a more diversified solar farm investment portfolio, the Group acquired Xinyi Solar Farm (Group 1) 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 farms projects (the "**2019 Portfolio**") (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.

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

15 BUSINESS COMBINATION (Continued)

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

	Total
	HK$'000
Purchases consideration	
Fair value of cash consideration	3,701,928
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 16)*	3,894,507
Right-of-use assets *(Note 17)*	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
	3,701,928
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)
	2,015,754
Net cash outflow represents	
Upfront payment upon completion of 2019 Acquisition *(Note (a))*	2,041,628
Deferred cash consideration *(Note (b))*	1,660,300
	3,701,928

15 BUSINESS COMBINATION (Continued)

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	257,522

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	824,452

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.

16 PROPERTY, PLANT AND EQUIPMENT

	Solar Farms *HK$000*	Buildings *HK$000*	Motor vehicle, furniture and fixtures, equipment and others *HK$000*	Construction in progress *HK$000*	Total *HK$000*
At 1 January 2018 (Restated)					
Cost	6,938,571	183,326	8,493	43,327	7,173,717
Accumulated depreciation	(547,519)	(9,433)	(540)	—	(557,492)
Net book amount	6,391,052	173,893	7,953	43,327	6,616,225
Year ended 31 December 2018					
Opening net book amount	6,405,820	173,893	7,953	43,327	6,630,993
Change in accounting policy *(Note 2.2)*	(14,768)	—	—	—	(14,768)
Restated opening net book amount	6,391,052	173,893	7,953	43,327	6,616,225
Additions	—	—	453	22,541	22,994
Transfers	62,851	2,612	—	(65,463)	—
Depreciation charge (Restated)	(251,214)	(6,426)	(858)	—	(258,498)
Currency translation differences	(301,508)	(8,265)	(370)	(405)	(310,548)
Restated closing net book amount	5,901,181	161,814	7,178	—	6,070,173
At 31 December 2018 (Restated)					
Cost	6,664,495	176,964	8,518	—	6,849,977
Accumulated depreciation	(763,314)	(15,150)	(1,340)	—	(779,804)
Net book amount	5,901,181	161,814	7,178	—	6,070,173

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Solar Farms *HK$000*	Buildings *HK$000*	Motor vehicle, furniture and fixtures, equipment and others *HK$000*	Construction in progress *HK$000*	Total *HK$000*
Year ended 31 December 2019					
Opening net book amount	5,915,346	161,814	7,178	—	6,084,338
Change in accounting policy *(Note 2.2)*	(14,165)	—	—	—	(14,165)
Restated opening net book amount	5,901,181	161,814	7,178	—	6,070,173
Additions	43,225		2,256	—	45,481
Acquisition of subsidiaries *(Note 15)*	3,876,371	17,980	156	—	3,894,507
Transfers	—	—	—	—	—
Disposal	—	—	(69)	—	(69)
Depreciation charge	(330,540)	(6,566)	(986)	—	(338,092)
Currency translation differences	(172,895)	(3,419)	(165)	—	(176,479)
Closing net book amount	9,317,342	169,809	8,370	—	9,495,521
At 31 December 2019					
Cost	10,388,476	191,093	10,621	—	10,590,190
Accumulated depreciation	(1,071,134)	(21,284)	(2,251)	—	(1,094,669)
Net book amount	9,317,342	169,809	8,370	—	9,495,521

	2019 *HK$'000*	2018 *HK$'000* *(Restated)*
Depreciation charged in consolidated income statement:		
— Cost of sales	337,524	257,951
— Administrative expenses	568	547
	338,092	258,498

During the year ended 31 December 2019, no finance costs on bank borrowings were capitalised as direct cost of construction in progress (2018: HK$3,270,000). Borrowing costs were capitalised at the weighted average rates of its general borrowings of 3.65% for the year ended 31 December 2018.

17 LEASES

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

	Leasehold land *HK$'000*	Office *HK$'000*	Total *HK$'000* *(Restated)*
Right-of-use assets			
Year ended 31 December 2018			
Opening net book amount	—	—	—
Change in accounting policies *(Note 2.2)*	335,277	—	335,277
Restated opening net book amount	335,277	—	335,277
Additions	—	1,176	1,176
Depreciation charge	(12,396)	(392)	(12,788)
Reassessment	(227)	—	(227)
Currency translation differences	(15,736)	(22)	(15,758)
Restated closing net book amount	306,918	762	307,680
Year ended 31 December 2019			
Opening net book amount	**—**	**—**	**—**
Change in accounting policies *(Note 2.2)*	**306,918**	**762**	**307,680**
Restated opening net book amount	**306,918**	**762**	**307,680**
Additions	**638**	**—**	**638**
Acquisition of subsidiaries *(Note 15)*	**154,501**	**—**	**154,501**
Depreciation charge	**(15,153)**	**(436)**	**(15,589)**
Reassessment	**(67)**	**—**	**(67)**
Currency translation differences	**(8,141)**	**(6)**	**(8,147)**
Restated closing net book amount	**438,696**	**320**	**439,016**

	2019 ***HK$'000***	2018 *HK$'000* *(Restated)*
Lease liabilities		
Non-current	**426,527**	284,360
Current	**15,140**	10,034
	441,667	294,394

Additions to the right-of-use assets during the year ended 31 December 2019 were HK$638,000 (2018: HK$1,176,000).

17 LEASES (Continued)

(b) Amounts recognised in the consolidated income statement

	2019 HK$'000	2018 HK$'000 (Restated)
Depreciation charge of right-of-use assets		
Leasehold land	**15,153**	12,396
Office	**436**	392
	15,589	12,788
Interest expense (included in finance cost)		
Leasehold land	**24,011**	18,862
Office	**36**	57
	24,047	18,919

The total cash outflow for leases during the year ended 31 December 2019 was HK$35,905,000 (2018: HK$14,516,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases offices and lands. Rental contracts are typically made for fixed periods of 2 to 30 years but may have extension options. Lease terms are negotiated on an individual basis but contain similar terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Pursuant to the lease agreements signed with landlords, landlords have agreed to reimburse the Group in respect of any PRC taxes, levies or surtaxes, intended to be imposed on the Group for the use of the lands under the current PRC tax laws and regulations, for which the Group may be liable.

18 GOODWILL

	HK$'000
At 1 January 2018 and 31 December 2018	—
Addition *(Note 15)*	330,303
At 31 December 2019	**330,303**

For the purpose of impairment assessment, goodwill arising from the 2019 Acquisition is allocated to five CGUs under Xiaochang, Suiping, Shouxian, Huainan and Wuwei, respectively.

The recoverable amounts of each CGU are determined based on fair value less cost of sales ("**FVLCOS**") calculations covering a period of the useful lives of the solar farms.

The key assumptions and estimates used in determining the FVLCOS as at 31 December 2019 are as follows:

Capacity	50MW to 200MW
Annual utilisation hours	1,100MWh/MWp to 1,483 MWh/MWp
Degradation factor	0.5% per annum
Feed-in-tariff	RMB0.51/kWh to RMB0.62/kWh
Discount rate	7.1% to 7.8%

The recoverable amounts calculated based on FVLCOS are estimated to exceed the carrying amount at 31 December 2019 by HK$47,062,000.

The recoverable amounts would equal carrying amounts if the key assumptions at 31 December 2019 were to change as follows:

Annual utilisation hours decrease by	4 MWh/MWp to 70 MWh/MWp
Discount rate increases by	0.04% to 0.60%

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

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000 (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)
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 HK$'000	2018 HK$'000
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.

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) *Trade and bills receivables (Continued)*

The ageing analysis of trade receivables is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
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
	2,582,554	1,429,020

The maturity of the bills receivables is within one 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 Catalogue. Since June 2018, the Group had seven additional 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).

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(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 one 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.

20 CASH AND CASH EQUIVALENTS

	2019 ***HK$'000***	2018 *HK$'000*
Cash at bank	**1,231,244**	421,263
Short-term bank deposits *(Note)*	**400,000**	—
	1,631,244	421,263
Maximum exposure of credit risk	**1,631,244**	421,263

As at 31 December 2019, funds of the Group amounting to HK$1,134,833,000 (2018: HK$394,269,000) were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$496,411,000 (2018: HK$26,994,000) as at 31 December 2019 were deposited in reputable banks in Hong Kong.

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

	2019 ***HK$'000***	2018 *HK$'000*
RMB	**1,135,064**	394,514
HK$	**491,818**	24,023
US$	**4,362**	2,726
	1,631,244	421,263

Note:

The Group placed time bank deposits with certain major licensed banks in Hong Kong, with fixed maturities, fixed interest rates and principal guarantee. HK$400,000,000 (2018: Nil) of the Group's time bank deposits have a maturity ranging from 15 days to 34 days and was qualified as cash and cash equivalents. These balances are denominated in HK$. The effective interest rate on short-term bank deposits was 3.05% per annum.

21 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares of US$1 each *US$*	Ordinary shares of HK$0.01 each *HK$*	Total *HK$'000*
Authorised:				
At 1 January 2018	50,000	50,000	N/A	390
Redesignation of shares *(Note (a))*	799,999,950,000	(50,000)	8,000,000,000	7,999,610
At 31 December 2018 and 2019	800,000,000,000	–	8,000,000,000	8,000,000
Issued and fully paid:				
At 1 January 2018	6,952	6,952	N/A	54
Redesignation of shares *(Note (a))*	5,415,608	(6,952)	54,226	N/A
At 31 December 2018 and 1 January 2019	5,422,560	–	54,226	54
Issuance of ordinary shares upon				
– initial public offerings *(Note (b))*	**1,882,609,471**	**–**	**18,826,095**	**18,826**
– over-allotment *(Note (c))*	**125,129,000**	**–**	**1,251,290**	**1,252**
– capitalisation issue *(Note (d))*	**4,739,317,440**	**–**	**47,393,174**	**47,393**
At 31 December 2019	**6,752,478,471**	**–**	**67,524,785**	**67,525**

Notes:

(a) On 21 May 2018, pursuant to the written resolution passed by the shareholders, the authorised share capital of the Company was increased from 50,000 shares of a single class with a par value of US$1.0 each to a total of 800,000,000,000 shares of a single class with a par value of HK$0.01 each. On the same date, 6,952 shares of par value of US$1.0 each allotted and issued to the shareholders were redesignated to 5,422,560 shares of par value of HK$0.01 each.

(b) On 28 May 2019, 1,882,609,471 ordinary shares of HK$0.01 each were issued at an offer price of HK$1.94 per share upon the listing of the Company's shares on the Stock Exchange. Gross proceeds from the issuance of these shares in May 2019 amounted to HK$3,652,262,000 with HK$3,633,436,000 being credited to the share premium account of the Company, which is before net off with the share issuance cost.

(c) On 24 June 2019, an over-allotment option was exercised with 125,129,000 ordinary shares of HK$0.01 each issued at an offer price of HK$1.94 per share. Gross proceeds from the issuance of these shares in June 2019 amounted to HK$242,750,000 with HK$241,498,000 being credited to the share premium account of the Company, which is before net off with the share issuance cost.

(d) Pursuant to shareholders' resolutions passed on 10 May 2019, the Company allotted and issued a total of 4,739,317,440 shares by way of capitalisation of the sum of HK$47,393,174 standing to the credit of the share premium account of the Company before the listing.

22 OTHER RESERVES

	Other reserves						
	Share premium *HK$'000*	Statutory reserve *(Note (a))* *HK$'000*	Capital reserve *(Note (b))* *HK$'000*	Exchange reserve *HK$'000*	Subtotal *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2019	**4,592,644**	**266,168**	**(166,207)**	**(444,929)**	**4,247,676**	**2,157,971**	**6,405,647**
Change in accounting policy *(Note 2.2)*	**–**	**–**	**–**	**1,815**	**1,815**	**(25,806)**	**(23,991)**
At 1 January 2019 (Restated)	**4,592,644**	**266,168**	**(166,207)**	**(443,114)**	**4,249,491**	**2,132,165**	**6,381,656**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**890,986**	**890,986**
Currency translation differences	**–**	**–**	**–**	**(233,550)**	**(233,550)**	**–**	**(233,550)**
Appropriation to statutory reserve	**–**	**121,716**	**–**	**–**	**121,716**	**(121,716)**	**–**
Issuance of ordinary shares upon							
- initial public offerings *(Note 21(b))*	**3,633,436**	**–**	**–**	**–**	**3,633,436**	**–**	**3,633,436**
- over-allotment *(Note 21(c))*	**241,498**	**–**	**–**	**–**	**241,498**	**–**	**241,498**
- capitalisation issue *(Note 21(d))*	**(47,393)**	**–**	**–**	**–**	**(47,393)**	**–**	**(47,393)**
Listing expenses charged to share premium	**(86,846)**	**–**	**–**	**–**	**(86,846)**	**–**	**(86,846)**
Dividend:							
- 2018 final dividend *(Note 13)*	**(315,949)**	**–**	**–**	**–**	**(315,949)**	**–**	**(315,949)**
- 2019 interim dividend *(Note 13)*	**(337,624)**	**–**	**–**	**–**	**(337,624)**	**–**	**(337,624)**
At 31 December 2019	**7,679,766**	**387,884**	**(166,207)**	**(676,664)**	**7,224,779**	**2,901,435**	**10,126,214**
At 1 January 2018	4,592,644	184,416	(166,207)	1,078	4,611,931	1,494,696	6,106,627
Change in accounting policy *(Note 2.2)*	–	–	–	197	197	(21,592)	(21,395)
At 1 January 2018 (Restated)	4,592,644	184,416	(166,207)	1,275	4,612,128	1,473,104	6,085,232
Profit for the year	–	–	–	–	–	740,813	740,813
Currency translation differences	–	–	–	(444,389)	(444,389)	–	(444,389)
Appropriation to statutory reserve	–	81,752	–	–	81,752	(81,752)	–
At 31 December 2018 (Restated)	4,592,644	266,168	(166,207)	(443,114)	4,249,491	2,132,165	6,381,656

22 OTHER RESERVES (Continued)

Notes:

(a) The PRC subsidiaries are required to allocate 10% of their net profits to the statutory reserve fund until such fund reaches 50% of the companies' registered capitals. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2019, the boards of directors of the Company's PRC subsidiaries resolved to appropriate approximately HK$121,716,000 (2018: HK$81,752,000) from retained earnings to statutory reserve.

(b) On 30 June 2015, Xinyi Solar transferred all 200 shares of Xinyi Energy (BVI) to the Company for a consideration of US$200 (equivalent to HK$2,000) and thereafter Xinyi Energy (BVI) is wholly-owned by the Company. Since then, the Company has become the holding company of the Group. Upon the transfer of shares of Xinyi Energy (BVI), the assets and liabilities of Xinyi Energy (BVI) and its subsidiaries, with aggregate net carrying amount on the same day of HK$166,209,000, were transferred to the Company from Xinyi Solar.

23 ACCRUALS AND OTHER PAYABLES

	2019 ***HK$'000***	2018 *HK$'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.

24 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2019 HK$'000	2018 HK$'000
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
	1,952,968	1,687,200
Less: Non-current portion	**(1,225,580)**	(1,034,622)
Current portion	**727,388**	652,578

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	**4.15%**	3.93%

All bank borrowings were exposed to interest rate changes.

As at 31 December 2018, the bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company, and Xinyi Solar (BVI), 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.

25 DEFERRED INCOME TAX

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

	2019 *HK$'000*	2018 *HK$'000* *(Restated)*
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	**7,634**	3,370
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	**(214,047)**	(305)
Deferred income tax (liabilities)/assets, net	**(206,413)**	3,065

The net movements on the deferred income tax account are as follows:

	2019 *HK$'000*	2018 *HK$'000* *(Restated)*
At 1 January	**—**	—
Change in accounting policy *(Note 2.2)*	**3,065**	—
At 1 January (Restated)	**3,065**	—
Acquisition of subsidiaries	**(218,725)**	—
Credited to the consolidated income statement *(Note 11)*	**6,184**	3,190
Currency translation difference	**3,063**	(125)
At 31 December	**(206,413)**	3,065

25 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, are as follows:

	Leases	
	2019	2018
	HK$'000	*HK$'000*
Deferred income tax assets		
At 1 January	**—**	—
Change in accounting policy *(Note 2.2)*	**3,370**	—
At 1 January (Restated)	**3,370**	—
Acquisition of subsidiaries *(Note 15)*	**69**	—
Credited to the consolidated income statement	**4,340**	3,507
Currency translation difference	**(145)**	(137)
At 31 December	**7,634**	3,370

	Fair value gains		Leases		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Deferred income tax liabilities						
At 1 January	**—**	—	**—**	—	**—**	—
Change in accounting policy *(Note 2.2)*	**—**	—	**305**	—	**305**	—
At 1 January (Restated)	**—**	—	**305**	—	**305**	—
Acquisition of subsidiaries *(Note 15)*	**218,794**	—	**—**	—	**218,794**	—
(Credited)/charged to the consolidated income statement	**(1,984)**	—	**140**	317	**(1,844)**	317
Currency translation difference	**(3,200)**	—	**(8)**	(12)	**(3,208)**	(12)
At 31 December	**213,610**	—	**437**	305	**214,047**	305

25 DEFERRED INCOME TAX (Continued)

Withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in the PRC are held by intermediate holding companies incorporated in Hong Kong, which are subject to 5% or 10% withholding tax.

As at 31 December 2019, deferred income tax liabilities of approximately HK$210,619,000 (2018: HK$121,217,000) were not recognised for withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% (2018: 5%) withholding tax rate. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. As at 31 December 2019, the related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$4,212,379,000 (2018: HK$2,423,073,000).

Deferred tax assets are recognised for tax loss carrying-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, there was no significant unrecognised tax loss (2018: Nil).

26 CASH FLOW INFORMATION

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

	2019 ***HK$'000***	2018 *HK$'000* *(Restated)*
Profit before income tax	**1,022,110**	785,252
Adjustments for:		
Interest income *(Note 8)*	**(28,589)**	(6,759)
Interest expense *(Note 8)*	**177,245**	103,885
Depreciation of property, plant and equipment *(Note 16)*	**338,092**	258,498
Depreciation of right-of-use assets *(Note 17)*	**15,589**	12,788
	1,524,447	1,153,664
Changes in working capital:		
Trade and other receivables	**(179,162)**	89,813
Accruals and other payables	**7,644**	6,175
Amounts due from fellow subsidiaries	**(267)**	—
Cash generated from operations	**1,352,662**	1,249,652

26 CASH FLOW INFORMATION (Continued)

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

	2019
	HK$'000
Net book amount *(Note 16)*	**69**
Loss on disposal of property, plant and equipment	**–**
Proceeds from disposal of property, plant and equipment	**69**

(c) Major non-cash transactions

(i) During the year ended 31 December 2019, additions of plant and equipment amounting to HK$136,346,000 (2018: HK$95,023,000) were purchased through increase in other payables without any cash paid.

(ii) During the year ended 31 December 2018, acquisition of right-of-use assets were HK$1,176,000.

(iii) No (2018: HK$3,270,000) finance costs on bank borrowing were capitalised as direct cost of construction in progress during the year ended 31 December 2019.

(iv) On 10 May 2019, the Company allotted and issued a total of 4,739,317,440 shares by way of capitalisation of the sum of HK$47,393,174 standing to the credit of the share premium account of the Company before the listing.

(d) Net debt reconciliation

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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Cash and cash equivalents	**1,631,244**	421,263
Bank borrowings – repayable within one year	**(727,388)**	(652,578)
Bank borrowings – repayable after one year	**(1,225,580)**	(1,034,622)
Lease liabilities	**(441,667)**	(294,394)
Net debt	**(763,391)**	(1,560,331)
Cash and cash equivalents	**1,631,244**	421,263
Gross debt – fixed interest rates	**(441,667)**	(294,394)
Gross debt – variable interest rates	**(1,952,968)**	(1,687,200)
Net debt	**(763,391)**	(1,560,331)

26 CASH FLOW INFORMATION (Continued)

(d) Net debt reconciliation (Continued)

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents HK$'000	Bank borrowings due within 1 year or on demand HK$'000	Bank borrowings due after 1 year HK$'000	Lease liabilities HK$'000	Total HK$'000
Net debt as at 1 January 2018	472,243	(1,429,583)	(1,285,254)	—	(2,242,594)
Change in accounting policy *(Note 2.2)*	—	—	—	(303,961)	(303,961)
Net debt as at 1 January 2018 (Restated)	472,243	(1,429,583)	(1,285,254)	(303,961)	(2,546,555)
Addition	—	—	—	(1,176)	(1,176)
Cash flows	(30,818)	777,005	250,632	14,516	1,011,335
Foreign exchange adjustments	(20,162)	—	—	14,920	(5,242)
Other changes *(Note)*	—	—	—	(18,693)	(18,693)
Net debt as at 31 December 2018 (Restated)	421,263	(652,578)	(1,034,622)	(294,394)	(1,560,331)
Net debt as at 1 January 2019 (Restated)	**421,263**	**(652,578)**	**(1,034,622)**	**(294,394)**	**(1,560,331)**
Acquisition of subsidiaries	**69**	**(439,787)**	**(695,625)**	**(158,356)**	**(1,293,699)**
Cash flows	**1,231,660**	**364,977**	**504,667**	**27,708**	**2,129,012**
Foreign exchange adjustments	**(21,748)**	**—**	**—**	**7,355**	**(14,393)**
Other changes *(Note)*	**—**	**—**	**—**	**(23,980)**	**(23,980)**
Net debt as at 31 December 2019	**1,631,244**	**(727,388)**	**(1,225,580)**	**(441,667)**	**(763,391)**

Note:

Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the consolidated statement of cash flows when paid.

27 OPERATING LEASE COMMITMENTS

The Group leases certain lands under non-cancellable operating lease agreements. On adoption of HKFRS 16, the Group has recognised right-of-use assets for these leases. See Note 17 for further information.

28 CAPITAL COMMITMENTS

Capital expenditures at the balance sheets dates not yet incurred are as follows:

	2019	2018
	HK$'000	*HK$'000*
Property, plant and equipment:		
– Contracted but not provided for	**–**	5,144

29 BANKING FACILITIES

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

	2019	2018
	HK$'000	*HK$'000*
Banking facilities granted to subsidiaries of the Company without securities:		
– Available facilities	**2,777,629**	1,992,143
– Facilities utilised	**(1,962,629)**	(1,692,143)
Unutilised facilities	**815,000**	300,000

30 RELATED PARTY TRANSACTIONS

As at 31 December 2019, 52.70% of the Company's shares are held by Xinyi Solar. Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "**Equity investors**") in aggregate owns 21.60% of the Company's shares. 6.03% of the shares are held by Xinyi Glass Holdings Limited ("**Xinyi Glass**") and its subsidiary, and the remaining 19.67% of the shares are widely held.

The Company's controlling shareholders include Xinyi Solar and its subsidiary and the Equity Investors. The Equity investors are also the controlling shareholders of Xinyi Solar, 32.05% of the shares of Xinyi Solar in issue as at 31 December 2019.

30 RELATED PARTY TRANSACTIONS (Continued)

(a) *Name and relationship with related parties*

The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name of related parties	Relationship
Xinyi Solar	Ultimate holding company
Xinyi Solar (HK) Limited	Fellow subsidiary
Xinyi Power (BVI)	Immediate holding company
Chaohu Jindao Photovoltaic Power Generation Company Limited ("**Chaohu Jindao**")	Fellow subsidiary
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited ("**Taonan Runhe**")	Fellow subsidiary
Xinyi Solar (Bozhou) Limited ("**Xinyi Solar (Bozhou)**")	Fellow subsidiary
Xinyi Solar (Jinzhai) Limited ("**Xinyi Solar (Jinzhai)**")	Fellow subsidiary
Xinyi Renewable Energy (Huaibei) Limited ("**Xinyi Energy (Huaibei)**")	Fellow subsidiary
Guangdong Shenke Renewable Energy Limited ("**Guangdong Shenke**")	Fellow subsidiary
Xinyi Solar (Wangjiang) Limited ("**Xinyi Solar (Wangjiang)**")	Fellow subsidiary
Xinyi Solar (Haikou) Limited ("**Xinyi Solar (Haikou)**")	Fellow subsidiary
Huainan Xinyi Renewable Energy Limited ("**Huainan Xinyi Renewable Energy**")	Fellow subsidiary
Xinyi Glass	*Note (i)*
Cheer Wise Investment Limited ("**Cheer Wise**")	*Note (ii)*
Xinyi Energy Smart (Wuhu) Company Limited ("**Xinyi Energy Smart**")	*Note (ii)*

Notes:

(i) A shareholder of Xinyi Solar.

(ii) Companies under control of Xinyi Glass, a major shareholder of Xinyi Solar.

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years.

	Note	2019 HK$'000	2018 HK$'000
Discontinued transactions			
Purchase of glass products from a related party			
– Xinyi Energy Smart	(i)	–	4
Employee benefits paid by the ultimate holding company			
– Xinyi Solar	(ii)	23	39
Employee benefits paid by a fellow subsidiary			
– Xinyi Solar (HK)	(iii)	1,690	2,807
One-off transaction			
Acquisition of subsidiaries from immediate holding company			
– Xinyi Power (BVI)	(iv)	4,083,256	–
Continuing transactions			
Solar farm operation and management services fees receivable from fellow subsidiaries	(v)		
– Chaohu Jindao		129	–
– Taonan Runhe		595	–
– Xinyi Solar (Bozhou)		398	–
– Xinyi Solar (Jinzhai)		692	–
– Xinyi Energy (Huaibei)		872	–
– Guangdong Shenke		380	–
– Xinyi Solar (Wangjiang)		910	–
– Xinyi Solar (Haikou)		455	–
– Huainan Xinyi Renewable Energy		376	–
		4,807	–

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Notes:

(i) Purchases were charged at mutually agreed prices and terms.

(ii) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business during the year. These employee benefit expenses were excluded from the consolidated financial statements.

(iii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business include compensation for a director and certain senior management, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the year. These employee benefit expenses were excluded from the consolidated financial statements.

(iv) The acquisition of subsidiaries was transacted at mutually agreed prices and terms. Details of the acquisition are disclosed in Note 15.

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

(c) Balance with related parties

	2019	2018
	HK$'000	*HK$'000*
Due from fellow subsidiaries:		
– Chaohu Jindao	**8**	—
– Taonan Runhe	**32**	—
– Xinyi Solar (Bozhou)	**24**	—
– Xinyi Solar (Jinzhai)	**25**	—
– Xinyi Energy (Huaibei)	**15**	—
– Guangdong Shenke	**19**	—
– Xinyi Solar (Wangjiang)	**23**	—
– Xinyi Solar (Haikou)	**25**	—
– Huainan Xinyi Renewable Energy	**96**	—
	267	—
Due to immediate holding company:		
– Xinyi Power (BVI)	**1,717,870**	—

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand. The amounts approximate their fair values and are denominated in RMB.

The amount due to immediate holding company represents the present value amount of the remaining 50% consideration of the 2019 Acquisition discounted at the effective interest rate of 6.38% according to the estimated payment schedule. The amount is unsecured, non-interest bearing and payable on 28 May 2023, or upon the receipt of the payment from the PRC Government of the tariff adjustments of the solar power plants acquired, whichever is earlier. The amount approximates its fair value and is denominated in HK$.

30 RELATED PARTY TRANSACTIONS (Continued)

(d) Leases

	Note	Type of leased asset	2019 HK$'000	2018 HK$'000 (Restated)
Addition of right-of-use assets in relation to office area recognised by the Group as a lessee to related parties:				
– Cheer Wise	(i)	Office	–	338
– Xinyi Energy Smart	(ii)	Office	–	838
			–	1,176

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Interest expense on lease liabilities in relation to office area recognised by the Group as a lessee to related parties:			
– Cheer Wise	(i)	10	12
– Xinyi Energy Smart	(ii)	23	45
		33	57

Notes:

(i) Approximate 30 square meter ("**sq.m.**") office area in Hong Kong was provided by Cheer Wise for the Group's operations starting from October 2016 till April 2018 without consideration paid. From May 2018, the leases of premises have been charged at mutually agreed rental.

(ii) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart, a related company owned as to 100% by Xinyi Glass, for the Group's occupations with rental mutually agreed.

(e) Key management compensation

Key management includes directors of the Company and certain senior management. The compensation of directors of the Company paid or payable is disclosed in Note 10. The compensation of certain senior management incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 30(b)(ii) and (iii), respectively.

(f) Guarantee of bank borrowings

As at 31 December 2018, bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company, and Xinyi Solar (BVI), 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.

31 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000 (Restated)
Financial assets at amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	**2,597,396**	1,447,682
Amounts due from fellow subsidiaries	**267**	—
Cash and cash equivalents	**1,631,244**	421,263
	4,228,907	1,868,945
Financial liabilities at amortised cost		
Accruals and other payables excluding accruals of staff costs and other taxes payables	**413,530**	267,877
Bank borrowings	**1,952,968**	1,687,200
Amount due to immediate holding company	**1,717,870**	—
Lease liabilities	**441,667**	294,394
	4,526,035	2,249,471

32 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		**3,868,137**	166,209
Current assets			
Prepayments for listing expenses		**—**	8,838
Amounts due from subsidiaries		**5,773,143**	4,421,170
Cash and cash equivalents		**3,312**	77
Total current assets		**5,776,455**	4,430,085
Total assets		**9,644,592**	4,596,294
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**67,525**	54
Share premium	(a)	**7,679,766**	4,592,644
Accumulated losses	(a)	**(119,055)**	(32,752)
Total equity		**7,628,236**	4,559,946
LIABILITIES			
Current liabilities			
Accruals and other payables		**2,785**	5,902
Amount due to immediate holding company		**1,717,870**	—
Amount due to subsidiaries		**295,701**	30,446
Total current liabilities		**2,016,356**	36,348
Total equity and liabilities		**9,644,592**	4,596,294

The balance sheet of the Company was approved by the Board of Directors on 16 March 2020 and was signed on its behalf.

TUNG Ching Sai
Executive Director

TUNG Fong Ngai
Executive Director and Chief Executive Officer

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

Note:

(a) Movements of share premium and accumulated losses of the Company

	Share premium HK$'000	Accumulated losses HK$'000
At 1 January 2018	4,592,644	(2,604)
Loss for the year	–	(30,148)
At 31 December 2018	4,592,644	(32,752)
At 1 January 2019	**4,592,644**	**(32,752)**
Loss for the year	**–**	**(86,303)**
Issuance of ordinary shares upon		
– initial public offerings *(Note 21(b))*	**3,633,436**	**–**
– over-allotment *(Note 21(c))*	**241,498**	**–**
– capitalisation issue *(Note 21(d))*	**(47,393)**	**–**
Listing expenses charged to share premium	**(86,846)**	**–**
Dividend:		
– 2018 final dividend *(Note 13)*	**(315,949)**	**–**
– 2019 interim dividend *(Note 13)*	**(337,624)**	**–**
At 31 December 2019	**7,679,766**	**(119,055)**

33 CONTINGENCIES

The Company and the Group did not have any significant contingent liabilities as at 31 December 2019 (2018: Nil).

34 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 financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

On 16 March 2020, the Group entered into a sale and purchase agreement with Xinyi Solar for acquiring the entire equity interest in a wholly-owned subsidiary of Xinyi Solar, Xinyi Solar Farm (Group 3) Limited, which indirectly owns four solar farms with aggregate approved capacity of 230MW in the PRC, for a consideration to be calculated based on the formula set forth in the sale and purchase agreement. The transaction is expected to be completed on or before 30 September 2020.

Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	*(restated)*	*(restated)*	*(restated)*
Result					
Revenue	**1,593,086**	1,200,556	1,116,044	968,291	313,030
Cost of sales	**(377,590)**	(289,055)	(278,367)	(239,006)	(87,446)
Gross profit	**1,215,496**	911,501	837,677	729,285	225,584
Profit before income tax	**1,022,110**	785,252	726,125	651,105	267,714
Income tax expense	**(131,124)**	(44,439)	(15,170)	(62)	(11,626)
Profit for the year	**890,986**	740,813	710,955	651,043	256,088
Profit attributable to:					
– the equity holders of the Company	**890,986**	740,813	710,955	651,043	256,088
– non-controlling interests	**–**	–	–	–	–
	890,986	740,813	710,955	651,043	256,088

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	*(restated)*	*(restated)*	*(restated)*
Assets and Liabilities					
Total assets	**14,966,420**	8,656,386	9,494,436	8,603,643	6,247,100
Total liabilities	**4,772,681**	2,274,676	3,409,150	3,824,573	1,697,141
	10,193,739	6,381,710	6,085,286	4,779,070	4,549,959
Equity attributable to the equity holders of the Company	**10,193,739**	6,381,710	6,085,286	4,779,070	4,549,959
Non-controlling interests	**–**	–	–	–	–
	10,193,739	6,381,710	6,085,286	4,779,070	4,549,959