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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2023	2022	
	<i>HK\$' million</i>	<i>HK\$' million</i>	
Revenue	1,288.6	1,257.8	+2.4%
Profit attributable to the equity holders of the Company	566.9	623.1	-9.0%
Earnings per share			
– basic and diluted	7.49 HK cents	8.66 HK cents	-13.5%
Interim dividend	278.3	562.0	-50.5%
Interim dividend per share	3.4 HK cents	7.7 HK cents	-55.8%

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Energy Holdings Limited (the “**Company**”) together with its subsidiaries, the “**Group**” or “**Xinyi Energy**”) announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2023 (the “**1H2023**”), together with the comparative figures for the six months ended 30 June 2022 (the “**1H2022**”), as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	1,288,554	1,257,766
Cost of sales		(383,973)	(343,252)
Gross profit		904,581	914,514
Other income	3	4,577	7,322
Other gains/(losses), net	4	12,780	(1,383)
Administrative expenses		(27,997)	(32,320)
Net impairment losses on financial assets		(7,924)	—
Operating profit	5	886,017	888,133
Finance income	6	2,275	7,306
Finance costs	6	(162,555)	(109,816)
Profit before income tax		725,737	785,623
Income tax expense	7	(158,028)	(161,526)
Profit for the period		567,709	624,097
Profit for the period attributable to:			
– Equity holders of the Company		566,855	623,086
– Non-controlling interests		854	1,011
		567,709	624,097
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	8	7.49	8.66
– Diluted	8	7.49	8.66

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	567,709	624,097
Other comprehensive loss, net of tax:		
<i>Item that may be reclassified to profit or loss</i>		
– Exchange differences arising on translation to presentation currency	<u>(646,594)</u>	<u>(838,540)</u>
Total comprehensive loss for the period	<u>(78,885)</u>	<u>(214,443)</u>
Total comprehensive (loss)/income for the period attributable to:		
– Equity holders of the Company	<u>(79,149)</u>	(214,832)
– Non-controlling interests	<u>264</u>	<u>389</u>
	<u>(78,885)</u>	<u>(214,443)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at		
		30 June 2023	31 December 2022	
Note		<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	
ASSETS				
Non-current assets				
	Property, plant and equipment	10	14,183,383	13,573,134
	Right-of-use assets		671,824	687,618
	Prepayments for property, plant and equipment	11	16,944	55,242
	Deferred income tax assets		55,238	51,274
	Goodwill		359,824	372,892
	Total non-current assets		15,287,213	14,740,160
Current assets				
	Trade and other receivables and prepayments	11	4,192,969	3,407,567
	Amounts due from fellow subsidiaries	15	2,335	1,386
	Cash and cash equivalents		780,226	1,790,767
	Total current assets		4,975,530	5,199,720
	Total assets		20,262,743	19,939,880
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
	Share capital	12	81,844	74,404
	Other reserves		6,442,859	6,073,045
	Retained earnings		6,172,471	5,605,611
			12,697,174	11,753,060
	Non-controlling interests		9,356	9,092
	Total equity		12,706,530	11,762,152

		As at		
		30 June	31 December	
		2023	2022	
Note		<i>HK\$'000</i>	<i>HK\$'000</i>	
		<i>(Unaudited)</i>	<i>(Audited)</i>	
LIABILITIES				
Non-current liabilities				
	Bank borrowings	14	1,619,992	2,061,311
	Lease liabilities		654,996	662,129
	Other payables	13	26,951	57,027
	Deferred income tax liabilities		283,362	298,667
	Total non-current liabilities		2,585,301	3,079,134
Current liabilities				
	Bank borrowings	14	3,599,573	2,892,469
	Lease liabilities		44,462	34,042
	Accruals and other payables	13	618,686	679,029
	Dividend payable		605,649	—
	Amount due to immediate holding company	15	—	1,388,244
	Amounts due to fellow subsidiaries	15	21,245	52,098
	Current income tax liabilities		81,297	52,712
	Total current liabilities		4,970,912	5,098,594
	Total liabilities		7,556,213	8,177,728
	Total equity and liabilities		20,262,743	19,939,880

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
Balance at 1 January 2023						
<i>(Audited)</i>	74,404	6,073,045	5,605,611	11,753,060	9,092	11,762,152
Comprehensive income						
Profit for the period	—	—	566,855	566,855	854	567,709
Other comprehensive loss						
Exchange differences arising on translation to presentation currency	—	(646,004)	—	(646,004)	(590)	(646,594)
Total comprehensive (loss)/income for the period	—	(646,004)	566,855	(79,149)	264	(78,885)
Transactions with the owner of the Company						
Employees' share option scheme:						
– exercise of employees' share options	—	11	—	11	—	11
– value of employee services	—	1,091	—	1,091	—	1,091
– release upon the lapse of share options	—	(5)	5	—	—	—
Issuance of shares in respect of rights issue, net of transaction cost (<i>Note 12</i>)	7,440	1,620,370	—	1,627,810	—	1,627,810
2022 final dividend (<i>Note 9</i>)	—	(605,649)	—	(605,649)	—	(605,649)
Balance at 30 June 2023						
<i>(Unaudited)</i>	<u>81,844</u>	<u>6,442,859</u>	<u>6,172,471</u>	<u>12,697,174</u>	<u>9,356</u>	<u>12,706,530</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
Balance at 1 January 2022						
<i>(Audited)</i>	71,100	7,703,506	4,777,994	12,552,600	7,852	12,560,452
Comprehensive income						
Profit for the period	—	—	623,086	623,086	1,011	624,097
Other comprehensive loss						
Exchange differences arising on translation to presentation currency	—	(837,918)	—	(837,918)	(622)	(838,540)
Total comprehensive (loss)/ income for the period	—	(837,918)	623,086	(214,832)	389	(214,443)
Transactions with the owner of the Company						
Employees' share option scheme: – value of employee services	—	874	—	874	—	874
Issuance of shares in respect of placing, net of transaction cost	1,884	777,577	—	779,461	—	779,461
2021 final dividend (<i>Note 9</i>)	—	(729,840)	—	(729,840)	—	(729,840)
Balance at 30 June 2022						
<i>(Unaudited)</i>	<u>72,984</u>	<u>6,914,199</u>	<u>5,401,080</u>	<u>12,388,263</u>	<u>8,241</u>	<u>12,396,504</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities		
Cash generated from operations	429,857	742,112
Interest paid	(116,075)	(27,202)
Income tax paid	(137,815)	(117,036)
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Net cash generated from operating activities	175,967	597,874
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Cash flows from investing activities		
Payments for purchases of and prepayments for purchase of property, plant and equipment	(1,673,209)	(532,934)
Proceeds from disposal of property, plant and equipment	—	202
Net proceeds from financial assets at fair value through profit or loss	9,110	—
Interest received	2,275	7,305
	<hr/>	<hr/>
Net cash used in investing activities	(1,661,824)	(525,427)
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Cash flows from financing activities		
Proceeds from issuance of shares in respect of placing	—	779,976
Payments for professional fees in connection with issuance of shares in respect of placing	—	(515)
Proceeds from issuance of shares in respect of rights issue	1,629,448	—
Payments for professional fees in connection with issuance of shares in respect of rights issue	(1,638)	—
Proceeds from exercise of employees' share options	11	—
Settlement of deferred consideration payable for acquisition	(1,409,022)	(42,363)
Proceeds from bank borrowings	2,576,225	240,000
Repayments of bank borrowings	(2,285,857)	(881,200)
Principal elements of lease payments	(18,640)	(28,613)
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Net cash generated from financing activities	490,527	67,285
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Net (decrease)/increase in cash and cash equivalents	(995,330)	139,732
Cash and cash equivalents at beginning of the period	1,790,767	1,104,858
Effect of foreign exchange rate changes	(15,211)	(31,352)
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Cash and cash equivalents at end of the period	780,226	1,213,238
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Xinyi Energy Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are principally engaged in the operation and management of solar farms in the People’s Republic of China (the “**PRC**”).

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 31 July 2023.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

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

The following new standards and amendments to standards are effective for accounting periods beginning on or after 1 January 2023. The adoption of which does not have a material impact on the results and financial position for the current or prior periods of the Group.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts and the Related Amendments

(b) New standards, amendments to standards and interpretation have been issued but not yet effective for the accounting periods beginning on 1 January 2023 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with covenants	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 Lease back	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

The Group is in the process of making an assessment on the impact of these new standards, amendments to standards and interpretation. Preliminary assessment results showed that their applications are not expected to have material impact on the financial performance and the financial position of the Group.

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Recognised at a point in time:		
– Sales of electricity	727,536	620,921
– Tariff adjustment	556,134	632,244
Recognised over time:		
– Solar farm operation and management services	4,884	4,601
	<u>1,288,554</u>	<u>1,257,766</u>
Other income		
Government grants (<i>Note</i>)	17	81
Compensation of insurance claims	1,375	3,130
Others	3,185	4,111
	<u>4,577</u>	<u>7,322</u>

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 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.

4 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Foreign exchange gains/(losses), net	3,670	(1,187)
Loss on disposal of property, plant and equipment	—	(196)
Net fair value gains on financial assets of fair value through profit or loss	9,110	—
	<u>12,780</u>	<u>(1,383)</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation charge of property, plant and equipment (<i>Note 10</i>)	304,112	294,024
Depreciation charge of right-of-use assets	16,451	14,820
Employee benefit expenses (including directors' emoluments)	29,725	24,284
Electricity	10,752	8,795
Repair and maintenance	13,858	8,804
Insurance expenses	<u>3,700</u>	<u>5,875</u>

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income		
Interest income from bank deposits	<u>2,275</u>	<u>7,306</u>
Finance costs		
Interest on lease liabilities	22,418	22,182
Interest expense on bank borrowings	119,359	32,896
Interest expense on deferred payment of business combination purchase consideration	<u>20,778</u>	<u>54,738</u>
	<u>162,555</u>	<u>109,816</u>

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax	169,091	168,057
Deferred income tax	<u>(11,063)</u>	<u>(6,531)</u>
	<u>158,028</u>	<u>161,526</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 period as the Group did not generate any assessable profits arising in Hong Kong during the period.
- (c) The applicable corporate income tax (“CIT”) rate for the Group’s subsidiaries in the PRC is 25% (2022: 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% (2022: 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% (2022: 9%); and
 - 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% (2022: 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 period.

	Six months ended 30 June	
	<u>2023</u>	<u>2022</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	566,855	623,086
Weighted average number of ordinary shares in issue (thousands)	7,563,772	7,197,433
Basic earnings per share (HK cents)	<u>7.49</u>	<u>8.66</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.

In the 1H2023, 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 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 period) 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.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	566,855	623,086
Weighted average number of ordinary shares in issue (thousands)	7,563,772	7,197,433
Adjustment for share options (thousands)	—	700
	7,563,772	7,198,133
Diluted earnings per share (HK cents)	7.49	8.66

9 DIVIDENDS

	Six months ended 30 June	
	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Final dividend for 2022 of 7.4 HK cents (2021: 10.0 HK cents) per share	605,649	729,840
Proposed interim dividend of 3.4 HK cents (2022: 7.7 HK cents) per share	<u>278,271</u>	<u>561,977</u>

At a meeting of the Board held on 31 July 2023, the Directors resolved to declare an interim dividend of 3.4 HK cents per share for the six months ended 30 June 2023. This interim dividend, amounting to HK\$278,271,000, is based on 8,184,445,282 issued shares as at 30 June 2023 and has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2023.

10 PROPERTY, PLANT AND EQUIPMENT

	<u>Solar farms</u>	<u>Buildings</u>	<u>Motor vehicle, furniture and fixtures, equipment and others</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended				
30 June 2023 (Unaudited)				
Opening net book amount	13,400,340	153,796	18,998	13,573,134
Additions	1,447,296	—	5,421	1,452,717
Depreciation charges	(299,230)	(3,458)	(1,424)	(304,112)
Currency translation differences	(531,928)	(5,553)	(875)	(538,356)
Closing net book amount	<u>14,016,478</u>	<u>144,785</u>	<u>22,120</u>	<u>14,183,383</u>
At 30 June 2023 (Unaudited)				
Cost	16,859,647	188,177	31,084	17,078,908
Accumulated depreciation	(2,843,169)	(43,392)	(8,964)	(2,895,525)
Net book amount	<u>14,016,478</u>	<u>144,785</u>	<u>22,120</u>	<u>14,183,383</u>

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2023	31 December 2022
	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Trade receivables <i>(Note (a))</i>	3,912,132	3,252,090
Less: Loss allowance for trade receivables	<u>(39,121)</u>	<u>(32,521)</u>
Trade receivables, net	3,873,011	3,219,569
Bills receivables <i>(Note (a))</i>	<u>2,696</u>	<u>5,029</u>
Trade and bills receivables	3,875,707	3,224,598
Deposits and other receivables <i>(Note (b))</i>	53,271	49,102
Other tax receivables <i>(Note (c))</i>	238,691	122,454
Prepayments for property, plant and equipment	16,944	55,242
Other prepayments	<u>25,300</u>	<u>11,413</u>
	<u>4,209,913</u>	<u>3,462,809</u>
Less: Non-current portion		
Prepayments for property, plant and equipment	<u>(16,944)</u>	<u>(55,242)</u>
Current portion	<u><u>4,192,969</u></u>	<u><u>3,407,567</u></u>

Notes:

(a) Trade and bills receivables

As at 30 June 2023, trade receivables comprise receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As at	
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Receivables from sales of electricity	294,206	125,351
Tariff adjustment receivables	3,617,926	3,126,739
	3,912,132	3,252,090

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

	As at	
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 90 days	550,971	388,566
91 days to 180 days	330,327	396,410
181 days to 365 days	664,744	638,728
Over 365 days	2,366,090	1,828,386
	3,912,132	3,252,090

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) 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.

(c) 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.

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

12 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares of HK\$0.01 each <i>HK\$</i>	Total <i>HK\$'000</i>
Authorised:			
At 1 January and 30 June 2023	800,000,000,000	8,000,000,000	8,000,000
Issued and fully paid: (<i>Unaudited</i>)			
At 1 January 2023	7,440,400,255	74,404,003	74,404
Issuance of shares under employees' share option scheme	5,002	50	—
Issuance of shares for rights issue (<i>Note</i>)	744,040,025	7,440,400	7,440
At 30 June 2023	8,184,445,282	81,844,453	81,844

Note:

On 14 April 2023, the Company invited its shareholders to subscribe to a rights issue of 744,040,025 rights shares at an issue price of HK\$2.19 per rights share on the basis of 1 rights share for every 10 existing shares held on 2 May 2023, with such shares to be issued on, and rank for dividends which are declared, made or paid on or after the date of issue and allotment of the rights shares. The rights issue was fully subscribed. Proceeds of approximately HK\$1,629,448,000 were received and the related transaction costs of approximately HK\$1,638,000 were netted off with the proceeds. These rights shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

13 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Payables for property, plant and equipment	615,098	696,311
Others (Note (b))	30,539	39,745
	<u>645,637</u>	<u>736,056</u>
Less: Non-current portion		
Retention payables for property, plant and equipment	(26,951)	(57,027)
Current portion	<u>618,686</u>	<u>679,029</u>

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.

14 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	3,599,573	2,892,469
Between 1 and 2 years	732,476	1,581,311
Between 2 and 5 years	453,936	480,000
Over 5 years	433,580	—
	<u>5,219,565</u>	<u>4,953,780</u>
Less: Non-current portion	<u>(1,619,992)</u>	<u>(2,061,311)</u>
Current portion	<u><u>3,599,573</u></u>	<u><u>2,892,469</u></u>

As at 30 June 2023 and 31 December 2022, the carrying amounts of the Group's bank borrowings are approximate their fair values and denominated in the following currencies:

	As at	
	30 June 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
HKD	4,483,130	4,953,780
RMB	736,435	—
	<u><u>5,219,565</u></u>	<u><u>4,953,780</u></u>

As at 30 June 2023, all bank borrowings bore floating interest rates (31 December 2022: same). All bank borrowings were exposed to interest rate changes. These bank borrowings are repayable by instalments up to 2038 (31 December 2022: 2025).

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

	As at	
	30 June	31 December
	2023	2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Bank borrowings	<u>5.02%</u>	<u>5.56%</u>

As at 30 June 2023 and 31 December 2022, corporate guarantees were provided by the Company and its subsidiaries for the bank borrowings.

15 RELATED PARTY TRANSACTIONS

(a) 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 period.

		Six months ended 30 June	
		2023	2022
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
One-off transaction			
Acquisition of a subsidiary from a fellow subsidiary	(i)	<u>146,202</u>	<u>—</u>
Continuing transactions			
Solar farm operation and management services fee receivable from subsidiaries of Xinyi Solar Holdings Limited (“Xinyi Solar”)	(ii)	<u>4,884</u>	<u>4,601</u>

Notes:

- (i) The acquisitions of a subsidiary were transacted of mutually agreed prices and terms.
- (ii) The transaction constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The transactions were conducted at mutually agreed prices and terms.

(b) Balances with related parties

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Due from fellow subsidiaries:		
– Chaohu Jindao Photovoltaic Power Generation Company Limited*	136	88
– Hepu County Xinyi Solar Limited*	860	537
– Kaiping City Ruide Renewable Energy Limited*	39	—
– Qujing Yingli Photovoltaic Power Development Limited*	20	—
– Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited*	104	44
– Xinyi Renewable Energy (Hexian) Limited*	15	—
– Xinyi Solar (Bozhou) Limited (“Xinyi Solar (Bozhou)”)*	83	—
– Xinyi Solar (Haikou) Limited#	—	129
– Xinyi Solar (Jinzhai) Limited*	559	260
– Xinyi Solar (Wangjiang) Limited*	416	296
– Xinyun Renewable Energy (Yunfu) Limited*	51	19
– Xinze Renewable Energy (Kaiping) Limited*	52	13
	<u>2,335</u>	<u>1,386</u>
Due to immediate holding company:		
– Xinyi Power (BVI) Limited*	<u>—</u>	<u>(1,388,244)</u>
Due to fellow subsidiaries:		
– Bright Top Investment Limited*	(15,188)	—
– Dragon Well Investment Limited*	(6,057)	(2,451)
– Xinyi PV Products (Anhui) Holdings Limited*	—	(49,614)
– Xinyi Solar (Bozhou)*	—	(33)
	<u>(21,245)</u>	<u>(52,098)</u>

* Companies under control of Xinyi Solar

Fellow subsidiary before acquisition in 2023

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

As at 31 December 2022, the amount due to immediate holding company mainly represented the present value amount of the remaining 50% consideration of the acquisition of the 2019 Portfolio discounted at the effective interest rate of 6.38% according to the estimated payment schedule. The amount approximated its fair value and was denominated in HK\$. The amount was unsecured, non-interest bearing and paid during the current reporting period.

(c) **Leases**

		Six months ended 30 June	
		<u>2023</u>	<u>2022</u>
Note		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Interest expense on lease liabilities in relation to office area recognised by the Group as a lessee to related parties:			
– Cheer Wise Investment Limited (“Cheer Wise”)	(i), (ii)	5	4
– Xinyi Energy Smart (Wuhu) Company Limited (“Xinyi Energy Smart”)	(i), (iii)	18	8
		<u>23</u>	<u>12</u>

Notes:

- (i) Both companies under control of Xinyi Glass Holdings Limited, a major shareholder of Xinyi Solar.
- (ii) Approximate 30 square meter (“sq.m.”) office area in Hong Kong was provided by Cheer Wise for the Group’s operations with rental mutually agreed.
- (iii) Approximate 1,500 sq.m. (30 June 2022: 600 sq.m.) office area in Wuhu has been provided by Xinyi Energy Smart for the Group’s occupations with rental mutually agreed.

(d) Key management compensation

Key management includes executive and non-executive directors as well as senior management.

The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries, allowances and benefits in kind	2,884	1,235
Retirement benefits scheme contributions	38	9
Share options granted	425	—
	<u>3,347</u>	<u>1,244</u>

16 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 30 June 2023 and 31 December 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During the six months ended 30 June 2023 (the “**1H2023**”), as a result of the full relaxation of COVID-19 pandemic control restrictions in the People’s Republic of China (the “**PRC**”), the domestic economy is expected to gradually recover. Electricity is a necessity. As an owner and operator of solar farm projects, the Group has not been affected by the adversity. With the increase in the number of solar farm projects in operation, the revenue of the Group during the 1H2023 continues to grow steadily. As of 30 June 2023, the aggregate approved capacity of the solar farm projects operated and owned by the Group was 3,314 megawatts (“**MW**”), as compared to 3,014 MW as of 31 December 2022.

The revenue of the Group recorded a slightly increased of 2.4% to HK\$1,288.6 million during the 1H2023, as compared to HK\$1,257.8 million for the six months ended 30 June 2022 (the “**1H2022**”). The profit attributable to the equity holders of the Company decreased by 9.0% to HK\$566.9 million. During the 1H2023, the basic earnings per share attributable to the equity holders of the Company was 7.49 HK cents, as compared to 8.66 HK cents for the 1H2022.

BUSINESS REVIEW

Steady growth of revenue contribution

During the 1H2023, the total electricity generated by the solar farm projects owned and operated by the Group increased significantly by 26.1%, as compared to the 1H2022, primarily due to the operation of the newly added solar farm projects. The amount of revenue contributed from the 2022 Portfolio amounted to HK\$100.4 million during the 1H2023, representing a significant increase as compared to the 1H2022. The Group’s revenue increased slightly by 2.4% in the 1H2023, as compared to the 1H2022, primarily due to the depreciation of Renminbi (“**RMB**”) against Hong Kong Dollar (“**HKD**”), representing a

year-on-year decrease of 7.1% and the adjustment of the tariff adjustment for the Group's solar farm projects under the Feed-in-tariff (“FiT”) regime which were not yet enlisted in 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認的合規項目清單的公告》) issued in the 4th quarter of 2022.

Capacity expansion of solar farm projects in the 1H2023

Following the implementation of measures to revive the economy and resumption to normality, the economy has gradually returned to the pre-epidemic status and the construction of solar farm projects has gradually been returned to the normal level. However, driven by the fluctuations in the polysilicon prices towards the end of 2022 and continued during the 2nd quarter of 2023, the PV module prices and even the installation costs of the solar farm projects returned to downward trend at the same time. The construction progress of the Group's pipeline projects are expected to be speeded up in the second half of 2023.

During the 1H2023, the Group acquired one utility-scale solar farm project with an approved capacity of 300 MW located in Hainan Province from Xinyi Solar Holdings Limited (“**Xinyi Solar**”). In light of the decline of the installation cost, the Group aims to complete the annual acquisition plan and continues to identify additional solar farm projects with the high return rate from the PRC market for the purpose of achieving steadily growth in the aggregate approved capacity and the revenue of the Group during the rest of the year.

As of 30 June 2023, the aggregate approved capacity of the utility-scale solar farm projects owned and operated by the Group amounted to 3,314 MW, of which 1,724 MW was under the FiT regime and 1,590 MW was under the grid-parity regime. Due to the increase in the number of solar farm projects under the grid-parity regime, the operating cash flow of the Group has been progressively improved.

FINANCIAL REVIEW

Revenue

During the 1H2023, the Group's revenue was mainly derived from two sources, namely (i) solar power electricity generation and (ii) provision of solar farm operation and management services. Revenue from solar power electricity generation slightly increased, as compared to the 1H2022, due to the revenue contribution from the 2022 Portfolio.

The table below sets forth an analysis of the Group's revenue in the 1H2023, as compared to the 1H2022.

	1H2023		1H2022		Change	
					<i>Increase/ (decrease)</i>	
	<i>HK\$' million</i>	<i>%</i>	<i>HK\$' million</i>	<i>%</i>	<i>HK\$' million</i>	<i>in %</i>
Sales of electricity	727.5	56.4	620.9	49.3	106.6	17.2
Tariff adjustment	556.2	43.2	632.3	50.3	(76.1)	(12.0)
	1,283.7	99.6	1,253.2	99.6	30.5	2.4
Operation and management services	4.9	0.4	4.6	0.4	0.3	6.5
Total	1,288.6	100.0	1,257.8	100.0	30.8	2.4

The Group's revenue contributed by the sales of electricity increased by 17.2% to HK\$727.5 million and partly offset by the tariff adjustment which decreased by 12.0% to HK\$556.2 million, as compared to the 1H2022. The increase in the total revenue of the Group was primarily due to the contribution of the 2022 Portfolio (all belongs to grid-parity solar farm projects), offset by the depreciation of RMB against HKD in the 1H2023.

During the 1H2023, 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>	<u>Approved capacity (MW)</u>
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 ”)	Seven solar farm projects located in Hubei Province, Hebei Province, Shaanxi Province and Inner Mongolia Autonomous Region	520
Solar farm project newly added in the 1H2023 (“ 2023 Portfolio ”) Hainan Solar Farm	Hainan Province	300
Total		<u>3,314</u>

During the 1H2023, the Group recorded revenue of HK\$4.9 million from the provision of solar farm operation and management services, which represented 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 the 1H2023 generated from the services was based on commercial terms, taking into consideration factors such as service quality, work efficiency and price, as compared to the services provided to independent third parties.

Cost of sales

Utilising a sophisticated management system for the individual solar farms and a nationwide surveillance system, the Group has continuously achieved an efficient operation with lower costs during the 1H2023.

The Group's cost of sales increased by 11.9% to HK\$384.0 million during the 1H2023 from HK\$343.3 million during the 1H2022. The increase was mainly due to the increase in (i) the depreciation charge of property, plant and equipment and right-of-use assets of the 2022 Portfolio; (ii) employee benefit expenses; and (iii) repair and maintenance expenses.

Gross profit

The Group's gross profit slightly decreased by HK\$9.9 million, or 1.1% to HK\$904.6 million during the 1H2023, from HK\$914.5 million during the 1H2022. The decrease was mainly due to the increase in cost of sales outweigh the increase in the revenue contribution since some expenses were reallocated from administrative expenses to cost of sales as compared to the 1H2022.

The Group's overall gross profit margin decreased by 2.5 percentage points from 72.7% during the 1H2022 to 70.2% during the 1H2023. The decrease was mainly due to the increase in cost of sales, which exceeded the increase in revenue.

Other income

During the 1H2023, other income decreased by HK\$2.7 million to HK\$4.6 million, as compared to HK\$7.3 million during the 1H2022. The decrease was mainly due to the decrease in (i) receipt of insurance compensations; (ii) disposal of scraps; and (iii) miscellaneous incomes.

Other gains/(losses), net

The Group recorded other gains, net of HK\$12.8 million during the 1H2023, as compared to other losses, net of HK\$1.4 million during the 1H2022, mainly due to the increase in (i) the interest income from financial assets at fair value through profit or loss and (ii) foreign exchange gains.

Administrative expenses

During the 1H2023, the Group's administrative expenses decreased by HK\$4.3 million, from HK\$32.3 million during the 1H2022 to HK\$28.0 million. The decrease was mainly due to the increase in miscellaneous expenses offset by the effect of expenses reallocation to cost of sales.

Finance costs

The total finance costs of the Group amounted to HK\$162.6 million during the 1H2023, as compared to HK\$109.8 million during the 1H2022. The interest expenses on bank borrowings significantly increased from HK\$32.9 million during the 1H2022 to HK\$119.4 million during the 1H2023. The increase was mainly due to the increase in (i) the balance of interest-bearing bank borrowings and (ii) the bank borrowing's effective interest rate. The interest component on the lease liabilities slightly increased from HK\$22.2 million to HK\$22.4 million due to the completion of acquisition of the 2022 Portfolio. Meanwhile, the Group also incurred imputed interest expenses on the deferred payment of the consideration of the acquisition of the 2019 Portfolio of HK\$20.8 million during the first five months of 2023.

Income tax expense

The Group incurred income tax expense of HK\$158.0 million during the 1H2023 as compared to HK\$161.5 million during the 1H2022. The decrease was principally due to (i) 14 (1H2022: 12) solar farm projects commencing the full payment of PRC corporate income tax at statutory rate of 25% and (ii) the increase in the solar power electricity generated as well as revenue offset by the depreciation of the RMB during the 1H2023.

EBITDA and net profit

During the 1H2023, the EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK\$1,208.9 million, representing an increase of 0.4%, as compared to HK\$1,204.3 million during the 1H2022. The EBITDA margin decreased by 1.9 percentage points, from 95.7% during the 1H2022 to 93.8% during the 1H2023.

Net profit attributable to equity holders of the Group during the 1H2023 was HK\$566.9 million, representing a decrease of 9.0%, as compared to HK\$623.1 million during the 1H2022. The decrease in the net profit margin from 49.5% during the 1H2022 to 44.0% during the 1H2023 was primarily due to the increase in (i) depreciation charge of property, plant and equipment and right-of-use assets; (ii) the finance costs; (iii) net impairment losses on financial assets; and (iv) employee benefit expenses.

CHANGE OF DIVIDEND PAYOUT CALCULATION

Background information

Following the listing (the “**Listing**”) of the Company on the Stock Exchange, and as disclosed in the prospectus (the “**Prospectus**”) of the Company dated 15 May 2019, the Company has followed a well-defined calculation of the amount of distributions, pursuant to which the Company will distribute, by way of interim and final dividends, all the Distributable Income (as defined in the Prospectus) every year to the Shareholders. Such dividend payout calculation was determined with reference to a number of factors, such as the cost of capital and the return on capital reinvestment in the then current operating environment. Taking into consideration the Group’s cost of funding would increase due to the current high bank borrowing interest rate environment and that there would be sufficient number of solar farm projects that may be chosen to be acquired by the Group, the Director consider that it would be necessary for the Group to re-consider how the financial resources available to the Group could be utilised in the most efficient manner. In addition, the current cash inflows from the tariff adjustment are less stable than the original estimation. The Board believes that the Group would need to keep additional cash for business expansion, so as to bring the Shareholders with greater investment returns through the growth of business scale.

Change in the calculation of the payment of interim and final dividends

Having considered the current and the future business development of the Group, the Directors resolve that effective from the payment of the interim dividend for the 1H2023, the Group will determine the level of interim and final dividends, by way of cash or otherwise, on a case-by-case basis with reference to the financial resources available as well as the anticipated funding needs of the Group. There will not be a fixed percentage out of the Distributable Income to be distributed in each year to the Shareholders. The purpose of this change is to achieve a more efficient use of the financial resources available to the Group for its future and sustainable business development.

Directors’ views on the change

The Directors, including the independent non-executive Directors, consider that the above change is beneficial to the Group with enhancement in the long-term growth and sustainability. The above change will not require any alteration to the articles of association of the Company or the approval of the Shareholders. The Directors, including the independent non-executive Directors, have discussed and considered the above change is in the best interest of the Company and its Shareholders as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2023, the Group's total assets increased by 1.6% to HK\$20,262.7 million and its net assets increased by 8.0% to HK\$12,706.5 million. The Group's current ratio as of 30 June 2023 was 1.0, remaining the same as of 31 December 2022, due to (i) the increase in trade and other receivables; (ii) the decrease in accruals and other payable; and (iii) the fully settlement of the amount due to immediate holding company being offset by (i) the decrease in cash and cash equivalents; (ii) payable of a final dividend for the year ended 31 December 2022; and (iii) the increase in current portion of bank borrowings.

The Group's net gearing ratio (bank borrowing minus cash and cash equivalents divided by total equity) as of 30 June 2023 was 34.9% (31 December 2022: 26.9%). The increase was mainly due to the decrease in cash and cash equivalents and the slight increase in bank borrowings.

As of 30 June 2023, the Group's financial position remained healthy, with the cash and cash equivalents of HK\$780.2 million. During the 1H2023, the net cash generated from the operating activities was HK\$176.0 million (1H2022: HK\$597.9 million), which was primarily attributable to the profit before income tax of HK\$725.7 million and partially offset by the increase in (i) trade and other receivables; and (ii) interest paid. Net cash used in investing activities amounted to HK\$1,661.8 million (1H2022: HK\$525.4 million), which was primarily attributable to the settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the period. Net cash generated from financing activities amounted to HK\$490.5 million (1H2022: HK\$67.3 million) which was primarily attributable to (i) the new bank borrowing of HK\$2,576.2 million and (ii) the net proceeds from issuance of shares in respect of rights issue of HK\$1,627.8 million, through partially offset by (i) repayment of bank borrowings of HK\$2,285.9 million and (ii) settlement of deferred consideration payable of HK\$1,409.0 million.

BUSINESS OUTLOOK

The year of 2023 is important for 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》). By accelerating the development and the promotion of electricity spot market and green power market, advancing power market reform to replace fossil fuel with renewable energy, assuring the stability of energy supply, China strives to achieve carbon peaking and carbon neutrality goals.

A stable supply of energy is important to maintain a country’s economic development. Solar power generation is an important development direction in advocating emission reduction and carbon reduction around the world. According to the report issued by the International Energy Agency (“**IEA**”) at the end of 2022, it estimated that the total installed capacity of renewable energy in the PRC would exceed 1,000 gigawatts (the “**GW**”) in 2027, among which solar and wind power will account for 90%. In the 1H2023, the newly installed capacity of PV sector in the PRC increased by 154.0% to 78 GW, as compared to the same period last year. Declining PV module prices prompted the installation cost of solar farm projects to decrease, and the return on investment of the solar farm projects has improved accordingly. It is expected that the installed capacity in the second half of the year will continue to grow, and the annual installed capacity of PV sector may exceed 95 to 120 GW as expected at the beginning of 2023. In terms of the social electricity consumption, it records an increase of 5.0% in the 1H2023, as compared to the same period last year, reflecting that the negative impacts resulted from the epidemic are gradually disappearing.

As a solar farm owner and operator, the yield of the solar farm projects will increase due to the significant decline in the construction and installation costs, especially for the projects acquired and under construction by 2022. In the 1H2023, the Group completed the acquisition of one solar farm project with an approved capacity of 300 MW in Hainan Province, which accounts for 30% of the expected acquisition target of the year. In April 2023, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of Xinyi Solar, pursuant to which the Group agreed to acquire a total of five utility-scale solar farm projects with a total capacity of 636.5 MW within 12 months thereon. The acquisition plan of those solar farm projects is expected to be commenced earlier in the third quarter of 2023 due to the acceleration of installation progress considering the significant decline of the construction cost. It is foreseeable that the supply of solar farm projects will be increased which will benefit the Group to seek the acquisition opportunity of the solar farm projects in the PRC and the overseas markets.

During the 1H2023, the Group's interest payment from the offshore bank loans increased significantly as the interest rate raised almost to the peak level. In contrast, the interest rate in the PRC was constantly reduced in order to revive the domestic economy after the epidemic. In view of this, the Group has been actively exploring the financing opportunity in the PRC domestic banks. As of 30 June 2023, the Group successfully obtained loan facilities from the PRC domestic banks for re-financing purpose at low interest rate as compared to those offshore banks. The Group will continue to make use of the low interest debt financing in order to reduce the overall interest cost.

The global political and economic situation changed rapidly, and the development of the renewable energy market is also accompanied by the tendency of national policies, which has triggered fierce competition in the industry. The Group will continue to conduct its business pragmatically, steadily expand the size of its solar farm portfolio and explore opportunities to strengthen its business and asset portfolio.

CAPITAL EXPENDITURES AND COMMITMENTS

During the 1H2023, the Group incurred capital expenditures of HK\$1,673.2 million, which were mainly (i) used in further refinement of the existing and newly added solar farm projects and (ii) used in the settlement of outstanding capital expenditures of the existing solar farm projects. As of 30 June 2023, the Group did not have other capital commitments (31 December 2022: Nil).

PLEDGE OF ASSETS

The Group did not have any pledged asset as security for bank borrowings as of 30 June 2023.

CONTINGENT LIABILITIES

As of 30 June 2023, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the 1H2023, the Group completed the acquisition of one solar farm project from Xinyi Solar. Please refer to the announcement of the Company dated 24 February 2023 for further details.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries for the 1H2023.

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 HKD. 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 majority of the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a deliberate balance between the risk of currency mismatch and the interest rate differentials in HKD and RMB borrowings. As of 30 June 2023, the majority of the bank borrowings were denominated in HKD.

During the 1H2023, 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. During the 1H2023, 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 of 30 June 2023, the Group had 380 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments were HK\$29.7 million for the 1H2023. The employees are remunerated based on their qualifications, job nature, performance and work experiences, while taking reference from the prevailing market rate. Apart from the basic remuneration and discretionary bonus, the Group also provides a mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in the PRC, while adhering to the local laws and regulations.

USE OF THE NET PROCEEDS FROM RIGHTS ISSUE

In June 2023, the Company raised the net proceeds of HK\$1,627.8 million by way of rights issue of 744,040,025 rights shares. The table below sets forth the proposed application of the net proceeds and the actual usage up to 30 June 2023:

	Proposed applications of the net proceeds	Amount used up to 30 June 2023	Remaining balance up to 30 June 2023	Timeline for the intended use
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Refinancing of the Group's bank borrowings	1,465.0	1,250.0	215.0	By end of 2023
General working capital	162.8	—	162.8	By end of 2023
Total	<u>1,627.8</u>	<u>1,250.0</u>	<u>377.8</u>	

CAPITAL STRUCTURE

During the 1H2023, apart from the rights issue in June 2023, there has been no material change in the capital structure of the Company. The capital of the Group companies is the ordinary shares.

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company in November 2018, 4,000,000 share options were granted to selected employees and an executive Director in June 2023. The validity period of the options is from 1 June 2023 to 31 March 2027. One third of the options will vest on each of 31 December 2023, 2024 and 2025 if each grantee has met the conditions of vesting as stated in the letter of grant.

EVENT AFTER THE REPORTING PERIOD

There was no significant event affecting the Group which occurred after 30 June 2023 and up to the date of this announcement.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend (the “**Interim Dividend**”) of 3.4 HK cents per share for the 1H2023 (1H2022: 7.7 HK cents), totaling HK\$278.3 million (1H2022: HK\$562.0 million), to be paid to the Shareholders with their names recorded on the register of members of the Company at the close of business on Thursday, 17 August 2023. The Interim Dividend is expected to be payable on or about Tuesday, 10 October 2023. The register of members of the Company will be closed from Tuesday, 15 August 2023 to Thursday, 17 August 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the Interim 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 by 4:30 p.m. on Monday, 14 August 2023.

Shareholders will be given an option to receive the Interim Dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash. The scrip dividend scheme (the “**Scrip Dividend Scheme**”) is subject to The Stock Exchange of Hong Kong Limited (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 Friday, 11 August 2023 until Thursday, 17 August 2023 (both days inclusive) rounded down to two decimal places.

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

During the 1H2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that the Company has complied with the applicable code provisions contained in the Corporate Governance Code as set forth in Part 2 of Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the 1H2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code during the 1H2023.

REVIEW OF THE INTERIM RESULTS

The Company’s unaudited interim results for the 1H2023 have not been reviewed by the external auditor but have been reviewed by the Company’s audit committee, comprising three independent non-executive Directors, namely, Mr. LEUNG Ting Yuk (Chairman of audit committee), The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the 1H2023 containing all the relevant 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 Stock Exchange and the Company in due course.

By order of the Board

XINYI ENERGY HOLDINGS LIMITED

LEE Shing Put, B.B.S.

Chairman

Hong Kong, 31 July 2023

As of the date of this announcement, the Board comprises four executive Directors, namely, Mr. LEE Shing Put, B.B.S. (Chairman of the Board), Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P., Mr. TUNG Fong Ngai and Mr. LEE Yau Ching, 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 will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.xinyienergy.com.