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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2022	2021	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	2,315.3	2,296.6	+0.8%
Profit attributable to the equity holders of the Company	971.5	1,232.3	-21.2%
Earnings per share – Basic	13.33 HK cents	17.33 HK cents	-23.1%
Distributable Income ⁽¹⁾	1,110.7	1,242.7	-10.6%
Dividends	1,112.6	1,256.0	-11.4%
Proposed final dividend per share	7.4 HK cents	10.0 HK cents	-26.0%

Note:

- (1) See the paragraphs headed “Adjusted EBITDA, Distributable Income and net profit” in this announcement for the calculation of the “Distributable Income”.

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Energy Holdings Limited (the “**Company**” or “**Xinyi Energy**”, together with its subsidiaries, the “**Group**”) announces the audited consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER**

		<u>2022</u>	<u>2021</u>
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	2,315,275	2,296,648
Cost of sales	5	(681,048)	(617,267)
Gross profit		1,634,227	1,679,381
Other income	3	29,202	23,243
Other losses, net	4	(18,988)	(22,405)
Administrative expenses	5	(71,677)	(54,532)
Net impairment losses on financial assets		(31,793)	—
Operating profit		1,540,971	1,625,687
Finance income	6	1,594	18,875
Finance costs	6	(270,343)	(188,171)
Profit before income tax		1,272,222	1,456,391
Income tax expense	7	(298,251)	(221,585)
Profit for the year		973,971	1,234,806
Profit for the year attributable to:			
– Equity holders of the Company		971,451	1,232,275
– Non-controlling interests		2,520	2,531
		973,971	1,234,806
Earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)			
– Basic	8	13.33	17.33
– Diluted	8	13.33	17.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	973,971	1,234,806
Other comprehensive (loss)/income for the year, net of tax:		
Item that may be reclassified to profit or loss		
– Exchange differences arising on translation to presentation currency	<u>(1,696,509)</u>	<u>444,995</u>
Total comprehensive (loss)/income for the year	<u>(722,538)</u>	<u>1,679,801</u>
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	<u>(723,778)</u>	1,676,954
– Non-controlling interests	<u>1,240</u>	<u>2,847</u>
	<u>(722,538)</u>	<u>1,679,801</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

		<u>2022</u>	<u>2021</u>
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		13,573,134	13,838,059
Right-of-use assets		687,618	698,594
Prepayments for property, plant and equipment	10	55,242	61,239
Deferred income tax assets		51,274	20,192
Goodwill		372,892	445,192
		<u>14,740,160</u>	<u>15,063,276</u>
Current assets			
Trade and other receivables and prepayments	10	3,407,567	5,030,652
Amount due from fellow subsidiaries		1,386	3,164
Cash and cash equivalents		1,790,767	1,104,858
		<u>5,199,720</u>	<u>6,138,674</u>
Total current assets		5,199,720	6,138,674
Total assets		19,939,880	21,201,950
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		74,404	71,100
Other reserves		6,073,045	7,703,506
Retained earnings		5,605,611	4,777,994
		<u>11,753,060</u>	<u>12,552,600</u>
Non-controlling interests		9,092	7,852
Total equity		11,762,152	12,560,452

		<u>2022</u>	<u>2021</u>
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	2,061,311	2,843,918
Lease liabilities		662,129	692,013
Other payables	11	57,027	65,743
Deferred income tax liabilities		298,667	335,437
Total non-current liabilities		3,079,134	3,937,111
Current liabilities			
Bank borrowings	12	2,892,469	2,036,302
Lease liabilities		34,042	31,680
Accruals and other payables	11	679,029	831,410
Amount due to immediate holding company		1,388,244	1,753,764
Amount due to fellow subsidiaries		52,098	—
Current income tax liabilities		52,712	51,231
Total current liabilities		5,098,594	4,704,387
Total liabilities		8,177,728	8,641,498
Total equity and liabilities		19,939,880	21,201,950

NOTES:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (“**FVPL**”) or other comprehensive income (“**FVOCI**”).

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

(a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018 - 2020
Revised Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to standards and interpretations not yet adopted:

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for the accounting period beginning on 1 January 2022 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new standards, amendments to standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Recognised at a point in time:		
– Sales of electricity	1,279,205	1,068,415
– Tariff adjustment	1,249,975	1,218,187
	<u>2,529,180</u>	<u>2,286,602</u>
Less: Deduction of tariff adjustment (<i>Note (a)</i>)	(223,831)	—
	<u>2,305,349</u>	<u>2,286,602</u>
Recognised over time:		
– Solar farm operation and management services	9,926	10,046
	<u>9,926</u>	<u>10,046</u>
	<u>2,315,275</u>	<u>2,296,648</u>
Other income		
Government grants (<i>Note (b)</i>)	17,313	12,265
Compensation of insurance claims	4,412	7,674
Others	7,477	3,304
	<u>29,202</u>	<u>23,243</u>

Notes:

- (a) Pursuant to “Notice on the Explanation of Policies Concerning the Verification and Validation of Renewable Energy Power Generation Subsidies” (the “**October Notice**”) issued on 8 October 2022, some solar farm projects of the Group may be subject to possible deduction of revenue recognised from tariff adjustment in accordance with the requirements and conditions for the entitlement of the tariff adjustment as set out in the October Notice. During the year ended 31 December 2022, the Group performed a reassessment on the estimation of revenue recognised from tariff adjustment as required by the prevailing rules and regulations and recognised the amount of deduction of approximately HK\$223,831,000 (2021: Nil) as a reduction of revenue on a cumulative basis.
- (b) Government grants mainly represent grants received from the government of the People’s Republic of China (the “**PRC**”) in subsidising the Group’s general operations.

Segment information

The Group is mainly engaged in the operation and management 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.

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

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	498,958	420,865
Customer B	241,320	280,348
Customer C (<i>Note</i>)	238,670	224,705
Customer D (<i>Note</i>)	213,563	304,889
	<u><u> </u></u>	<u><u> </u></u>

Note:

The revenue from Customer D for the year ended 31 December 2022 did not exceed 10% of the total revenue of the Group for the year ended 31 December 2022. The revenue from Customer C for the year ended 31 December 2021 did not exceed 10% of the total revenue of the Group for the year ended 31 December 2021. The amounts shown above are for the comparative purpose only.

4 OTHER LOSSES, NET

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange gains/(losses), net	151	(68)
Loss on disposal of property, plant and equipment	(156)	(98)
Net fair value gains on financial assets at FVPL	14,104	—
Impairment loss of goodwill	(33,087)	(22,239)
	<u>(18,988)</u>	<u>(22,405)</u>

5 EXPENSES BY NATURE

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation charge of property, plant and equipment	569,096	531,858
Depreciation charge of right-of-use assets	30,310	26,977
Employee benefit expenses (including directors' emoluments)	59,552	48,652
Electricity	16,554	12,447
Auditor's remuneration – statutory audits	1,621	1,479
Legal and professional fees	4,110	2,788
Insurance expenses	11,413	6,683
Repair and maintenance	15,607	16,947
Other expenses	44,462	23,968
	<u>752,725</u>	<u>671,799</u>

6 FINANCE INCOME AND COSTS

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from bank deposits	<u>1,594</u>	<u>18,875</u>
Finance costs		
Interest on lease liabilities	43,326	40,642
Interest expense on bank borrowings	120,848	47,823
Interest expense on deferred payment of business combination purchases consideration	<u>106,169</u>	<u>99,706</u>
	<u>270,343</u>	<u>188,171</u>

7 INCOME TAX EXPENSE

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	338,856	235,825
Deferred income tax	<u>(40,605)</u>	<u>(14,240)</u>
	<u>298,251</u>	<u>221,585</u>

Notes:

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

(c) The applicable corporate income tax (“CIT”) rate for the Group’s subsidiaries in the PRC is 25% (2021: 25%) except that:

- A subsidiary engaging in operation and management of solar farms in Anhui Province is qualified as a “High and New Technology Enterprise” and would be entitled to enjoy a preferential CIT rate of 15% (2021: 15%);
- A subsidiary engaging in development of operation and management systems in Guangxi Zhuang Autonomous Region is qualified as an “Encouraged Enterprise” in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and would be entitled to enjoy a preferential CIT rate of 9% (2021: 9%);
- Subsidiaries engaging in the solar farms business enjoyed tax holiday and their profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, their government grants and compensation of insurance claims received are subject to the CIT rate of 25% (2021: 25%).

8 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.

	<u>2022</u>	<u>2021</u>
Profit attributable to equity holders of the Company (HK\$'000)	971,451	1,232,275
Weighted average number of ordinary shares in issue (thousands)	7,285,290	7,109,998
Basic earnings per share (HK cents)	<u>13.33</u>	<u>17.33</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2022 and 2021, the Company has one category of potentially dilutive shares, share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	<u>2022</u>	<u>2021</u>
Profit attributable to equity holders of the Company (HK\$'000)	<u>971,451</u>	<u>1,232,275</u>
Weighted average number of ordinary shares in issue (thousands)	<u>7,285,290</u>	7,109,998
Adjustment for share options (thousands)	<u>489</u>	<u>760</u>
	<u>7,285,779</u>	<u>7,110,758</u>
Diluted earnings per share (HK cents)	<u><u>13.33</u></u>	<u><u>17.33</u></u>

9 DIVIDENDS

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
Interim dividend of 7.7 HK cents (2021: 7.4 HK cents) per share (<i>Note (a)</i>)	561,977	526,140
Proposed final dividend of 7.4 HK cents (2021: 10.0 HK cents) per share (<i>Note (b)</i>)	<u>550,590</u>	<u>729,840</u>

Notes:

- (a) An interim dividend of 7.7 HK cents per share (2021: 7.4 HK cents per share) was partially paid in cash and partially settled by the issuance of 142,001,784 shares in respect of scrip dividend (2021 interim dividend: paid in cash) to shareholders for whose names appeared on the register of members of the Company on 18 August 2022 (2021: 19 August 2021).
- (b) A final dividend in respect of the year ended 31 December 2022 of 7.4 HK cents per share (2021: 10.0 HK cents per share), amounting to a total dividend of HK\$550,590,000 (2021: HK\$729,840,000), is to be proposed at the forthcoming annual general meeting. The amount of 2022 proposed final dividend is based on 7,440,400,255 shares in issue as at 31 December 2022. These consolidated financial statements do not reflect this proposed dividend payable for the year ended 31 December 2022. The amount of 2021 final dividend represented the aggregated dividend paid in cash based on 7,298,398,471 shares in issue as at the record date for the dividend entitlement.

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	3,252,090	4,628,982
Less: Loss allowance for trade receivables (<i>Note (b)</i>)	(32,521)	—
Trade receivables, net	3,219,569	4,628,982
Bills receivables (<i>Note (a)</i>)	5,029	612
Trade and bills receivables	3,224,598	4,629,594
Deposits and other receivables (<i>Note (c)</i>)	49,102	49,023
Other tax receivables (<i>Note (d)</i>)	122,454	337,352
Prepayments for property, plant and equipment	55,242	61,239
Other prepayments	11,413	14,683
	3,462,809	5,091,891
Less: Non-current portion		
Prepayments for property, plant and equipment	(55,242)	(61,239)
Current portion	3,407,567	5,030,652

Notes:

(a) Trade and bills receivables

As at 31 December 2022, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables is set out below:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables from sales of electricity	125,351	106,412
Tariff adjustment receivables	3,126,739	4,522,570
	3,252,090	4,628,982

Receivables from sales of electricity were usually settled on a monthly basis by the state-owned grid enterprises. Tariff adjustment receivables represent government subsidies on renewable energy to be received from the state-owned grid enterprises in accordance with prevailing government policies and prevalent payment pattern of the Ministry of Finance.

The Group has nineteen ground-mounted solar farms with aggregate approved capacity of 1,724 MW successfully enlisted on the Renewable Energy Power Generation Project List.

During the year ended 31 December 2022, the Group received aggregate payment of RMB1,875,828,000 (equivalent to approximately HK\$2,108,870,000) (2021: RMB371,099,000 (equivalent to approximately HK\$449,644,000)) for the subsidies in relation to the solar power generation by the solar farm projects enlisted on the Renewable Energy Power Generation Project List. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. However, given the collection of tariff adjustment receivables is well supported by the government policy, the collection of tariff adjustment receivables is expected in the normal operating cycle, and they are classified as current assets.

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	388,566	429,851
91 days to 180 days	396,410	382,181
181 days to 365 days	638,728	700,065
Over 365 days	1,828,386	3,116,885
	<u>3,252,090</u>	<u>4,628,982</u>

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 for trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivable.

Loss allowance for trade receivables of HK\$32,521,000 was made by the Group during the current reporting period (2021: Nil).

(c) Deposits and other receivables

Deposits and other receivables are all expected to be recoverable and therefore no provision was made. The ageing of deposits and other receivables was within one year. The carrying amounts of the Group's deposits and other receivables are mainly 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.

11 ACCRUALS AND OTHER PAYABLES

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables for property, plant and equipment	696,311	861,824
Accrued listing expenses	—	1,516
Others (<i>Note (b)</i>)	39,745	33,813
	736,056	897,153
Less: Non-current portion		
Retention payables for property, plant and equipment	(57,027)	(65,743)
Current portion	679,029	831,410

Notes:

- (a) The carrying amounts of accruals and other payables are mainly denominated in RMB and approximate their fair values.
- (b) The balance mainly comprises accruals of professional fees, interest for bank borrowings and accrued staff costs.

12 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable on demand and within 1 year	2,892,469	2,036,302
Between 1 and 2 years	1,581,311	1,582,607
Between 2 and 5 years	480,000	1,261,311
	4,953,780	4,880,220
Less: Non-current portion	(2,061,311)	(2,843,918)
Current portion	<u>2,892,469</u>	<u>2,036,302</u>

Notes:

(a) Secured liabilities

As at 31 December 2022 and 2021, corporate guarantee was provided by the Company and its subsidiaries for the bank borrowings.

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting period.

(c) As at 31 December 2022, none of bank borrowings (2021: HK\$269,862,000) contain repayment on demand clause and were classified as current liabilities. These bank borrowings are repayable by instalments up to 2025 (2021: 2024).

(d) The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 31 December 2022 (2021: same), as the impact of discounting is not significant.

- (e) As at 31 December 2022, all bank borrowings bore floating interest rates (2021: same). All bank borrowings were exposed to interest rate changes.

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

	<u>2022</u>	<u>2021</u>
Bank borrowings	<u>5.56%</u>	<u>1.21%</u>

13. SUBSEQUENT EVENT

On 11 April 2022, the Company entered into the Sale and Purchase Agreement with Xinyi Solar Holdings Limited. On the same date, the Company exercise of Call Option (Group 3) pursuant to the Solar Farm Agreement and the Solar Farm (Group 3) Agreement. On 24 February 2023, pursuant to the terms and conditions of the Solar Farm Agreement and the Solar Farm (Group 3) Agreement, the acquisition of the equity interest in Xinyi Solar (Haikou) Limited with an aggregated approved capacity of 300 MW has been completed for a cash consideration approximately of HK\$144.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2022, the consolidated revenue of the Group recorded a minor increase of 0.8% to HK\$2,315.3 million, as compared to HK\$2,296.6 million for 2021. Profit for the year attributable to the equity holders of the Company declined by 21.2% to HK\$971.5 million. Basic earnings per share amounted to 13.33 HK cents, representing a decrease of 23.1% as compared to the same in the last year. The Board proposes to declare a final dividend of 7.4 HK cents per share, representing 100.2% of the distributable income (the “**Distributable Income**”), subject to the approval by the shareholders (the “**Shareholders**”) of the Company at the forthcoming annual general meeting (the “**AGM**”).

BUSINESS REVIEW

Revenue contribution from the solar farm portfolio

For the year ended 31 December 2022, the Group did not experience any major curtailments of the electricity generated as all solar farm projects of the Group are located in areas which require high level of electricity.

The revenue of the Group mainly consists of two components: sales of electricity and tariff adjustment. The revenue increase is principally attributable to the full operation of the eight solar farm projects (660 megawatts (“**MW**”) in aggregate) which were acquired in 2021 (the “**2021 Portfolio**”) and completion of the acquisition of certain solar farm projects acquired in 2022 (the “**2022 Portfolio**”). As at 31 December 2022, the aggregate approved capacity of the solar farm projects of the Group amounted to 3,014 MW, as compared to 2,494 MW as at 31 December 2021. In addition, due to the increase in the sunshine hours throughout the year, the Group achieved an increase in the sales of electricity generation for the year ended 31 December 2022.

For the year ended 31 December 2022, the Group's revenue contributed by the 2021 Portfolio increased to HK\$333.3 million from HK\$230.3 million in 2021, accounting for 14.4% of the total revenue generated from the solar power electricity generation business. The Group's revenue contributed by the 2022 Portfolio was HK\$30.1 million, accounting for 1.3% of the total revenue generated from the solar power electricity generation business. Such amount was mainly contributed by three of the seven solar farm projects under the 2022 Portfolio acquired in the first and third quarters of 2022. The Directors expect that full performance of the 2022 Portfolio will be reflected in the results of the Group in 2023.

Distributed photovoltaic power generation becomes a significant growth driver of China's photovoltaic installation

With the announcement of the national policy on low-carbon energy transition and the "14th Five-Year Plan for Renewable Energy Development" (《“十四五”可再生能源發展規劃》) in 2021 and the first half of 2022, the State and local PRC governments have shifted from promoting the utility-scale solar farm projects to the development of the distributed photovoltaic ("PV") power generation projects. This change results in many enterprises to invest and install distributed PV power generation projects. According to the statistics from the National Energy Administration ("NEA"), the newly installed capacity of PV power generation in 2022 was 87.4 gigawatts ("GW"), representing an increase of 60.3% year-on-year, of which the newly installed capacity of distributed PV power generation project was 51.1 GW, representing an increase of 74.6% year-on-year.

In 2022, the Group acquired certain distributed solar projects with an aggregate approved capacity of 44.7 MW in cooperating with well-known domestic leading enterprises which are independent third parties. These projects contributed to the Group's revenue in 2022 from sales of electricity of HK\$4.6 million. With the success in managing distributed solar projects, the Group has realised that there are many opportunities for the future development of this business.

Meanwhile, the utility-scale solar farm projects can fully utilise the Group's strengths in managing sophisticated operation and maintenance management systems. Hence, the Group will continue to focus on the utility-scale solar farm projects as its main acquisition targets in the future and explore additional business opportunities arising from the favourable policies and opportunities for distributed solar projects.

National examination in the renewable energy generation segment

The problem of the increasing amount of outstanding renewable energy subsidies affects the future development of the renewable energy industry in the PRC. In order to address this issue, in March 2022, the National Development and Reform Commission (“NDRC”), the Ministry of Finance and the NEA issued a joint notice on a national self-examination of the renewable energy projects, particularly for solar and wind power projects, focusing on the compliance, scale of installed capacity, volume of electricity generated, feed-in-tariff (“FIT”) renewable energy subsidies and environmental protection, so as to ascertain the latest factual situation of the outstanding amount of the renewable energy subsidies. The PRC government may cancel the renewable energy subsidies for non-compliant renewable energy projects, thereby reducing the overall financial pressure of the accrued outstanding amount.

The self-examination and verification work has been implemented for more than six months. In October 2022, NDRC, the Ministry of Finance and NEA issued the “Notice on the Explanation of Policies Concerning the Verification and Validation of Renewable Energy Power Generation Subsidies” (the “**October Notice**”) (《關於明確可再生能源發電補貼核查認定有關政策解釋的通知》). Also, the “Announcement on the Public Announcement of the First Batch of Verified and Confirmed Compliance Projects of Renewable Energy Power Generation Subsidy” (《關於公示第一批可再生能源發電補貼核查確定的合規項目清單的公告》) (the “**First Qualified Project List**”) was issued. The number of the first batch of verified and confirmed compliance projects exceeded 7,300, among which solar projects accounted for 35.3%. Nine utility-scale solar farm projects under the Group’s FiT regime, representing 60% of the approved capacity of the Group’s solar farm projects under the FiT regime, were included.

During the year ended 31 December 2022, the Group received tariff adjustment subsidies of HK\$363.2 million and HK\$1,745.7 million during the third quarter and before the end of December, respectively, which exceeded the expectation of the Directors. The Group expected that new development on the national policy on the outstanding amount of the renewable energy subsidies will be announced, and this development is expected to reduce the outstanding situation of subsidies to be received by the Group.

Further information on the impact of the October Notice is set forth in the paragraphs under “Deduction of tariff adjustment” below.

BUSINESS OUTLOOK

The global development in 2022 was complex and volatile. The geopolitical tensions between Russia and Ukraine led to the war and last for more than a year. Soon after the outbreak of the war, European countries announced their refusal to the purchase of fossil fuels, especially natural gas, from Russia, which led to a sharp rise in the purchase price of fossil fuels. Because of this, the European countries have realised that the imminent need for the continuous development of the renewable energy, particularly solar and wind power generation. According to the latest forecast of the International Energy Agency (“**IEA**”), the renewable energy would account for 45% of the global use by 2030, representing more than 40% compared to the original estimate.

The PRC, which is one of the world's leading countries in the use of renewable energy, is leading the development in the solar power generation industry. Despite a number of unfavourable factors, such as the resurgence of the COVID-19 epidemic; the tightening of local lockdown measures in selected PRC cities; the price increases for PV modules and raw materials; and the new government policies to tighten the supply of compliant land for the construction of solar farm projects, the newly installed PV capacity in 2022 in the PRC continued to increase significantly by more than 60% compared to the previous year. This shows that the PRC is committed to achieve the national objective of “carbon peaking by 2030 and carbon neutrality goals by 2060”.

In March and June 2022, the NDRC, NEA and other PRC ministries jointly released the “14th Five-Year Plan for Modern Energy Systems” (《“十四五”現代能源體系規劃》) and the “14th Five-Year Plan for Renewable Energy Development”(《“十四五”可再生能源發展規劃》) respectively, for the purpose of implementing decisive measures in the high-quality development of energy development and establishing a modern energy system by 2035. Security in the source of energy will be significantly improved, and green energy production and consumption patterns will also be widely formed. The proportion of non-fossil energy consumption will continue to increase after reaching 25% by 2030, and the renewable energy will become the principal source of energy. In view of the PRC's latest plans for future energy development, the IEA has raised its forecast for the scale of renewable energy development in the PRC. IEA estimates that the total installed capacity of the renewable energy in the PRC would exceed 1,000 GW by 2027, among which solar and wind power generation will account for 90%. It is expected that by 2023, the total installed capacity of solar power generation will be more than that of hydropower generation and will become the largest part of the installed capacity of the renewable energy in the PRC. In addition, the “Guiding Opinions on Accelerating the Construction of a National Unified Electricity Market System” (《關於加快建設全國統一電力市場體系的指導意見》) announced in January 2022 aims to establish a national unified electricity system by 2025 to promote the effective implementation and convergence of green electricity trading, green certificate trading and carbon emissions trading.

It is obvious that the renewable energy will be an important direction for the future energy development in the PRC and the world as a whole, with solar power generation expected to be in the most important position. The Group is well prepared to capture the new opportunities. In 2022, the Group's original acquisition plan was slightly delayed due to factors such as epidemic prevention and control and significant increases and fluctuations in the cost of PV modules. In December 2022 and February 2023, the Group completed the acquisition of three utility-scale grid-parity solar farm projects with an approved installed capacity of 450 MW.

With the cancellation of the COVID-19 epidemic control measures in the PRC, the economy and community will gradually return to the pre-epidemic state. Meanwhile, the prices of polysilicon, the principal raw material for the solar cells in PV modules, also fell sharply before the end of the year, with prices returning to a more reasonable level, which triggered a significant drop in modules prices. All of these are expected to stimulate and accelerate the construction progress of solar farm projects. In 2023, in addition to continuing the operation of its existing solar farm portfolio, the Group plans to acquire additional utility-scale grid-parity solar farm projects with a total approved capacity in the range between 700 and 1,000 MW from Xinyi Solar Holdings Limited (“**Xinyi Solar**”) and independent third parties.

The PRC is actively promoting the establishment of a nationwide unified electricity system, establishing a market mechanism to adapt to the new power system and exploring green power trading and green certificate trading, all of these will inject new incentives into the grid-parity projects and improve the return on investment of the projects. The Group will make sure that it has in-depth understanding of the rules of the market-based trading systems and will actively participate for the purpose of creating more economic benefits to the Shareholders.

The year of 2022 was a difficult year, but also a year of opportunities. For 2023, the Group will continue to conduct its business pragmatically, steadily expand the size of its solar farm portfolio and exploring opportunities when the market turns to the Group's favour.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's revenue was mainly derived from two sources, namely (i) solar power electricity generation and (ii) the provision of the solar farm operation and management services. Revenue from solar power electricity generation before deduction of tariff adjustment increased by HK\$242.6 million, due to contribution from the 2021 Portfolio and the 2022 Portfolio, as compared to 2021.

The table below sets forth an analysis of the Group's revenue for the year ended 31 December 2022, as compared to 2021.

	2022		2021		Change	
	<i>HK\$' million</i>	<i>%</i>	<i>HK\$' million</i>	<i>%</i>	<i>HK\$' million</i>	<i>in %</i>
Sales of electricity	1,279.2	55.3	1,068.4	46.5	210.8	19.7
Tariff adjustment	1,250.0	54.0	1,218.2	53.1	31.8	2.6
	2,529.2	109.3	2,286.6	99.6	242.6	10.6
Deduction of tariff adjustment	(223.8)	(9.7)	—	—	(223.8)	N/A
	2,305.4	99.6	2,286.6	99.6	18.8	0.8
Operation and management services	9.9	0.4	10.0	0.4	(0.1)	(1.0)
Total	2,315.3	100.0	2,296.6	100.0	18.7	0.8

The Group's revenue contributed by sales of electricity and tariff adjustment increased by 19.7% to HK\$1,279.2 million and 2.6% to HK\$1,250.0 million, respectively, as compared to the year ended 31 December 2021. This increase was primarily attributable to the full performance of the 2021 Portfolio and the partial contribution of the 2022 Portfolio, which was, however, offset by the depreciation of the Renminbi (“RMB”) against the Hong Kong Dollar (“HK\$”) and more importantly, the deduction of tariff adjustment.

Deduction of tariff adjustment

The revenue of the Group's solar power electricity generation consisted of sales of electricity and tariff adjustment for the solar farm projects owned and operated by the Group. The amount of the tariff adjustment was in turn based on the expected amount of subsidies that would be received by the Group according to the approval documents at the time of grid connection of the relevant solar farm projects. No tariff adjustment revenue has been derived from grid-parity solar farm projects.

On 8 and 28 October 2022, the October Notice and the First Qualified Project List were issued by the relevant PRC regulatory authorities. The October Notice specified more detailed requirements/guidance in the examination and verification works relating to the tariff adjustment receivables of renewable energy projects.

As at 31 December 2022, the Group held subsidised (FiT regime) solar farm projects with a total approved capacity of 1,724 MW, of which 1,024 MW was included in the First Qualified Project List. Up to the date of this announcement, no member of the Group has received from the relevant PRC regulatory authorities any notification or request for cancellation or reduction of the tariff adjustment receivables. Nevertheless, considering the implications of the October Notice and the First Qualified Project List and the collection progress of the tariff adjustment receivables up to 31 December 2022, and for the sake of prudence, the Directors consider that it would be necessary to reduce the amount of tariff adjustment receivables as of 31 December 2022 by HK\$223.8 million. This amount has been deducted from the revenue of the Group for the year ended 31 December 2022.

The amount of the deduction is attributable to subsidised PRC solar farm projects owned by the Group. The table below sets forth the impact of the deduction during the year ended 31 December 2022:

	Attributable to subsidised solar farm projects owned by the Group
	<u>HK\$ million</u>
Decrease in revenue	223.8
Less: Deferred tax impact	<u>(16.9)</u>
Decrease in net profit attributable to the equity holders of the Company	<u><u>206.9</u></u>

During the year ended 31 December 2022, the Group’s revenue from solar power electricity generation was contributed by the following solar farm projects:

<u>Name of the solar farm projects</u>	<u>Location in the PRC</u>	Approved capacity (MW)
Initial solar farm projects owned and operated by the Group	Nine solar farm projects located in Anhui Province, Fujian Province, Hubei Province and Tianjin Municipality	954
Solar farm projects newly added in 2019 (“ 2019 Portfolio ”)	Six solar farm projects located in Anhui Province, Hubei Province and Henan Province	540
Solar farm projects newly added in 2020 (“ 2020 Portfolio ”)	Five solar farm projects located in Anhui Province, Hubei Province and Guangdong Province	340
Solar farm projects newly added in 2021 (“ 2021 Portfolio ”)	Eight solar farm projects located in Anhui Province, Hubei Province, Hebei Province and Guangdong Province	660
Solar farm projects newly added in 2022 (“ 2022 Portfolio ”)		
Baoji Yilin Solar Farm	Shannxi Province	40
Pingshan Tesheng Solar Farm	Hebei Province	30
Tumd Right Banner Yingneng Solar Farm	Inner Mongolia Autonomous Region	100
Xinan Anlu Solar Farm	Hubei Province	90
Xinmu Anlu Solar Farm	Hubei Province	110
Laohekou Solar Farm Three	Hubei Province	100
Xiaochang Solar Farm Three	Hubei Province	50
		<hr/> 520
Total		<u><u>3,014</u></u>

The Group recorded revenue of HK\$9.9 million from the provision of solar farm operation and management services for the year ended 31 December 2022, representing 0.4% of the total revenue. Pursuant to the Solar Farm Operation and Management Agreement, Xinyi Solar has agreed to engage the Group to operate and manage its connection-ready solar farm projects. All of the revenue in 2022 generated from the services provided to Xinyi Solar was on commercial terms, taking into consideration factors such as service quality, work efficiency and price, as compared with the services provided to independent third parties.

Cost of sales

For the year ended 31 December 2022, the Group has continued to achieve an effective and efficient operation with lower costs through enhancement on the sophisticated management for individual solar farms and a nationwide centralised surveillance system.

In 2022, the Group's cost of sales increased by 10.3% to HK\$681.0 million from HK\$617.3 million in 2021. The increase was mainly due to the increase in (i) employee benefit expenses; (ii) electricity costs; and (iii) the depreciation charge of property, plant and equipment and right-of-use assets of the 2021 Portfolio and the 2022 Portfolio.

Gross profit

The Group's gross profit decreased by 2.7% to HK\$1,634.2 million for the year ended 31 December 2022 from HK\$1,679.4 million for the year ended 31 December 2021. The decrease was mainly due to the increase in the amount of revenue offset by the one-off deduction of tariff adjustment. The gross profit margin of the Group in 2022 slightly decreased by 2.5 percentage points to 70.6% from 73.1% in 2021. If excluding the impact of the one-off deduction of tariff adjustment, the gross profit margin of the Group in 2022 slightly increased by 0.1 percentage points to 73.2% from 73.1% in 2021.

Other income

The amount of other income for the year ended 31 December 2022 was HK\$29.2 million, as compared to HK\$23.2 million for the year ended 31 December 2021. The increase was primarily due to the increase in (i) the receipt of government grants and (ii) miscellaneous income, partially offset by a decrease in insurance compensation.

Other losses, net

The Group recorded other losses, net of HK\$19.0 million for the year ended 31 December 2022, as compared to HK\$22.4 million for the year ended 31 December 2021, mainly due to interest income from financial assets at fair value through profit or loss (“FVPL”), partially offset by increase in impairment loss of goodwill.

Administrative expenses

For the year ended 31 December 2022, the Group’s administrative expenses increased by HK\$17.2 million from HK\$54.5 million for the year ended 31 December 2021 to HK\$71.7 million for the year ended 31 December 2022. The increase was mainly due to the increase in (i) insurance expenses; (ii) donation; and (iii) miscellaneous expenses.

Finance costs

For the year ended 31 December 2022, the finance costs of the Group amounted to HK\$270.3 million, as compared to HK\$188.2 million during the year ended 31 December 2021. The interest expense on bank borrowings increased from HK\$47.8 million for the year ended 31 December 2021 to HK\$120.8 million for the year ended 31 December 2022. The increase was primarily due to the increase in interest payment and the amount of interest-bearing bank borrowings during the year. The interest component on lease liabilities increased to HK\$43.3 million from HK\$40.6 million during the year ended 31 December 2021, due to the completion of acquisitions of 2021 Portfolio and 2022 Portfolio. Meanwhile, the imputed interest expense on the deferred payment of the consideration of 2019 Portfolio was HK\$106.2 million during the year ended 31 December 2022.

Income tax expense

The Group incurred income tax expense of HK\$298.3 million during the year ended 31 December 2022, as compared to HK\$221.6 million during the year ended 31 December 2021. The increase was mainly due to (i) the acquisitions of the 2021 Portfolio; (ii) twelve (2021: four) solar farm projects commencing the full payment of the PRC corporate income tax at the statutory rate of 25%; and (iii) the increase in the solar power electricity generated as well as the revenue during the corresponding period.

Adjusted EBITDA, Distributable Income and net profit

For the year ended 31 December 2022, the adjusted EBITDA was HK\$2,140.5 million, representing a decrease of 1.4% as compared to HK\$2,170.9 million in 2021. The adjusted EBITDA margin decreased by 2.1 percentage points from 94.5% during the year ended 31 December 2021 to 92.4% during the year ended 31 December 2022.

Pursuant to the distribution policy of the Group, the Distributable Income was HK\$1,110.7 million during the year ended 31 December 2022, representing a decrease of 10.6% as compared to HK\$1,242.7 million during the year ended 31 December 2021.

The reconciliation from the profit for the year to adjusted EBITDA and Distributable Income during the years ended 31 December 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit for the year	973,971	1,234,806
Corporate income tax and dividend withholding tax expenses	338,856	235,825
Finance costs	270,343	188,171
Finance income	(1,594)	(18,875)
Depreciation charge of property, plant, and equipment	569,096	531,858
Adjustments:		
Other income	(29,202)	(23,243)
Other losses, net	18,988	22,405
Adjusted EBITDA for the year	<u>2,140,458</u>	<u>2,170,947</u>
Less:		
Corporate income tax at notional rate	(374,013)	(364,098)
Dividend withholding tax at notional rate	(66,917)	(63,455)
Notional long-term debt repayment principal amount	(315,985)	(309,951)
Total finance costs	(270,343)	(188,171)
Total profit attributable to non-controlling interests	(2,520)	(2,531)
Distributable Income for the year	<u><u>1,110,680</u></u>	<u><u>1,242,741</u></u>

Net profit attributable to the equity holders of the Company during the year ended 31 December 2022 was HK\$971.5 million, representing a decrease of 21.2% as compared to HK\$1,232.3 million during the year ended 31 December 2021. The decrease in the net profit margin from 53.7% during the year ended 31 December 2021 to 42.0% during the year ended 31 December 2022 was primarily due to an increase in revenue and other income, offset by (i) the one-off deduction of tariff adjustment, and (ii) an increase in depreciation charge to property, plant and equipment and right-of-use assets, employee benefit expenses, finance costs, income tax expense, and net impairment losses on financial assets.

Final dividend

The Group is dedicated to enhancing value for its shareholders and has adopted a well-defined policy on distribution based on cash inflow generated from solar power electricity generation (the “**Distributions**”). The Board intends to declare and distribute interim and final Distributions each year of not less than 90% of the Distributable Income, with an intention to distribute 100% of the Distributable Income in each year. Details of the proposed final dividend for the year ended 31 December 2022 are set forth in the paragraphs under “Final Dividend” on page 41 of this announcement.

Financial resources and liquidity

As at 31 December 2022, the Group’s total assets decreased by 6.0% to HK\$19,939.9 million and net assets decreased by 6.4% to HK\$11,762.2 million. Current ratio of the Group as at 31 December 2022 was 1.0, as compared to 1.3 as at 31 December 2021, as (i) the increase in cash and cash equivalents; (ii) the decrease in accruals and other payables; and (iii) the decrease in the amount due to immediate holding company, offset by (i) the significant decrease in trade and other receivables; (ii) the significant increase in the current portion of bank borrowings; and (iii) the increase in amount due to follow subsidiaries.

The Group’s net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2022 was 26.9% (31 December 2021: 30.1%). The decrease was mainly due to the increase in cash and cash equivalent arising from the improvement of the receipt from sales of electricity and tariff adjustment subsidies and the slight increase in the bank borrowings.

As at 31 December 2022, the Group's financial position remained healthy, with the cash and cash equivalents balance at HK\$1,790.8 million. During the year ended 31 December 2022, net cash generated from operating activities was HK\$2,899.4 million (2021: HK\$1,225.1 million), which was primarily attributable to the profit before income tax of HK\$1,272.2 million (2021: HK\$1,456.4 million), and a significant decrease in trade and other receivables. Net cash used in investing activities amounted to HK\$1,530.4 million (2021: HK\$3,108.9 million), which was primarily attributable to payment for capital expenditure for newly added solar farm projects of the 2022 Portfolio and the settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the year. Net cash used in financing activities amounted to HK\$576.4 million (2021: net cash generated from financing activities, HK\$1,649.0 million) which was primarily attributable to the settlement of deferred payment of consideration of 2019 Portfolio and 2021 Portfolio of HK\$471.7 million and dividends paid in cash to the Shareholders during the year, partially offset by the net proceeds from placing of new shares of HK\$779.5 million.

CAPITAL EXPENDITURES AND COMMITMENTS

In 2022, the Group incurred capital expenditures of HK\$1,546.5 million, mainly used for (i) further refinement of the existing and newly added solar farm projects and (ii) the settlement of outstanding capital expenditures of the existing solar farm projects. As at 31 December 2022, the Group did not have any capital commitments (2021: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged asset as security for bank borrowings as at 31 December 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, the Group completed the acquisition of two solar farms projects from Xinyi Solar. Please refer to the Company's announcement dated 11 April 2022 and 4 January 2023 for further details.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries for the year ended 31 December 2022.

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. The 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 with material difficulties and liquidity problems resulting from currency exchange rate fluctuation.

All of the revenue generated from the solar farm projects is denominated in RMB and the bank borrowings are denominated in HK\$. There is a currency mismatch between bank borrowings and 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 2022, all bank borrowings were denominated in HK\$.

During the year ended 31 December 2022, the Group has not experienced any material difficulties and liquidity problems resulting from the currency exchange rate fluctuation. However, the Group may use financial instruments for hedging purposes as and when required. For the year ended 31 December 2022, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

The Group highly values its employees, sharing mutual benefits and growth with them. The Group constantly explores each employee's potential and ability. Likewise, the Group will continue to hire new employees when appropriate to support business development.

As at 31 December 2022, the Group had 370 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$59.6 million for the year ended 31 December 2022. 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 provides mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in PRC, while adhering to the local laws and regulations.

USE OF THE NET PROCEEDS FROM THE PLACING IN APRIL 2022

In April 2022, the Company raised net proceeds of HK\$779.5 million from the placing of 188,400,000 new shares of the Company. The net proceeds from the placing have been fully utilised by 31 December 2022. The table below sets forth the proposed application of the net proceeds and the utilisation up to 31 December 2022:

	Proposed application of the net proceeds	Amount utilised up to 31 December 2022	Remaining balance up to 31 December 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Capital expenditure			
General working capital	779.5	779.5	—

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 22 November 2018, 2,780,500 share options were granted to selected employees and an executive Director in March 2022. The validity period of the options is from 31 March 2022 to 31 March 2026. One third of the options will vest on each of the year-end date of 2022, 2023 and 2024 if each grantee has met the conditions of vesting as stated in the letter of grant.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions as contained in the Corporate Governance Code (the “**CG Code**”) set forth in Part 2 of Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the year ended 31 December 2022.

AUDIT COMMITTEE OF THE BOARD

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the required standard of dealings as set forth in the Model Code during the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the Shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in due course.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set forth in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

FINAL DIVIDEND

At the Board meeting held on 27 February 2023, the Directors has recommended the payment of a final dividend (the “**Final Dividend**”) of 7.4 HK cents per share for the year ended 31 December 2022. The recommendation of payment of the Final Dividend are subject to the approval of the Shareholders at the AGM of the Company to be held on or before Friday, 2 June 2023. If approved by the Shareholders, it is expected that the Final Dividend will be paid on or about Friday, 4 August 2023 to the Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023.

The Final Dividend is made out of the Distributable Income during the year under audit. The Final Dividend will be paid from our internal financial resources as well as the available banking facilities in Hong Kong.

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

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on Tuesday, 6 June 2023 until Monday, 12 June 2023 (both days inclusive) rounded down to two decimal places.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on or before Friday, 2 June 2023. The register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (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 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 May 2023.

The register of members of the Company will be closed from Thursday, 8 June 2023 to Monday, 12 June 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the Final Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 7 June 2023.

On behalf of the Board
Xinyi Energy Holdings Limited
LEE Shing Put, B.B.S.
Chairman

Hong Kong, 27 February 2023

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

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