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:3868

GLOBAL OFFERING

Sole Sponsor

BNP PARIBAS

Joint Global Coordinators (in alphabetical order)

BNP PARIBAS

CICC 中金公司

HSBC

SUNWAH KINGSWAY 新華滙富

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

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

(Incorporated in the British Virgin Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	**1,882,609,471 Shares (subject to reallocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**188,300,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**1,694,309,471 Shares (including 804,736,584 XYS Reserved Shares offered to XYS Qualifying Shareholders under the XYS Assured Offering) (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$2.35 and expected to be not less than HK$1.89 plus brokerage of 1.0%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	:	**HK$0.01**
Stock code	:	**3868**

Sole Sponsor

BNP PARIBAS

Joint Global Coordinators

BNP PARIBAS　CICC 中金公司　HSBC　SUNWAH KINGSWAY 新華滙富

A copy of this prospectus, having attached thereto the documents specified in the paragraphs under "1. Documents Delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all information set forth in this prospectus, including the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or about Monday, May 20, 2019 and, in any event, not later than 8:00 a.m. on Friday, May 24, 2019. The Offer Price will be not more than HK$2.35 and is currently expected to be not less than HK$1.89, unless otherwise announced by our Company. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$2.35, together with brokerage of 1.0%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is determined to be less than HK$2.35. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) at or by 8:00 a.m. on Friday, May 24, 2019 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters), with our Company's consent, may reduce the indicative range of the Offer Price stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such event, a notice of reduction of the indicative range of the Offer Price and/or the number of Offer Shares will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and our Company's website at **www.xinyienergy.com** and the website of the Stock Exchange (**www.hkexnews.hk**) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. See the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares" in this prospectus for further information.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set forth in the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further information.

May 15, 2019

Our Company will issue an announcement in Hong Kong to be published on the website of our Company at www.xinyienergy.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Global Offering. All times and dates stated below refer to Hong Kong local times and dates. For details on the Global Offering, including the conditions of the Global Offering, see the section headed "Structure and Conditions of the Global Offering" for further information.

Dispatch of **BLUE** Application Forms to the XYS Qualifying Shareholders on or before[1]	Wednesday, May 15, 2019
Hong Kong Public Offering and XYS Assured Offering commence and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, May 15, 2019
Latest time for completing electronic applications under **White Form eIPO** service and **Blue Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Monday, May 20, 2019
Application Lists open[3]	11:45 a.m. on Monday, May 20, 2019
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Monday, May 20, 2019
Latest time for completing payment of **White Form eIPO** applications and **BLUE Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, May 20, 2019
Latest time for lodging **WHITE**, **YELLOW**, and **BLUE** Application Forms	12:00 noon on Monday, May 20, 2019
Application Lists close[3]	12:00 noon on Monday, May 20, 2019

Price Determination Date[5]	Monday, May 20, 2019
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the XYS Assured Offering, and the basis of allocation and the results of applications of the Hong Kong Public Offering and the XYS Assured Offering will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of (a) the Hong Kong Stock Exchange at **www.hkexnews.hk** and (b) our Company at **www.xinyienergy.com** on or before	Monday, May 27, 2019
(2) Results of allocations in the Hong Kong Public Offering and the XYS Assured Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — G. Publication of results" in this prospectus from	Monday, May 27, 2019
(3) A full announcement of the Hong Kong Public Offering and the XYS Assured Offering containing (1) and (2) above will be published on the websites of (a) the Hong Kong Stock Exchange at **www.hkexnews.hk** and (b) our Company at **www.xinyienergy.com** from	Monday, May 27, 2019
Results of allocations in the Hong Kong Public Offering and the XYS Assured Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Monday, May 27, 2019
Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and XYS Assured Offering on or before[6]	Monday, May 27, 2019

Dispatch/collection of refund cheques and **White Form and Blue Form e-Refund** payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7][8]	Monday, May 27, 2019
Listing Date	Tuesday, May 28, 2019

Notes:

(1) The **BLUE** Application Forms have been dispatched to all XYS Qualifying Shareholders to their respective addresses recorded on the register of members of Xinyi Solar on the XYS Qualifying Shareholders' Assured Entitlement Record Date.

XYS Qualifying Shareholders may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated office of the Joint Global Coordinators as set forth in the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares" in this prospectus. An electronic version of this prospectus (identical to the printed prospectus) can be accessed and downloaded from the websites of (a) our Company at **www.xinyienergy.com** and (b) the Hong Kong Stock Exchange at **www.hkexnews.hk**.

Distribution of the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

(2) You will not be permitted to submit your application through the designated website after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the Application Lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, May 20, 2019, the Application Lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — F. Effect of bad weather on the opening of the Application Lists" in this prospectus for further information.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — A. Applications for Hong Kong Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Monday, May 20, 2019 and, in any event, not later than 8:00 a.m. on Friday, May 24, 2019 unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed by 8:00 a.m. on Friday, May 24, 2019 between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) Share certificates for the Hong Kong Offer Shares and the XYS Reserved Shares are expected to be issued on Monday, May 27, 2019 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and none of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, May 28, 2019. Investors who trade our Shares on the basis of publicly available information on allocation before the receipt of the Share certificates or before Share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the XYS Assured Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the high-end of the indicative range of the Offer Price which is required to be paid on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number

of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(8) Applicants who have applied on **WHITE** or **BLUE** Application Forms or **White Form eIPO** or **Blue Form eIPO** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering or XYS Reserved Shares under the XYS Assured Offering and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, May 27, 2019. Applicants being individuals who are eligible for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — J. Dispatch/Collection of Share certificates and refund monies — (iv) If you apply via electronic application instructions to HKSCC" in this prospectus for details. Uncollected Share certificates and refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

See the sections headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — I. Refund of application monies" and "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — J. Dispatch/Collection of Share certificates and refund monies" in this prospectus for further information.

The above expected timetable is a summary only. For details on the structure and conditions of the Global Offering and the procedures for applications for the Hong Kong Offer Shares and the XYS Reserved Shares, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares" in this prospectus for further information.

Our Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates for the Offer Shares will become valid certificates of title only if the Global Offering has become unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company given by the Joint Global Coordinators (on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the XYS Assured Offering and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares and the XYS Reserved Shares offered pursuant to the Hong Kong Public Offering and the XYS Assured Offering, respectively. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong (save for the XYS Assured Offering). The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, our Directors, and any of the Relevant Persons. Information contained in our Company's website at www.xinyienergy.com does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read this section carefully before you invest in the Offer Shares.

OVERVIEW

We are a leading non-State owned solar farm owner and operator in the PRC in terms of the approved capacity of the utility-scale ground-mounted solar farm projects in operation owned by us and under our management. Established and spun-off from Xinyi Solar, we own and operate utility-scale ground-mounted solar farm projects initially developed and constructed by Xinyi Solar. As of the date of this prospectus, the aggregate approved capacity of our Initial Portfolio is 954 MW. Pursuant to the Target Sale and Purchase Agreement, we will acquire the utility-scale ground-mounted solar farm projects under the Target Portfolio with an approved capacity of 540 MW upon the Listing. All solar farm projects owned and managed by us are situated in the PRC.

Xinyi Solar commenced the planning and development of utility-scale ground-mounted solar farm project in the PRC, i.e. Jinzhai Solar Farm, during the third quarter of 2013. The construction work of this utility-scale ground-mounted solar farm project commenced in the first half of 2014, with grid connection commenced in the third quarter of 2014. The Solar Farm Operation Business has been undertaken by members of our Group since 2014.

The PRC is the largest and fastest growing solar power market in the world, and is expected to continue to lead the global market in terms of annual solar power installation and capital investment in solar farm projects between 2018 and 2020. In 2018, the PRC led the world as the largest solar power installation market for the sixth consecutive year, with 44.26 GW of new solar power installation, and accounted for 45% of the solar power capacity installed globally during the year, followed by the U.S. (12%) and India (9%). The cumulative solar power capacity in the PRC grew from 2.1 GW in 2011 to 174.5 GW by the end of 2018, representing a CAGR of 88.03%. In 2014, the NDRC announced a strategic objective to achieve the solar power capacity of 100 GW by the end of 2020. In 2016, as part of the 13th Five-Year Plan, the NEA further increased the targeted solar power capacity to 105GW by the end of 2020.

OUR BUSINESS MODEL

Our business model is to acquire, own, and manage a portfolio of utility-scale ground-mounted solar farm projects and sell the electricity to local subsidiaries of the State Grid for generating a stable inflow of revenue and cash which will be used for our Distributions. Our primary business objective is to provide our Shareholders with stable Distributions with sustainable long-term growth following the growth of the portfolio of our solar farm projects in terms of size and approved capacity. We intend to adopt a high dividend payout policy and will use a substantial portion of our cash inflows for our Distributions. It is our Board's intention to declare and distribute interim and final Distributions in each year of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in respect of each year. During the two years ending 31 December 2020, we intend to declare and distribute interim and final Distributions representing 100% of our Distributable Income. Hence, the interim Distribution to be declared and distributed by our Company for the six months ending June 30, 2019 would represent 100% of our Distributable Income during the period. See page 118 to page 121 and page 136 to page 143 of this prospectus for further information.

Our solar farm projects consist of utility-scale ground-mounted solar farm projects with long expected asset life and low counterparty risk. Seven out of nine solar farm projects under our Initial Portfolio have an approved capacity of 100 MW or above, accounting for 90.6% of the aggregate approved capacity of our Initial Portfolio. Solar farm projects under our Initial Portfolio are strategically located in Anhui Province, Tianjin Municipality, Fujian Province, and Hubei Province with low curtailment risk. See page 143 to page 149 of this prospectus for further information. All utility-scale ground-mounted solar farm projects under our Initial Portfolio are connected to the State Grid. Under the Feed-in-Tariff regime, the solar farm projects under our Initial Portfolio, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for an average remaining duration of 17 years as of the Latest Practicable Date. All solar farm projects under our Initial Portfolio have been enlisted on the sixth and seventh batch of the Subsidy Catalogue, which is the prerequisite for the receipt of the tariff adjustment under the Feed-in-Tariff regime and is administrative in nature given that all the solar farm projects under our Initial Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid.

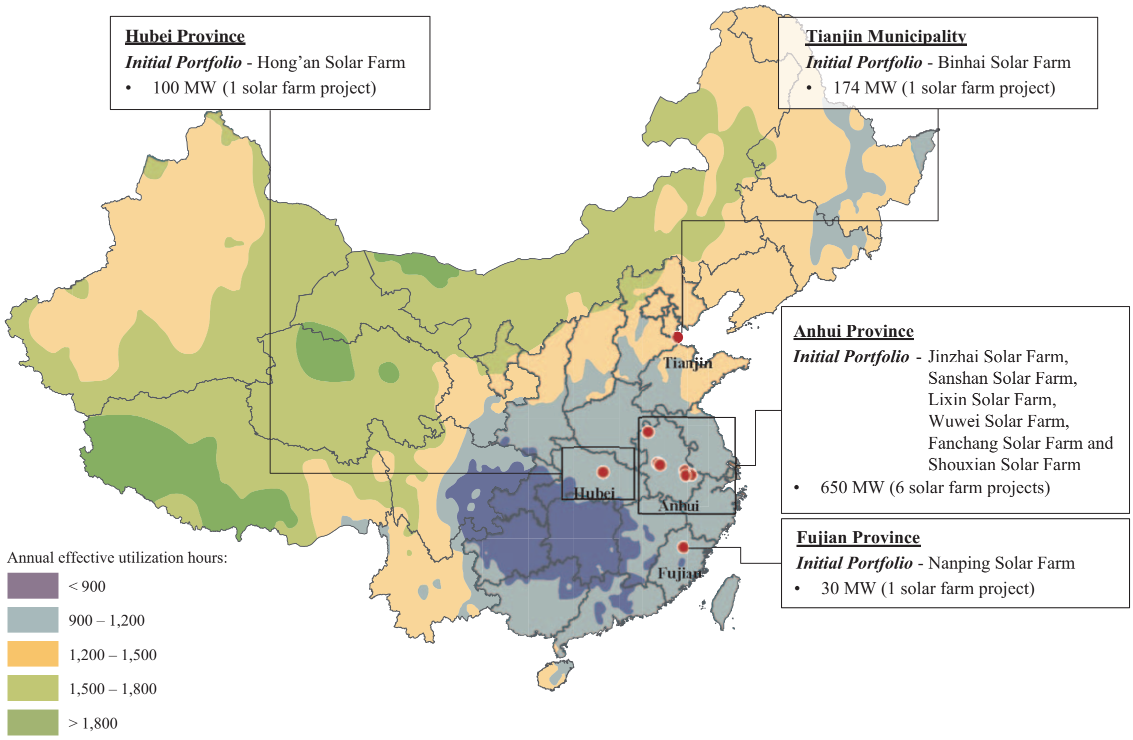
Our Directors believe that we have a portfolio of newly completed utility-scale ground-mounted solar farm projects, with all solar farm projects under our Initial Portfolio having achieved COD within the past four years. The solar farm projects under our Initial Portfolio use proven, reliable, and efficient technologies. Solar modules of 600 MW under our Initial Portfolio use double-glass module. Double-glass module has a better degradation profile than single-glass module and can generate higher system power yield over lifetime.

INFORMATION ON OUR INITIAL PORTFOLIO

As of December 31, 2016, 2017, and 2018, the total approved capacity of the grid-connected utility-scale ground-mounted solar farm projects under our Initial Portfolio remained unchanged at 954 MW. As of the date of this prospectus, two solar farm projects under our Initial Portfolio, namely Jinzhai Solar Farm and Sanshan Solar Farm, have been enlisted on the sixth batch of the Subsidy Catalogue, and seven solar farm projects under our Initial Portfolio, namely, Nanping Solar Farm, Lixin Solar Farm, Wuwei Solar Farm, Hong'an Solar Farm, Fanchang Solar Farm, Shouxian Solar Farm and Binhai Solar Farm, have been enlisted on the seventh batch of the Subsidy Catalogue.

The map below illustrates the locations of the utility-scale ground-mounted solar farm projects under our Initial Portfolio as of the Latest Practicable Date:

Geographical locations and the approved capacity (MW) of our Initial Portfolio



Approved capacity and sale of electricity

The table below sets forth the total approved capacity of each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2016	2017	2018	
Total approved capacity (MW)	954	954	954	954
Number of solar farm projects	9	9	9	9

The table below sets forth the units of electricity sold by each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio for the years indicated:

Name of the solar farm projects/ date of construction completion	**Year ended December 31,**		
	2016	**2017**	**2018**
	(GWh)[1][2]	*(GWh)*[1][2]	*(GWh)*[1][2]
Jinzhai Solar Farm (August 2015)	163.51	170.65	166.15
Sanshan Solar Farm (September 2015)	109.40	110.90	108.69
Nanping Solar Farm (September 2015)	31.28	35.23	35.49
Lixin Solar Farm (June 2016)	143.32	176.23	173.37
Wuwei Solar Farm (October 2016)	100.77	108.38	111.16
Hong'an Solar Farm[3] (July 2016)	83.76	80.87	108.65
Fanchang Solar Farm (November 2016)	55.77	86.03	77.54
Shouxian Solar Farm (December 2016)	133.44	143.37	139.65
Binhai Solar Farm[4] (December 2016)	155.01	236.69	235.55
Total	976.26	1,148.35	1,156.25

Notes:

(1) The unit of electricity sale is based on the operating data of the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the information provided by the State Grid.

(2) As construction of solar farm projects took place phase by phase, solar farm projects would generate electricity and have electricity sales to the State Grid prior to full completion of construction of such solar farm projects.

(3) The solar farm panels installed at Hong'an Solar Farm undertook technical improvements which were completed in 2017. As a result, the units of electricity generated by Hong'an Solar Farm increased during the year ended 31 December 2018.

(4) The level of solar irradiation in the location where Binhai Solar Farm is situated increased during the two years ended 31 December 2018.

The continuous increases in the units of electricity sold by the utility-scale ground-mounted solar farm projects under our Initial Portfolio during the Track Record Period were due to (i) the grid connection might not commence from the beginning of the relevant year, (ii) increase in the electricity output following commencement of full operation of the solar farm projects, and (iii) different levels of solar irradiation in different regions in the PRC from year to year.

Estimated maximum number of annual utilization hours and Feed-in-Tariff rates

The table below sets forth the approved capacity, estimated maximum number of annual utilization hours, and the components of the Feed-in-Tariff rates (comprising sale of electricity at the base tariff rates and tariff adjustment) for each of the utility-scale ground mounted solar farm projects under our Initial Portfolio as of the Latest Practicable Date:

	(1) Jinzhai Solar Farm	(2) Sanshan Solar Farm	(3) Nanping Solar Farm	(4) Lixin Solar Farm	(5) Wuwei Solar Farm	(6) Hong'an Solar Farm	(7) Fanchang Solar Farm	(8) Shouxian Solar Farm	(9) Binhai Solar Farm
Construction completion date	August 2015	September 2015	September 2015	June 2016	October 2016	July 2016	November 2016	December 2016	December 2016
Approved capacity (MW)	150	100	30	140	100	100	60	100	174
Estimated maximum number of utilization hours(1)	1,100	1,100	1,050	1,150	1,100	1,150	1,100	1,150	1,250
Feed-in-Tariff (RMB/kWh)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.95
Sale of electricity(2)	0.3844	0.3844	0.3932	0.3844	0.3844	0.4161	0.3844	0.3844	0.3655
Tariff adjustment(3)	0.6156	0.6156	0.6068	0.6156	0.6156	0.5839	0.6156	0.6156	0.5845

Notes:

(1) The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the solar farm project.

(2) Sale of electricity is charged at the base tariff rates equivalent to the on-grid benchmark tariff rates of local coal-fired power plants, which vary across PRC provinces and can be adjusted by the local government. For details on the on-grid benchmark tariff rates of local coal-fired power plants, see the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus.

(3) Tariff adjustment is the difference between Feed-in-Tariff and the sale of electricity at the base tariff rates.

Utilization rates

The average utilization rate of the utility-scale ground-mounted solar farm projects under our Initial Portfolio, which is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year, during the Track Record Period was 93.0%, 106.7%, and 107.5%, respectively. The average on-grid tariff, which is equivalent to the average of the Feed-in-Tariff of the utility-scale ground-mounted solar farm projects under our Initial Portfolio, was RMB0.99.

The table below sets forth the utilization rate of each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(%)	(%)	(%)
Jinzhai Solar Farm	99.1	103.4	100.7
Sanshan Solar Farm	99.5	100.8	98.8
Nanping Solar Farm	99.3	111.8	112.7
Lixin Solar Farm	89.0	109.5	107.7
Wuwei Solar Farm	91.6	98.5	101.1
Hong'an Solar Farm	72.8	70.3	94.5
Fanchang Solar Farm	84.5	130.3	117.5
Shouxian Solar Farm	116.0	124.7	121.4
Binhai Solar Farm	89.0	108.8	108.3
Average utilization rate	93.0	106.7	107.5

Note:

The utilization rate of each solar farm project is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year. The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the relevant solar farm project.

The utilization rates of the utility-scale ground-mounted solar farm projects under our Initial Portfolio vary with the location of the solar farm projects, the solar irradiation levels, and the weather in the relevant year as well as the date of commencement of grid connection of the solar farm project. The solar irradiation level was relatively high in 2017 and 2018. In addition, all utility-scale ground-mounted solar farm projects were in full operation during the year ended 31 December 2018. These factors resulted in the increase in the average utilization rates of the utility-scale ground-mounted solar farm projects under our Initial Portfolio, and the utilization rates of certain solar farm projects, exceeding 100.0% in 2017 and 2018.

OUR STRENGTHS

We believe that the following strengths contribute to our success:

— We are a leading non-State owned solar farm owner and operator in the PRC, which is the largest and the fastest growing solar energy market in the world.
— Our portfolio consists of grid-connected utility-scale ground-mounted solar farm projects using proven and reliable technologies with long expected asset life and low counterparty risk.
— Predictable performance of our solar farm projects and investment return certainty supported by the Feed-in-Tariff regime.
— Visible future growth supported by the Solar Farm Call Option and the Solar Farm ROFR over construction completed and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar and the proven track record of Xinyi Solar in solar farm development.
— Dedicated management team.

See page 121 to page 129 of this prospectus for further information.

OUR STRATEGIES

We intend to pursue the following business strategies:

— Grow our business and our Distributions by way of acquisition of long-term contracted solar farm projects.
— Diversification of our project portfolio.
— Maintain prudent capital structure and financial practices.
— Closely monitor the development of renewable energy trends and develop relevant capability.

See page 133 to page 135 of this prospectus for further information.

SPIN-OFF AND LISTING

Our Company issued a prospectus on December 10, 2018 for global offering of our Shares. The proposed global offering was not proceeded with in view of the then continuing stock market volatility, as announced by Xinyi Solar on December 14, 2018. Our business remains unaffected by the decision of not proceeding with the proposed global offering.

Following the Spin-Off and the Listing, we will focus on the Solar Farm Operation Business, while the Remaining Group will continue to be engaged in the Solar Glass Business, the EPC Service Business, and the Solar Farm Development Business. The Spin-Off and the Listing will enable investors to appraise and assess the value and the performance of our Group independently from the Remaining Group. This is particularly important as the factors affecting the performance of our Group are different from those affecting the Remaining Group. The Spin-Off and the Listing will provide a separate listing platform for our Group and enable our Group to obtain the required funding independently in the capital markets. See page 115 to page 117 of this prospectus.

In accordance with the requirements of Practice Note 15 of the Listing Rules, Xinyi Solar will give due regard to the interests of its shareholders by providing XYS Qualifying Shareholders with the XYS Qualifying Shareholders' Assured Entitlement by way of the XYS Assured Offering.

FINANCIAL INFORMATION OF OUR GROUP

The table below sets forth our consolidated income statements and statements of comprehensive income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Revenue	968,291	1,116,044	1,200,556
Cost of sales	(248,487)	(288,246)	(300,570)
Gross profit	719,804	827,798	899,986
Other income	13,840	6,356	19,771
Other (losses)/gains, net	(7,167)	(251)	5,119
Administrative expenses	(15,842)	(21,437)	(54,013)
Operating profit	710,635	812,466	870,863
Finance income	1,604	3,002	6,759
Finance costs	(53,172)	(80,659)	(84,966)
Profit before income tax	659,067	734,809	792,656
Income tax expense	(62)	(15,170)	(47,629)
Profit for the year attributable to equity holders of our Company	659,005	719,639	745,027
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(417,607)	595,686	(446,007)
Total comprehensive income for the year attributable to equity holders of our Company	241,398	1,315,325	299,020

Our revenue grew from HK$968.3 million in 2016 to HK$1,116.0 million in 2017 and to HK$1,200.6 million in 2018. The continuous increases in our revenue during the Track Record Period was primarily due to the commencement of grid connection of the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the increasing number of solar farm projects in full business operation. The average utilization rates also increased as a result of the continuous high levels of solar irradiation in 2017 and 2018. Cost of sales consisted of depreciation, operating lease expenses, electricity cost, and employees' benefits expenses incurred by us for our Initial Portfolio. Our cost of sales increased because of the increasing number of solar farm projects under our Initial Portfolio in full business operation. Gross profit represented the difference between the revenue and the cost of sales, and the amount increased with the increase in our revenue. We achieved a steady increase in gross profit margin from 74.2% to 75.0% during the Track Record Period. Other income represented the government grant, receipt of insurance claims, discounts received from suppliers, and sub-let income of the space under the solar panels. In 2015, we received a one-off grant from the PRC Government for establishing a solar powered greenhouse under the solar panels. In this connection, we also recorded a gain on disposal of the greenhouse because of the grant received.

The profit attributable to equity holders of our Company amounted to HK$659.0 million, HK$719.6 million, and HK$745.0 million for the Track Record Period, respectively.

During the Track Record Period, our revenue represented the income generated from the sale of electricity and the tariff adjustment under the relevant power purchase agreements. Sale of electricity is equal to on-grid benchmark tariff rates of local coal-fired power plants. Tariff adjustment is the difference between the amount of the Feed-in-Tariff rate and the amount of the sale of electricity, representing the portion of revenue received or receivable from the PRC Government. All utility-scale ground-mounted solar farm projects under our Initial Portfolio are constructed under the national quota system in the PRC and thus are in principle entitled to receive tariff adjustment under the Feed-in-Tariff regime. All solar farm projects under our Initial Portfolio are enlisted on the sixth and seventh batch of the Subsidy Catalogue as the prerequisite for the receipt of the tariff adjustment. Hence, we recognize the tariff adjustment as revenue at the time of electricity sales. The table below sets forth an analysis of our revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sale of electricity	360,291	37.2	416,035	37.3	457,068	38.1
Tariff adjustment	608,000	62.8	700,009	62.7	743,488	61.9
Total	968,291	100.0	1,116,044	100.0	1,200,556	100.0

Our performance and profitability continued to improve during the Track Record Period.

The amount of the currency translation differences represents the differences in the exchange rates between our reporting currency and the foreign currencies at the beginning and the end of the reporting year. These exchange differences are charged to our consolidated statement of comprehensive income because they are relating to the translation of foreign operations as of the respective reporting dates and arising in the preparation of our audited consolidated financial statements. Due to the depreciation of RMB against HK$ in 2016, the translation of RMB into HK$ resulted in a significant exchange loss of HK$417.6 million, on translation of foreign operations in the PRC. Due to the appreciation of RMB in 2017, there was an exchange gain on translation of our foreign operations in the PRC of HK$595.7 million. The exchange loss on translation of our foreign operations in the PRC was HK$446.0 million in 2018. These translation gains or losses have no impact on our profitability.

The table below sets forth our consolidated balance sheets as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	6,285,950	6,687,354	6,128,909
Current assets	2,058,781	2,529,615	2,266,745
Total assets	8,344,731	9,216,969	8,395,654
Non-current liabilities	2,636,094	1,309,840	1,053,729
Current liabilities	917,281	1,800,448	936,224
Total liabilities	3,553,375	3,110,288	1,989,953
Net current assets	1,141,500	729,167	1,330,521
Net assets	4,791,356	6,106,681	6,405,701

The table below sets forth a summary of our consolidated statements of cash flow for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from the operating activities	125,267	513,702	1,109,943
Net cash used in the investing activities	(2,369,570)	(174,829)	(103,857)
Net cash generated from/(used in) financing activities	2,291,335	(354,412)	(1,036,904)
Net increase/(decrease) in cash and cash equivalents	47,032	(15,539)	(30,818)
Cash and cash equivalents at the beginning of the year	427,435	468,066	472,243
Exchange differences on cash and cash equivalents	(6,401)	19,716	(20,162)
Cash and cash equivalents at the end of the year	468,066	472,243	421,263

See page 234 to 236 of this prospectus for further information of our cash flow during the Track Record Period.

DIVIDEND AND DISTRIBUTION POLICY

Dividend declared during the Track Record Period

On March 22, 2017, we declared a special dividend of HK$959,799,000 out of our share premium and such dividend has been capitalized into 632 shares of our Company of US$1.0 each allotted and issued to the Controlling Shareholders in lieu of repayment of Shareholders' loan of the same amount. Except for this special dividend, we did not declare and pay any dividend to our Shareholders during the Track Record Period.

On January 21, 2019, we declared final cash dividend of HK$315,949,120 out of our Distributable Income, representing 93.2% of our Distributable Income for the six months ended December 31, 2018. Such dividend was settled in full on January 29, 2019.

Distribution policy following the Listing

We will adopt a well-defined policy on our Distributions following the Listing. It is our Board's intention to declare and distribute interim and final Distributions in each year in an aggregate amount of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in each year. During the two years ending December 31, 2020, we intend to declare and distribute interim and final Distributions representing 100% of our Distributable Income. Hence, the interim Distribution to be declared and distributed by our Company for the six months ending June 30, 2019, would represent 100% of our Distributable Income during the period. The respective percentages of the interim and final Distributions will be determined by our Board at its discretion, and the amount of any interim Distribution needs not be in proportion to our Distributable Income in respect of the first six months of the relevant year (or other period in respect of the Distribution is made) or in proportion to our Distributable Income for the relevant year.

See page 179 to page 182 of this prospectus for further information.

The above distribution policy is a statement of our Board's intention only. It is not a legally binding obligation of our Company, our Board or any of the Relevant Persons and is subject to change. Any declaration of distributions may or may not reflect our prior declarations of distributions and any distribution recommendation will be at the sole discretion of our Board.

Our Distributable Income is determined with reference to the Adjusted EBITDA, as we intend to distribute a substantial amount of available cash comprising the Distributable Income. Depreciation and amortization are non-cash expenses. **The Adjusted EBITDA is not a HKFRS measure and should not be compared to or considered as a substitute for items in our financial statements prepared in accordance with the HKFRS.**

"**Distributable Income**" means the Adjusted EBITDA[1] of our Group for the relevant year or period (as the case may be) after:

— deducting corporate income tax at notional rate
— deducting dividend withholding tax at notional rate
— deducting Notional Long-term Debt Repayment Principal Amount[2];
— deducting actual finance costs[3] incurred;
— deducting actual profit attributable to non-controlling interests in that financial year or period;
— deducting the actual amounts of capital expenditure incurred; and
— at the discretion of our Directors, deducting a sum equal to the aggregate of any amounts to be set aside for (i) the working capital requirements of our Group; (ii) the future capital expenditure of our Group, including any budget for repowering of the existing solar farm projects, or acquisition of, or further investment in, new solar farm projects; and (iii) the purpose of future debt service or compliance with covenants in any credit facility or loan agreement.

We expect that we will first consider using external financing sources, including commercial bank borrowings and issuances of debt and equity securities, to fund any capital expenditure, including any acquisition of solar farm projects under the Solar Farm Agreement and from Independent Third Parties.

Notes:

(1) "**Adjusted EBITDA**" is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year.

"**Adjustments**" refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

— other gain/(loss), net;
— other income;
— unrealized revaluation gains, including impairment provisions or reversal of impairment provisions;
— impairment of goodwill/recognition of negative goodwill;
— material non-cash gains/losses; and
— costs of any offering of Shares that are expensed through the consolidated income statements but are funded by proceeds from the issuance of Shares.

(2) "**Notional Long-term Debt Repayment Principal Amount**" is defined as the total interest bearing debt as of the relevant year end divided by the weighted average of the remaining notional long-term debt tenor of our solar farm portfolio, i.e. the weighted average will be based on the approved capacity of each solar farm project. Under the Feed-in-Tariff regime, our utility-scale ground-mounted solar farm projects, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years for electricity generated after the solar farm projects are grid-connected. We monitor our overall debt repayment target that translates, at the level of each solar farm project, to a notional debt tenor of 20 years.

(3) The amount of which will be determined with inclusion of interest expense on lease liabilities in accordance with HKFRS 16 "Leases" adopted by us from January 1, 2019.

The table below sets forth a reconciliation of our Group's profit with the Adjusted EBITDA and the Distributable Income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	659,005	719,639	745,027
Corporate income tax and dividend withholding tax expenses	62	15,170	47,629
Finance costs	53,172	80,659	84,966
Finance income	(1,604)	(3,002)	(6,759)
Depreciation of property, plant, and equipment	218,170	247,527	259,101
Adjustments[1]:			
Other income	(13,840)	(6,356)	(19,771)
Other (gain)/loss, net	7,167	251	(5,119)
Adjusted EBITDA for the year	922,132	1,053,888	1,105,074
Less:			
Corporate income tax at notional rate	(164,767)	(183,702)	(198,164)
Dividend withholding tax at notional rate	(31,765)	(37,794)	(37,132)
Notional long-term debt repayment principal amount	(164,680)	(153,923)	(103,446)
Total finance costs	(61,164)	(84,101)	(88,236)
Distributable Income for the year[2]	499,756	594,368	678,096

Notes:

(1) The purpose of the adjustment is to exclude the impact on the Adjusted EBITDA that may be arisen from the items which are not directly relevant to the operation of the solar farm projects.

(2) The inclusion of the amounts of the Distributable Income during the Track Record Period is for illustration purpose only. No representation is made that investors taking up our Shares under the Global Offering will be entitled to such historical amounts of the Distributable Income. The amount of the Distributable Income in each year is based on the Adjusted EBITDA in the year, further information on which is set forth in the section headed "Distributions" in this prospectus.

Pursuant to our BVI Legal Advisor, our Company was incorporated in the BVI as a business company limited by shares under the BVI BC Act and is subject to BVI law. Under the BVI BC Act, there is no concept of authorized share capital or share capital (such concept was historically present in the BVI but was abolished when the BVI BC Act came into force). There is also no concept of share premium under the BVI BC Act. Subject to the BVI BC Act and the Articles, our Directors may, by resolution, authorize a distribution (which includes a dividend) by our Company to our Shareholders, if our Directors are satisfied, on reasonable grounds, that immediately after the distribution, our Company will satisfy the solvency test, that is: (a) our Company will be able to pay our debts as they fall due; and (b) the value of our assets will exceed our liabilities. There is no requirement under the BVI BC Act to demonstrate surplus or any other form of distributable reserves for the purpose of paying a distribution.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
Non-HKFRS measures			
Gearing ratio (as of the dates indicated)[(1), (2)]	54.3%	36.7%	19.8%
Adjusted EBITDA margin	95.2%	94.4%	92.0%
Notional Long-term Debt Repayment Amount[(3)] *(in HK$'000)*	164,680	153,923	103,446
Adjusted Notional Long-term Debt Service Coverage Ratio[(4)]	1.4x	2.0x	5.7x

Notes:

(1) Gearing ratio is defined as net debt divided by total equity and is not a measure of performance under the HKFRS.

(2) Net debt is defined by the sum of total interest-bearing loans and acquisition consideration payable less cash and cash equivalents.

(3) Notional Long-term Debt Repayment Principal Amount is defined as the total interest-bearing debt as of the relevant year end divided by weighted average remaining notional long-term debt tenor of our solar farm portfolio. Notional Long-term Debt Repayment Principal Amount is not a measure of performance under the HKFRS.

(4) Adjusted Notional Long-term Debt Service Coverage Ratio is defined as Adjusted Cash Flow Prior to Debt Serving divided by the sum of (a) Notional Long-term Debt Repayment Target and (b) finance cost. It indicates the level of cash available in a year for the repayment of loan principals and related finance cost on a long-term basis.

See page 253 to page 254 of this prospectus on the implications of the above ratios.

The Adjusted EBITDA margin, which is based on the amount of Adjusted EBITDA as a percentage of our revenue during the year, was 95.2%, 94.4%, and 92.0%, respectively. The decrease in the Adjusted EBITDA margin in 2018 was primarily due to the increase in the Listing expenses. The increase in the Adjusted EBITDA in 2018 was primarily due to the increase in our profit attributable to equity holders of our Company in 2018. We recognized our revenue during the Track Record Period under the Feed-in-Tariff regime and based on the sale of electricity and the tariff adjustment at the rates between RMB0.95/kWh and RMB1.00/kWh.

The Notional Long-term Debt Repayment Amount was HK$164.7 million, HK$153.9 million, and HK$103.4 million during the Track Record Period, respectively. Same as the gearing ratio, the increase in the Notional Long-term Debt Repayment Amount was due to the increase in bank loans for the construction of solar farm projects. The decrease in the Notional Long-term Debt Repayment Amount in 2017 was due to the repayment of bank loans.

TARGET ACQUISITION

Following completion of the Target Acquisition, all construction completed utility-scale grid-connected solar farm projects owned by the Remaining Group will be injected into our Group. Our Directors intend to use the net proceeds from the Global Offering for the Target Acquisition. All conditions precedent to the Target Acquisition (other than the Listing) have been satisfied as of the date of this prospectus, and we expect that the Target Acquisition will be completed within one month after the Listing Date.

Pursuant to the Target Acquisition, we have agreed to acquire from Xinyi Solar Farm (1) all the issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. We may acquire the equity interest of the holding company of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer for tax efficiency purpose.

Out of the Agreed Purchase Price, we will settle an upfront payment of 50% within one month from the Listing Date upon completion of the Target Acquisition. The remaining balance will be settled on the earlier of (a) the fourth anniversary of the Listing Date and (b) by instalments following the receipt of the tariff adjustment on the electricity generated by the solar farm projects under Target Portfolio. As of the date of this prospectus, six utility-scale ground mounted solar farm projects with an aggregate approved capacity of 540 MW under the Target Portfolio have completed construction and are grid-connected and revenue generating.

GOODWILL ARISING FROM THE TARGET ACQUISITION

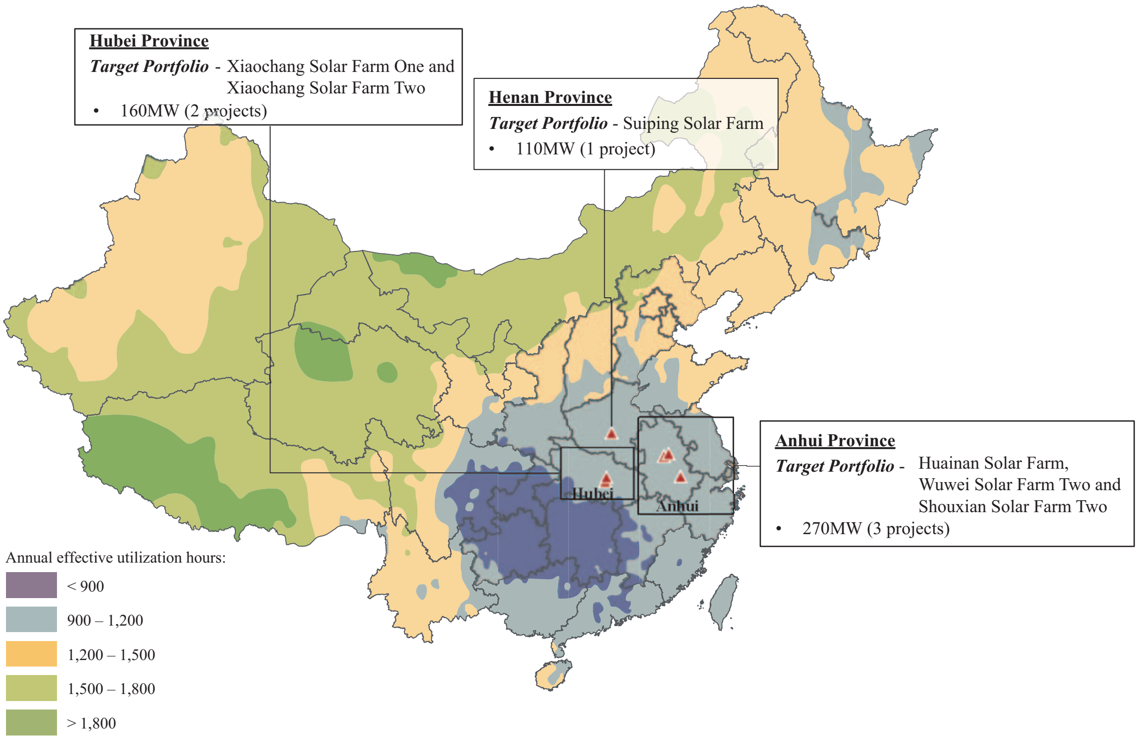
Throughout the Track Record Period and up to the Latest Practicable Date, we did not have any intangible assets, including goodwill. Following completion of the Target Acquisition, we may record significant amount of goodwill. Such amount of goodwill would be subject to impairment assessment in each year and may result in impairment loss to be charged to our consolidated income statement. See page 39 of this prospectus for the related risk factor and Appendix II to this prospectus for further information.

As of the date of this prospectus, one solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue. Our PRC Legal Advisor has confirmed that based on the fact that the remaining five utility-scale ground-mounted solar farm projects under the Target Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid within the stipulated time period and the Feed-in-Tariff rates have been confirmed by the relevant authorities, the approval by the NEA for enlisting on the Subsidy Catalogue is administrative in nature.

INFORMATION ON THE TARGET PORTFOLIO

The map below illustrates the locations of the utility-scale ground-mounted solar farm projects under the Target Portfolio as of the Latest Practicable Date:

Geographical locations and the approved capacity (MW) of the Target Portfolio



Approved capacity and sale of electricity

The table below sets forth the total approved capacity of each of the utility-scale ground-mounted solar farm projects under the Target Portfolio as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2016	2017	2018	
Total approved capacity (MW).	510	540	540	540
Number of solar farm projects	5	6	6	6

The table below sets forth the units of electricity sold by each of the utility-scale ground-mounted solar farm projects under the Target Portfolio for the years indicated:

Name of the solar farm projects/date of construction completion	Year ended December 31,		
	2016	2017	2018
	(GWh)[(1)(2)]	*(GWh)*[(1)(2)]	*(GWh)*[(1)(2)]
Huainan Solar Farm (November 2017).	15.44	26.65	26.34
Suiping Solar Farm (August 2018)	36.51	94.91	121.78
Xiaochang Solar Farm One (August 2018).	31.48	94.21	137.06
Wuwei Solar Farm Two (April 2018).	—	20.18	60.53
Shouxian Solar Farm Two (August 2018 and October 2018)	5.86	105.99	193.58
Xiaochang Solar Farm Two (September 2018) . .	—	7.11	22.18
Total	89.29	349.05	561.47

Notes:

(1) The unit of electricity sale is based on the operating data provided by the Target Group and the statements provided by the State Grid.

(2) As construction of solar farm projects took place phase by phase, solar farm projects would generate electricity and have electricity sales to the State Grid prior to full completion of construction of such solar farm projects.

The continuous increases in the units of electricity sold by the utility-scale ground-mounted solar farm projects under the Target Portfolio during the Track Record Period were due to (i) the grid connection might not commence from the beginning of the relevant year, (ii) increase in the electricity output following commencement of full operation of the solar farm projects, and (iii) different levels of solar irradiation in different regions in the PRC from year to year.

Estimated maximum number of annual utilization hours and Feed-in-Tariff rates

The table below sets forth the aggregate capacity, estimated maximum number of annual utilization hours, and the components of the Feed-in-Tariff rates (comprising sale of electricity at the base tariff rates and the tariff adjustment) for each of the solar farm projects under the Target Portfolio as of the Latest Practicable Date:

	(1)	(2)	(3)	(4)	(5)	(6)
	Huainan Solar Farm	**Suiping Solar Farm**	**Xiaochang Solar Farm One**	**Wuwei Solar Farm Two**	**Shouxian Solar Farm Two**	**Xiaochang Solar Farm Two**
Construction completion date	November 2017	August 2018	August 2018	April 2018	August 2018 (Phase 1 of 100 MW) October 2018 (Phase 2 of 100 MW)	September 2018
Approved capacity (MW)	20	110	130	50	200	30
Estimated maximum number of utilization hours(1)	1,150	1,150	1,150	1,100	1,150	1,150
Feed-in-Tariff (RMB/kWh)	1.0	1.0	1.0 (Phase 1 of 90 MW) 0.85 (Phase 2 of 40 MW) (2)	0.945	0.945	0.88 (Phase 1 of 10 MW) (2) 0.80 (Phase 2 of 20 MW) (2)
Sale of electricity(3)	0.3844	0.3779	0.4161 (Phase 1) 0.4161 (Phase 2)	0.3844	0.3844	0.4161 (Phase 1) 0.4161 (Phase 2)
Tariff adjustment(4)	0.6156	0.6221	0.5839 (Phase 1) 0.4339 (Phase 2)	0.5606	0.5606	0.4639 (Phase 1) 0.3839 (Phase 2)

Notes:

(1) The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the solar farm project.

(2) These Feed-in-Tariff rates are estimated by our Directors and are subject to the final approval of the relevant PRC Government authorities.

(3) Sale of electricity is charged at the base tariff rates equivalent to the on-grid benchmark tariff rates of local coal-fired power plants, which vary across PRC provinces and can be adjusted by the local government. For details on the on-grid benchmark tariff rates of local coal-fired power plants, see the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus.

(4) Tariff adjustment is the difference between Feed-in-Tariff and the sale of electricity at the base tariff rates.

Utilization rates

The average utilization rate of the utility-scale ground-mounted solar farm projects under the Target Portfolio, which is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year, during the Track Record Period was 46.6%, 60.9%, and 91.1%, respectively. The average on-grid tariff, which is equivalent to the average of the Feed-in-Tariff of the utility-scale ground-mounted solar farm projects under the Target Portfolio was RMB0.93.

The table below sets forth the utilization rate of each of the utility-scale ground-mounted solar farm projects under the Target Portfolio for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	(%)	*(%)*	*(%)*
Huainan Solar Farm	89.5	115.9	114.5
Suiping Solar Farm	49.5	75.0	96.3
Xiaochang Solar Farm One	42.1	63.0	91.7
Wuwei Solar Farm Two	—	36.7	110.1
Shouxian Solar Farm Two	20.4	46.1	84.2
Xiaochang Solar Farm Two	—	35.3	64.3
Average utilization rate	46.6	60.9	91.1

Note:

The utilization rate of each solar farm project is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year. The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the relevant solar farm project.

The utilization rates of the utility-scale ground-mounted solar farm projects under the Target Portfolio vary with the location of the solar farm projects, the solar irradiation levels, and the weather in the relevant year as well as the date of commencement of grid connection. Certain solar farm projects under the Target Portfolio commenced grid connection in 2016 and as such, they achieved different utilization rates during the two years ended December 31, 2017. The solar irradiation level was relatively high in 2017 and 2018. In addition, all utility-scale ground-mounted solar farm projects were in full operation during the year ended 31 December 2018. These factors resulted in the increase in the average utilization rates of the utility-scale ground-mounted solar farm projects under the Target Portfolio, and the utilization rates of certain solar farm projects in 2017 and 2018.

TARIFF ADJUSTMENT

General information

Both our Initial Portfolio and the Target Portfolio are constructed under the national quota system in the PRC and connected to the State Grid. As of the date of this prospectus, two solar farm projects under our Initial Portfolio have been enlisted on the sixth batch of the Subsidy Catalogue and seven solar farm projects have been enlisted on the seventh batch of the Subsidy Catalogue. As of the date of this prospectus, one solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue.

Initial Portfolio

According to our accounting policy, revenue arising from (a) the sale of electricity is recognized in the accounting period when the electricity is generated and transmitted and (b) the tariff adjustment is recognized when the electricity has been transmitted and that there is no indication that the amount of such tariff adjustment would be disputed by our customers, i.e. the local subsidiaries of the State Grid. Our Directors consider that the accounting treatment of the tariff adjustment is consistent with the accounting standards and the prevailing market practices of other PRC solar farm and renewable energy operators listed in Hong Kong. During the Track Record Period, the revenue from our Initial Portfolio represented the income generated from the sale of electricity and the tariff adjustment. The table below sets forth an analysis of our revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sale of electricity	360,291	37.2	416,035	37.3	457,068	38.1
Tariff adjustment	608,000	62.8	700,009	62.7	743,488	61.9
Total	968,291	100.0	1,116,044	100.0	1,200,556	100.0

We have received the first batch of the tariff adjustment of RMB61.4 million (equivalent to HK$68.9 million) incurred up to April 30, 2015, the second batch of the tariff adjustment of RMB39.7 million (equivalent to HK$45.3 million) incurred from May 1, 2015 to July 31, 2015, the third batch of the tariff adjustment of RMB232.6 million (equivalent to HK$272.8 million) incurred from August 1, 2015 to December 31, 2016, and the fourth batch of the tariff adjustment of RMB670.6 million (equivalent to HK$758.7 million) incurred up to March 31, 2017. During the Track Record Period, the aggregate amount of the tariff adjustment received amounted to RMB1,004.3 million (equivalent to HK$1,145.7 million).

A significant portion of the tariff adjustment is treated as part of our trade receivables under our current assets. As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the sale of electricity generated from the solar farm projects under our Initial Portfolio amounted to HK$821.1 million, HK$1,401.8 million, and HK$1,410.5 million, respectively.

As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio which were enlisted on the Subsidy Catalogue amounted to HK$303.1 million, HK$210.3 million, and HK$1,410.5 million, respectively. As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio which were not enlisted on the Subsidy Catalogue amounted to HK$518.1 million, HK$1,191.5 million, and nil, respectively.

Target Portfolio

During the Track Record Period, the revenue from the Target Portfolio represented the income generated from the sale of electricity and the tariff adjustment. The table below sets forth an analysis of the revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sale of electricity	32,900	37.9	131,173	38.9	224,992	41.0
Tariff adjustment	54,012	62.1	206,299	61.1	324,324	59.0
Total	86,912	100.0	337,472	100.0	549,316	100.0

As of December 31, 2016, and 2017, all solar farm projects under the Target Portfolio were not enlisted on the Subsidy Catalogue. As of December 31, 2018 and the date of this prospectus, one solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue, and it has received the tariff adjustment in 2018 of RMB13.4 million (equivalent to HK$15.2 million). As of December 31 2016, 2017, and 2018, the tariff adjustment receivables relating to the sale of electricity generated from the solar farm projects under the Target Portfolio amounted to HK$62.8 million, HK$316.3 million, and HK$642.6 million.

Receipt of tariff adjustment receivables

We have not experienced any retrospective adjustments to the approved Feed-in-Tariff rates applicable to the solar farm projects under our Initial Portfolio. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, no default and no retrospective adjustment of approved Feed-in-Tariff rate have ever taken place since the introduction of the Feed-in-Tariff regime for solar power industry in the PRC.

As of December 31, 2018, the aggregate balance of the tariff adjustment receivables accrued in relation to the electricity generated from our Initial Portfolio and the Target Portfolio amounted to RMB1,238.9 million (equivalent to HK$1,410.5 million), and RMB564.9 million (equivalent to HK$642.6 million), respectively. As of the Latest Practicable Date, we have received an aggregate amount of tariff adjustment of RMB1,065.2 million (equivalent to HK$1,216.9 million) from the local subsidiaries of the State Grid out of the tariff adjustment receivables in relation to the electricity generated from our Initial Portfolio. As of the Latest Practicable Date, the Target Companies have received the aggregate amount of tariff adjustment of RMB15.2 million (equivalent to HK$17.3 million) out of the tariff adjustment receivables in relation to the electricity generated from the Target Portfolio.

Nevertheless, any significant non-payment of the tariff adjustment by the local subsidiaries of the State Grid or any significant delay in enlisting of our solar farm projects on the Subsidy Catalogue or any significant delay in receiving the tariff adjustment for our solar farm projects that have been enlisted on the Subsidy Catalogue could have a material adverse effect on our business, financial condition, operating results, and cash flows as well as the level of our Distributions. In any of these events, we may not have sufficient cash inflows from our operating activities to make our Distributions or settle the Deferred Outstanding Amount and may need to incur external debts or dispose of certain of our solar farm projects for additional financial resources. This could increase our leverage and could further affect our financial position. See the sections headed "Relationship with our Controlling Shareholders — Payment arrangement under the Target Sale and Purchase Agreement and sustainability of our business — Warning statement" and "Risk Factors — Risks relating to our business — Any significant and prolonged delay in receiving the tariff adjustment under the Feed-in-Tariff regime could materially and adversely affect our business and financial condition, operating results, and cash flows" in this prospectus for further information.

CUSTOMERS AND SUPPLIERS

Customers

We derive all our revenue from the sale of electricity generated by the solar farm projects we own and operate. Our solar farm projects sell all of the electricity generated to the grid companies pursuant to the power purchase agreements entered into with the local subsidiaries of the State Grid. Hence, all our customers during the Track Record Period are local subsidiaries of the State Grid. The subsidiaries of the State Grid are the principal operators of the electricity network in the PRC.

During the Track Record Period, our five largest customers contributed to 83.3%, 85.3%, and 75.3% of our revenue, respectively and our largest customer contributed to 28.2%, 24.8%, and 20.8% of our total revenue, respectively, during the corresponding periods.

Suppliers

During the Track Record Period, solar modules, inverters, support structure, trackers, and transformers procured for the construction of solar farm projects represented the largest portion of our total purchase. During the Track Record Period, our five largest suppliers accounted for 50.4%, 46.2%, and nil of our total purchase, respectively, and our largest supplier accounted for 12.3%, 23.8%, and nil of our total purchase, respectively.

OFFER STATISTICS

Offer size	Initially 1,882,609,471 Shares, representing 28.4% of the enlarged number of Shares in issue (subject to the Over-allotment Option)
Offer structure	Initially 90% International Offering and 10% Hong Kong Public Offering (subject to re-allocation and the Over-allotment Option)
XYS Assured Offering	As part of the International Offering, the XYS Reserved Shares will be offered to the XYS Qualifying Shareholders.
Over-allotment Option	Up to 15% of the initial number of our Offer Shares
Indicative range of the Offer Price	HK$1.89 to HK$2.35 for each Share

	Based on the low end of the indicative range of the Offer Price of HK$1.89	Based on the high end of the indicative range of the Offer Price of HK$2.35
Market capitalization of our Shares (HK$ million)	12,525.7	15,574.3
Unaudited pro forma adjusted net tangible asset value per Share(1)	HK$1.461	HK$1.589

Note:

(1) The unaudited pro forma net tangible assets of the Group had not taken into account the dividend of HK$315,949,120 declared on January 21, 2019. The unaudited pro forma net tangible assets per Share would have been HK$1.413 and HK$1.542 per Share based on the Offer Price of HK$1.89 and HK$2.35, respectively, after taking into account the declaration of dividend of HK$315,949,120.

Our Board has been advised by Xinyi Solar that one of its controlling shareholders (as such term is defined under the Listing Rules), i.e. Xinyi Glass, would participate in the XYS Assured Offering by subscribing for such number of the XYS Reserved Shares pro rata to its XYS Qualifying Shareholders' Assured Entitlement and that Xinyi Glass may apply for the excess XYS Reserved Shares in full compliance with the requirements under the Listing Rules and the XYS Assured Offering.

LISTING EXPENSES

Our expenses on the Listing mainly include underwriting commissions and professional fees paid to legal advisors and the reporting accountant for their services rendered in relation to the Listing and the Global Offering. The estimated amount of expenses for the Listing (based on the mid-point of the indicative range of the Offer Price and assuming that the Over-allotment Option is not exercised), including underwriting commissions, is HK$131.6 million. During the year ended December 31, 2018, we have recognized HK$31.2 million listing expenses in consolidated income statement and HK$9.3 million as prepayment of Listing expenses which is expected to be charged against equity upon completion of the Listing. We expect that the remaining expenses for the Listing would be HK$91.1 million, of which HK$18.7 million is expected to be recognized in consolidated income statement and HK$72.4 million is expected to be recognized as a deduction from equity upon Listing.

PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting commission and estimated expenses in relation to the Listing and the Global Offering in the amount of:

— HK$3,433.6 million, if the Over-allotment Option is not exercised, or HK$3,955.0 million, if the Over-allotment Option is exercised in full, assuming that the Offer Price is HK$1.89, being the low-end of the indicative range of the Offer Price;

— HK$3,859.6 million, if the Over-allotment Option is not exercised, or HK$4,444.4 million, if the Over-allotment Option is exercised in full, assuming that the Offer Price is HK$2.12, being the mid-point of the indicative range of the Offer Price; or

— HK$4,285.5 million, if the Over-allotment Option is not exercised, or HK$4,933.8 million, if the Over-allotment Option is exercised in full, assuming that the Offer Price is HK$2.35, being the high-end of the indicative range of the Offer Price.

We intend to use these net proceeds for the following purposes, assuming that the Offer Price is HK$2.12, being the mid-point of the indicative range of the Offer Price and that the Over-allotment Option is not exercised:

— HK$3,473.6 million, or 90.0% of the net proceeds, for the payment of the Agreed Purchase Price, of which an upfront payment of 50.0% will be settled upon completion of the Target Acquisition and the remaining balance, being the Outstanding Amount, will be settled on the earlier of (a) the fourth anniversary of the Listing Date and (b) by instalments following the receipt of the tariff adjustment receivables relating to the solar farm projects under the Target Portfolio pursuant to the Target Sale and Purchase Agreement; and

— HK$386.0 million, or 10.0% of the net proceeds, for our working capital and loan refinancing for the purpose of reducing our interest expenses.

If the Offer Price is determined at a price higher than HK$2.12, being the mid-point of the indicative range of the Offer Price, assuming that the Over-allotment Option is not exercised, the additional net proceeds from the Global Offering would be up to HK$426.0 million (if the Offer Price is determined at HK$2.35, being the high-end of the indicative range of the Offer Price). In such event, we will use the additional net proceeds for loan refinancing purpose. For the principal reasons for the Global Offering, see the section headed "Spin-Off and Listing" in this prospectus for further information.

If the Offer Price is determined at HK$1.89, being the low-end of the indicative range of the Offer Price, assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering would decrease by HK$426.0 million and the net proceeds from the Global Offering will not be sufficient for the payment of the Agreed Purchase Price. In such event or if there is a material fluctuation in the exchange rate of RMB, there would not be net proceeds to be used for loan refinancing purpose and we would utilize our internal resources and/or bank financing to pay for the shortfall.

If the Over-allotment Option is exercised in full, and assuming that the Offer Price is HK$2.12, (being the mid-point of the indicative range of the Offer Price), the net proceeds from the Global Offering would increase by HK$584.9 million. In such event, we will use the additional net proceeds for loan refinancing purpose.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes (including the payment of the remaining balance of the Agreed Purchase Price), our Directors may allocate part or all of the net proceeds from the Global Offering for (a) making short-term interest-bearing deposits; (b) purchasing money-market instruments issued by authorized financial institutions and/or licensed banks in Hong Kong or the PRC; and (c) purchasing investment-grade bond products.

EQUITY INVESTMENT AND OUR CONTROLLING SHAREHOLDERS

On October 18, 2015, our Company, Xinyi Solar (as the then existing sole shareholder of our Company), and the Equity Investors entered into the Equity Investment Agreement. Pursuant to the Equity Investment Agreement, our Company agreed to allot and issue, and each of Charm Dazzle, Sharp Elite, Xu Feng, Precious Smart, Will Sail, Yuanyi, Heng Zhuo, Far High, and Day Dimension, being our Controlling Shareholders, agreed severally, but not jointly and severally, to subscribe for 610 shares, 250 shares, 250 shares, 150 shares, 60 shares, 60 shares, 60 shares, 60 shares, and 80 shares of par value of US$1.0 each in our Company, respectively. All net proceeds were used in the construction of the solar farm projects under our Initial Portfolio.

Our Controlling Shareholders include Xinyi Solar, Xinyi Power, and the Equity Investors. Our Controlling Shareholders (other than Xinyi Solar and Xinyi Power) are also the controlling shareholders (as such term is defined under the Listing Rules) of Xinyi Solar holding 32.64% of the shares of Xinyi Solar in issue as of the Latest Practicable Date. Xinyi Power was the sole shareholder of our Company prior to the Equity Investment. Xinyi Solar will continue to be our holding company and one of our Controlling Shareholders following completion of the Spin-Off and the Listing.

Without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme and assuming that all XYS Independent Shareholders have subscribed for all XYS Reserved Shares, our Controlling Shareholders will hold 71.59% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue. If all XYS Reserved Shares are to be subscribed by the XYS Qualifying Shareholders other than the XYS Independent Shareholders, our Shares held by the public shareholders would be 16.26%. Hence, our Controlling Shareholders will hold 83.74% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue.

Our Controlling Shareholders (other than Xinyi Solar and Xinyi Power) are also controlling shareholders (as such term is defined in the Listing Rules) of Xinyi Solar, and they have entered into the Pre-Emptive Agreement. Our Controlling Shareholders have confirmed that they are a group of Shareholders acting in concert.

PRINCIPAL RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties. See “Risk Factors” of this document for details of our risk factors. Some of the major risks we face include:

— We are subject to the risk associated with the change in the government policy of mandatory grid connection and purchase of electricity generated from renewable energy projects.

— We are subject to the risk associated with the change in government policy of top priority in grid connection and dispatch for solar farm projects.
— Any reduction in the Feed-in-Tariff rate could materially and adversely affect our business and financial condition, operating results, and cash flows.
— We may be subject to risks and uncertainties following the issue of the 2018 Solar Power Industry Notice and the 2019 Grid Parity Notice.
— Any significant and prolonged delay in receiving the tariff adjustment under the Feed-in-Tariff regime could materially and adversely affect our business and financial condition, operating results, and cash flows.
— We are subject to the risk in collecting the trade receivables due from our customers.
— We may not be able to pay or maintain our Distributions, and such amount may not be stable as they are dependent on a number of factors, including our operating results and our ability to generate sufficient cash inflows from our operating activities.
— We are subject to the risk in relation to the expiry or discontinuation of preferential tax treatments.
— Our business growth depends on our ability to identify and successfully acquire utility-scale ground-mounted solar farm projects from Xinyi Solar and Independent Third Parties at acceptable prices.
— We rely on a limited number of customers which are local subsidiaries of the State Grid.
— Deferred payment of the Outstanding Amount would result in imputed interest to be recognized in our consolidated income statement from the year ending December 31, 2019 to the full payment of the Outstanding Amount.
— Change in the business prospects or profitability of companies to be acquired by us, including the Target Companies, may result in goodwill impairment and could adversely affect our operating results.

See page 26 to page 57 of this prospectus for further information.

IMPLICATIONS OF THE 2018 SOLAR POWER INDUSTRY NOTICE

On May 31, 2018, the NDRC, Ministry of Finance, and the NEA jointly issued the 2018 Solar Power Industry Notice on the latest policy in relation to the solar farm sector in the PRC. See the section headed “Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation” in this prospectus for further information. Further information on the impact of the 2018 Solar Power Industry Notice is set forth in the section headed “Business of our Group — Our strengths” in this prospectus.

The 2018 Solar Power Industry Notice does not change the amount of entitlement to the tariff adjustment currently enjoyed by the existing solar farm projects and hence, according to our PRC Legal Advisor, the 2018 Solar Power Industry Notice would have no impact on the solar farm projects currently owned and managed by us and the solar farm projects under the Target Portfolio. All pipeline solar farm projects currently constructed under the national quota system in the PRC by the Remaining Group will continue to be entitled to the Feed-in-Tariff at the applicable rates upon grid connection for a period of 20 years. Enlisting on the Subsidy Catalogue is the prerequisite for the receipt of the tariff adjustment under the Feed-in-Tariff regime.

According to the 2018 Solar Power Industry Notice, the national quota for construction of solar farm projects in 2018 has not been arranged due to the status of the solar industry in the PRC at the time of the notice. The construction of solar farm projects requiring governmental subsidies cannot commence, unless the PRC Government issues other policy initiatives to allow the construction work to commence. The 2018 Solar Power Industry Notice highlights that the PRC Government would not grant new approval for the construction of new ground-mounted solar farm projects under the national quota system in the PRC in 2018. This could limit the growth of the solar industry in the PRC as no new solar farm projects under the national quota system in the PRC could be constructed in the year. Following completion of the Spin-Off and the Listing and for the purpose of our business growth, we would acquire utility-scale ground-mounted solar farm projects from time to time developed or constructed by the Remaining Group. As of the Latest Practicable Date, pipeline solar farm projects with an approved capacity of 850 MW were under development and construction by the Remaining Group and will be available for acquisition by us following the Spin-Off and the Listing upon grid connection and completion of construction. We believe that the pipeline solar farm projects of the Remaining Group will provide ample business opportunities for our future business growth.

The 2018 Solar Power Industry Notice has no direct impact on our business operations and financial performance, but it may affect our growth in the future through acquisition of new utility-scale ground-mounted solar farm projects constructed by Xinyi Solar and the Independent Third Parties under the Feed-in-Tariff regime. Yet according to the NEA, there were 112.6 GW of utility-scale ground-mounted solar farm projects in the PRC as of June 30, 2018. Excluding the regions with reported curtailment issues (17.0 GW), which was released by the NDRC in the PRC in August 2018 with the objective of addressing potential curtailment issues, there were 95.6 GW of utility-scale ground-mounted solar farm projects, of which 16.5 GW were located in regions where our Initial Portfolio and the Target Portfolio are located, as of June 30, 2018. If we have to acquire the existing solar farm projects from Xinyi Solar and Independent Third Parties, the Feed-in-Tariff rates may be different from the new solar farm projects.

We will look into other acquisition opportunities offered by the Independent Third Parties in the PRC and overseas. There are a large number of solar farm projects in the PRC that can meet and satisfy our geographical and capacity requirements, and qualify for the Feed-in-Tariff regime, and we believe that we can acquire them at comparable terms, conditions, and prices to the pipeline solar farm projects of the Remaining Group. There is an active trading market for solar farm projects in the PRC. See page 373 to page 376 of this prospectus for further information.

With the policy under the 2018 Solar Power Industry Notice, our Directors believe that it will help to improve the funding deficit of the Renewable Energy Fund and reduce the lead time between the grid connection of solar farm projects under the national quota system in the PRC and the settlement of the tariff adjustment by the Ministry of Finance. Our Directors also believe that the downward trend of the Feed-in-Tariff rates would affect our business operations from the following three perspectives.

First, the downward trend would not affect the entitlement to the Feed-in-Tariff and the Feed-in-Tariff rates currently enjoyed by the solar farm projects under our Initial Portfolio and the Target Portfolio and the pipeline solar farm projects currently under development and construction by the Remaining Group.

Second, the costs on the production and installation of solar power components have been rapidly declining in recent years due to technological advancement. Such decrease is more than the decrease in the Feed-in-Tariff rates and as a result, the downward trend of the Feed-in-Tariff rates would not have any significant impact on our profitability.

Third, the downward trend of the Feed-in-Tariff rates, together with the temporary suspension on granting of new approval for the construction of solar farm projects under the national quota system in the PRC, could adversely affect the availability and the valuation of solar farm projects in the PRC in the future. This could affect our business growth by way of acquisition.

Nevertheless, our Directors do not consider that the temporary suspension under the 2018 Solar Power Industry Notice would result in any significant decrease in the number of solar farm projects that may be acquired by us. We may acquire the existing pipelines of solar farm projects which are constructed under the national quota system in the PRC from the Remaining Group and Independent Third Parties. There is also an active trading market for solar farm projects in the PRC and a number of companies listed on the Stock Exchange are also involved in the solar farm business.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Implications of the 2019 Grid Parity Notice

On January 7, 2019, the NDRC and the NEA jointly published the 2019 Grid Parity Notice on the subsidy-free pricing arrangement for the electricity generated from utility-scale renewal energy power projects constructed in the PRC in the future. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. The effective date of the 2019 Grid Parity Notice is January 7, 2019. Further information on the impact of the 2019 Grid Parity Notice is set forth in the section headed "Business of our Group — Our strengths" in this prospectus.

The 2019 Grid Parity Notice has no impact on the amount of the tariff adjustment currently enjoyed by the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the Target Portfolio and all pipeline utility-scale ground-mounted solar farm projects (other than Chaohu Jindao Solar Farm[(1)]) under development and construction by the Remaining Group as of the Latest Practicable Date. See the section headed "Business of our Group — Landscape of China solar farm industry — No tariff adjustment regime" on page 131 for further information. See also the section headed "Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of utility-scale ground-mounted solar farm projects from the Remaining Group" on page 371 for further information.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

With the implementation of the policy set forth in the 2019 Grid Parity Notice, the construction of new utility-scale ground-mounted solar farm projects in the future would not be subject to the national quota system in the PRC after satisfying certain conditions including the renewable energy rules and regulations on the provincial level and power delivery, transmission and capacity for consumption and purchase of electricity conditions. As there would be no tariff adjustment entitlement for the future solar farm projects to be constructed under the 2019 Grid Parity Notice, our Directors expect that there would be a substantial decrease in revenue generated from solar farm projects which are constructed subsequent to the implementation of the 2019 Grid Parity Notice. The NDRC and NEA encourage the construction of renewable energy projects which charge the same or a lower price as compared with the local benchmark price of conventional coal-fired power with incentives in other aspects that may be provided by the PRC Government. Our Directors expect that the implementation of the 2019 Grid Parity Notice would result in the following:

(1) the price for sale of electricity generated by solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice would decrease to the extent that they would be in parity with or lower than the local benchmark price of conventional coal-fired power;

(2) the cashflows generated from such solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice would become more predictable as the revenue generated from the sale of electricity would be settled by the local subsidiaries of the State Grid pursuant to the relevant power purchase agreements; and

(3) the valuation as well as the acquisition prices of such solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice are expected to decrease without the tariff adjustment entitlement.

As such, the implementation of the 2019 Grid Parity Notice may reduce the construction of new utility-scale ground-mounted solar farm projects subsequent to the implementation of the 2019 Grid Parity Notice, which may affect our future growth by way of acquisition of new solar farm projects. However, our Directors consider that there would be no imminent impact on our planned expansion and future growth because of two reasons: First, the Remaining Group has a pipeline of utility-scale ground-mounted solar farm projects with an aggregate power generating capacity of 850MW, which are constructed under the national quota system with tariff adjustment entitlement, except for Chaohu Jindao Solar Farm(1), the price for sale of electricity charged by it will achieve grid-parity with the local benchmark price of conventional coal-fired power. Second, with the decreasing cost of production and installation of solar power components in recent years, there remains profitability to be generated by the solar farm projects even without tariff adjustment entitlement and with the price for sale of electricity generated by solar farm projects to be in parity or lower than the local benchmark price of conventional coal-fired power.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

Our Directors further believe that the current risk on the significant and prolonged delay in receiving the tariff adjustment would be mitigated subsequent to the implementation of the 2019 Grid Parity Notice as the elimination of tariff adjustment would help to improve the funding deficit of the Renewable Energy Fund and reduce the lead time for settlement of the tariff adjustment for the solar farm projects constructed under the national quota system in the PRC.

On April 8, 2019, the NEA commenced the consultation on a work plan for the implementation of the 2019 Grid Parity Notice《國家能源局綜合司關於徵求《關於推進風電、光伏發電無補貼平價上網項目建設的工 作方案(徵求意見稿)》意見的函》. The consultation paper proposes to identify new renewable energy projects that will achieve grid-parity under the 2019 Grid Parity Notice. In addition, the consultation paper also proposes a voluntary conversion of renewable energy projects with tariff adjustment into renewable energy projects with grid-parity with incentives in other aspects that may be offered by the PRC Government for such conversion. As of the Latest Practicable Date, the consultation was in progress and there was no conclusion made for the purpose. The consultation proposes that prior to the identification of the first batch of grid parity projects in 2019, the regions will not organize competition allocation (競爭配置) of wind power and photovoltaic power generation projects that require State subsidies. Our Directors expect that with the initiatives and incentives that may be offered by the PRC Government under the 2019 Grid Parity Notice, a number of grid-parity renewable energy projects would be constructed.

As of the date of this prospectus, except for Chaohu Jindao Solar Farm(1), a pipeline solar farm project of the Remaining Group, all solar farm projects under our Initial Portfolio, the Target Portfolio and the pipeline utility-scale ground-mounted solar farm projects under development and construction by the Remaining Group are constructed under the national quota system in the PRC. On this basis, our Directors consider that the consultation and the work plan have no imminent impact on our business operations and the Target Acquisition as well as the possible acquisitions under the Solar Farm Agreement.

Dividend declared after the Track Record Period

On January 21, 2019, we declared final cash dividend of HK$315,949,120 out of our Distributable Income, representing 93.2% of our Distributable Income for the six months ended December 31, 2018. Such dividend was settled in full on January 29, 2019.

No material adverse change

During the period from January 1, 2019 to the Latest Practicable Date, we have received an amount of RMB77.1 million (equivalent to HK$89.6 million) out of the trade receivables (including receivables from the sale of electricity and tariff adjustment receivables) as of December 31, 2018.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

The approved capacity of the grid-connected utility-scale ground-mounted solar farm projects under our Initial Portfolio remained unchanged since December 31, 2018, and our Directors confirm that the units of electricity sold and our performance has remained stable from January 1, 2019 up to the Latest Practicable Date. As a result of the above, our Directors believe that our cash position has been further strengthened.

Our operating results for the year ending December 31, 2019 would be adversely affected by the expenses incurred by us for the purpose of the Listing, finance cost, and any reduction in other income.

Our Directors also believe that trade war between the U.S. and the PRC will have no impact on our operating results and prospects as our business operations are in the PRC and all of our revenue is generated in the PRC with no business connection with the U.S.

Our Directors confirm that, save as disclosed above, since December 31, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this prospectus, there has been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial information included in the Accountant's Report of the Group set forth in Appendix IA to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

"2018 Solar Power Industry Notice"	《2018年光伏發電有關事項通知》(Notice on certain matters on solar power industry (2018)) jointly issued by the NDRC, the Ministry of Finance, and the NEA on May 31, 2018
" 2019 Grid Parity Notice"	《國家發展改革委，國家能源局關於積極推進風電、光伏發電無補貼平價上網有關工作通知》 (Notice on actively promoting the work on subsidy-free grid-price parity for wind power and solar power (2019)) jointly issued by the NDRC and the NEA on January 7, 2019
"Acquisition Committee"	a committee established by our Board for the purpose of considering and, if appropriate, approving any acquisition of solar farm projects from Xinyi Solar under the Solar Farm Agreement
"Adjusted EBITDA"	EBITDA after making the adjustments set forth in the section headed "Distributions" in this prospectus, which will be used as one of the bases in determining the Distributable Income
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Agreed Purchase Price"	the final purchase price for the Target Acquisition, the determination of which is based on a formula set forth in the section headed "Corporate Structure and Business of the Target Companies — Target Acquisition" in this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s), and **GREEN** Application Form(s) to be used in the Hong Kong Public Offering and **BLUE** Application Form(s) to be used in the XYS Assured Offering (as part of the International Offering) or any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company (as amended from time to time), adopted on November 22, 2018, a summary of which is set forth in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules

"Audit Committee"	a committee established by our Board for the purpose of overseeing the accounting and financial reporting processes of our Company, and audits of the financial statements of our Company
"Binhai Solar Farm"	Binhai Solar Farm (濱海光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Tianjin) and located in Tianjin, the PRC with an approved capacity of 174 MW, which is a solar farm project of our Initial Portfolio
"**BLUE** Application Form(s)"	the application form(s) to be used by the XYS Qualifying Shareholders to subscribe for the XYS Reserved Shares
"**BLUE Form eIPO**"	the application for XYS Reserved Shares to be issued in a XYS Qualifying Shareholder's own name by submitting an application online through the designated website of the **Blue Form eIPO** at **www.eipo.com.hk**
"**Blue Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Board"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"Buy-back Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the buy-back of our Shares, see the section headed "Share Capital — Buy-back Mandate" in this prospectus for further information
"BVI"	the British Virgin Islands
"BVI BC Act"	BVI Business Companies Act, 2004, as amended, supplemented, or otherwise modified from time to time
"BVI Legal Advisor"	Appleby
"BVI Share Registrar"	Estera Corporate Services (BVI) Limited, our principal share registrar in the BVI
"CAGR"	compound annual growth rate

"Capitalization Issue"	the issue of 4,739,317,440 new Shares to be made on the capitalization of certain sums received by our Company as a result of the Global Offering referred to in the paragraphs under "A. Further information about our Group — 2. Changes in the authorized shares and par value of our Company" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Charm Dazzle"	Charm Dazzle Limited (湛耀有限公司), a company incorporated in the BVI on June 1, 2015 and wholly-owned by Dr. LEE Yin Yee, B.B.S., one of our Controlling Shareholders
"Cheer King"	Cheer King Investments Limited (創健投資有限公司), a company incorporated in Hong Kong with limited liability on March 31, 2014 and a wholly-owned subsidiary of our Company
"China", "Mainland China" or "the PRC"	The People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
"China Southern Power Grid"	中國南方電網有限責任公司 (China Southern Power Grid Corporation)
"CIT"	PRC corporate income tax
"CIT Law"	中華人民共和國企業所得稅法 (The PRC Enterprise Income Tax Law), adopted by the NPC on March 16, 2007 and became effective from January 1, 2008

"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Xinyi Energy Holdings Limited (信義能源控股有限公司), a company incorporated in the BVI on June 26, 2015 with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the case of our Company following the Spin-Off and the Listing, refers to Xinyi Solar, Xinyi Power, Charm Dazzle and Dr. LEE Yin Yee, B.B.S., Sharp Elite and Mr. TUNG Ching Sai, Xu Feng and Mr. TUNG Ching Bor, Precious Smart and Mr. LEE Sing Din, Will Sail and Mr. LI Man Yin, Yuanyi and Mr. LI Ching Wai, Heng Zhuo and Mr. LI Ching Leung, Far High and Mr. NG Ngan Ho, and Day Dimension and Mr. SZE Nang Sze
"Corporate Governance Code"	the Corporate Governance Code set forth in Appendix 14 to the Listing Rules
"core connected person"	has the meaning ascribed to it under the Listing Rules
"Day Dimension"	Day Dimension Investments Limited (日維投資有限公司), a company incorporated in the BVI on June 2, 2015 and wholly-owned by Mr. SZE Nang Sze, one of our Controlling Shareholders
"Deed of Non-Competition"	the deed of non-competition dated December 5, 2018 entered into by our Controlling Shareholders and our executive Directors in favor of our Company, see the section headed "Relationship with our Controlling Shareholders — No business competition between our Group and the Remaining Group — Deed of Non-Competition" in this prospectus for further information

"Deferred Outstanding Amount"	the deferred payment of the Outstanding Amount under the Solar Farm Agreement, representing the present value of the estimated amount of the Outstanding Amount
"Director(s)"	the director(s) of our Company
"Distributions"	the proposed distributions by our Company following the Listing, see the section headed "Distributions" in this prospectus for further information
"Distributable Income"	shall have the meaning ascribed to it in the section headed "Distributions" in this prospectus
"Eagle Luck"	Eagle Luck International Limited (騰福國際有限公司), a company incorporated in Hong Kong with limited liability on July 18, 2014 and a wholly-owned subsidiary of our Company
"EBITDA"	earnings before interest payments, taxes, depreciation, and amortization of intangible assets
"EGM"	the extraordinary general meeting of our Company held on Thursday, November 22, 2018 at which the Global Offering, the Post-IPO Share Option Scheme, and other matters incidental thereto have been approved
"electronic application instructions(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"Enlarged Group"	members of our Group and the Target Companies
"EPC Service Business"	the provision of engineering, procurement and construction services for solar farm projects owned and operated by third parties, being a Remaining Business
"Equity Investment"	the investment made by the Equity Investors pursuant to the Equity Investment Agreement
"Equity Investment Agreement"	the equity investment agreement dated October 18, 2015 and entered into between Xinyi Solar, our Company, and the Equity Investors, see the section headed "History, Development, and Corporate Structure — Equity Investment" in this prospectus for further information
"Equity Investors"	Charm Dazzle, Sharp Elite, Xu Feng, Precious Smart, Will Sail, Yuanyi, Heng Zhuo, Far High, and Day Dimension; and "an Equity Investor" shall mean any one of them

"Excluded Territories"	in respect of the XYS Assured Offering, such territories which our Directors consider it necessary or expedient, on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction, to exclude the XYS Shareholders having the recorded addresses within such territories from the XYS Assured Offering
"Fanchang Solar Farm"	Fanchang Solar Farm (繁昌光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Fanchang) and located in Wuhu City, Anhui Province, the PRC with an approved capacity of 60 MW, which is a solar farm project of our Initial Portfolio
"Far High"	Far High Investments Limited (遠高投資有限公司), a company incorporated in the BVI on May 28, 2015 and wholly-owned by Mr. NG Ngan Ho, one of our Controlling Shareholders
"Full Wisdom"	Full Wisdom Development Limited (富智發展有限公司), a company incorporated in Hong Kong with limited liability on February 6, 2015 and a wholly-owned subsidiary of our Company
"General Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, see the section headed "Share Capital — General Mandate" in this prospectus for further information
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Glory City"	Glory City International Limited (耀城國際有限公司), a company incorporated in Hong Kong with limited liability on July 18, 2014 and a wholly-owned subsidiary of our Company
"**GREEN** Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "the Group," "we," "us," or "our"	our Company and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be), and our operating subsidiaries in the PRC, and the expression "**Group Company**" or "**member of our Group**" shall be construed accordingly

"Heng Zhuo"	Heng Zhuo Limited (恒灼有限公司), a company incorporated in the BVI on January 12, 2015 and wholly-owned by Mr. LI Ching Leung, one of our Controlling Shareholders
"HKFRS"	Hong Kong Financial Reporting Standards (which also include the Hong Kong Accounting Standards and Interpretations)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong'an Solar Farm"	Hong'an Solar Farm (紅安光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Hong'an and located in Hong'an County, Hubei Province, the PRC with an approved capacity of 100 MW, which is a solar farm project of our Initial Portfolio
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 188,300,000 Shares being initially offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to adjustments as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong at the Offer Price
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated May 14, 2019 relating to the Hong Kong Public Offering and entered into by our Company, our Controlling Shareholders, our executive Directors, BNP Paribas Securities (Asia) Limited (as the Sole Sponsor and one of the Joint Global Coordinators, Joint Bookrunners, and the Joint Lead Managers), China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, and Kingsway Financial Services Group Limited (each as one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers), and the Hong Kong Underwriters, see the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus for further information
"Huainan Solar Farm"	Huainan Solar Farm (淮南光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Huainan) and located in Huainan City, Anhui Province, the PRC with an approved capacity of 20 MW, which is a solar farm project of the Target Portfolio
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, our subsidiaries or any of their respective associates
"Initial Portfolio"	the solar farm projects owned by of our Group comprising nine utility-scale ground-mounted solar farm projects, namely Jinzhai Solar Farm, Sanshan Solar Farm, Nanping Solar Farm, Lixin Solar Farm, Binhai Solar Farm, Hong'an Solar Farm, Wuwei Solar Farm, Fanchang Solar Farm, and Shouxian Solar Farm, with an aggregate approved capacity of 954 MW, see the section headed "Business of our Group" in this prospectus for further information
"International Offering"	the offer of International Offer Shares at the Offer Price outside the United States in offshore transactions as defined in and in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the U.S. Securities Act, as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus

"International Offer Shares"	the 1,694,309,471 Shares being initially offered by our Company for subscription at the Offer Price under the International Offering (including the XYS Assured Offering) together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option (subject to adjustments as set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"International Underwriters"	the group of underwriters led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement for the underwriting of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the International Underwriters on or about May 20, 2019
"Jinzhai Solar Farm"	Jinzhai Solar Farm (金寨光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Lu'an and located in Lu'an City, Anhui Province, the PRC with an approved capacity of 150 MW, which is a solar farm project of our Initial Portfolio
"Joint Bookrunners"	BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, and Kingsway Financial Services Group Limited
"Joint Global Coordinators"	BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, and Kingsway Financial Services Group Limited
"Joint Lead Managers"	BNP Paribas Securities (Asia) Limited, China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, and Kingsway Financial Services Group Limited
"K2 Management"	K2 Management A/S, an independent market research and consulting company

"K2 Management Report"	the report on the industry landscape of the solar farm industry and certain related issues commissioned by us and prepared by K2 Management, see the section headed "Industry Overview" in this prospectus for a summary of the report
"Latest Practicable Date"	May 6, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Tuesday, May 28, 2019, on which our Shares are listed on the Hong Kong Stock Exchange and from which dealings in our Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Lixin Solar Farm"	Lixin Solar Farm (利辛光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Bozhou and located in Bozhou City, Anhui Province, the PRC with an approved capacity of 140 MW, which is a solar farm project of our Initial Portfolio
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"MEE"	中華人民共和國生態環境部 (Ministry of Ecology and Environment of the PRC)
'"Mega Gain"	Mega Gain Investments Limited (巨益投資有限公司), a company incorporated in Hong Kong with limited liability on March 31, 2014 and a wholly-owned subsidiary of our Company
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company (as amended from time to time), adopted on November 22, 2018, a summary of which is set forth in Appendix IV to this prospectus
"Ministry of Finance"	中華人民共和國財政部 (Ministry of Finance of the PRC)

"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers, the text of which is set forth in Appendix 10 to the Listing Rules
"MLR"	中華人民共和國國土資源部 (Ministry of Land and Resources of the PRC)
"MNR"	中華人民共和國自然資源部 (Ministry of Natural Resources of the PRC)
"MOFCOM"	中華人民共和國商務部 (Ministry of Commerce of the PRC)
"Nanping Solar Farm"	Nanping Solar Farm (南平光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Nanping and located in Nanping City, Fujian Province, the PRC with an approved capacity of 30 MW, which is a solar farm project of our Initial Portfolio
"NDRC"	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC)
"NEA"	中華人民共和國國家能源局 (National Energy Administration of the PRC)
"New Wisdom"	New Wisdom International Limited (新智國際有限公司), a company incorporated in Hong Kong with limited liability on February 6, 2015 and a Target Company, and "New Wisdom Group" refers to New Wisdom and its subsidiaries
"Nomination Committee"	a committee established by our Board to discharge our Board's responsibilities relating to the nomination of Directors and senior management of our Company
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005%)
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option

"Outstanding Amount"	the amount of the Agreed Purchase Price that remains outstanding as of the completion date of the Target Acquisition, which represents 50.0% of the Agreed Purchase Price, see the sections headed "Corporate Structure and Business of the Target Companies — Target Acquisition" and "Relationship with our Controlling Shareholders — Payment arrangement under the Target Sale and Purchase Agreement and sustainability of our business" in this prospectus for further information
"Over-allotment Option"	the over-allotment option that may be granted by our Company to the International Underwriters under the International Underwriting Agreement, exercisable by the Stabilizing Manager, pursuant to which our Company may be required to allot and issue up to an aggregate of 282,391,000 Shares at the Offer Price to cover over-allocations in the International Offering or the obligation under the Stock Borrowing Agreement
"PBOC"	The People's Bank of China
"Perfect Alliance"	Perfect Alliance Development Limited (滙卓發展有限公司), a company incorporated in Hong Kong with limited liability on March 13, 2015 and a Target Company, and "Perfect Alliance Group" refers to Perfect Alliance and its subsidiaries
"Pre-emptive Agreement"	the agreement dated November 22, 2018 entered into amongst our Controlling Shareholders other than Xinyi Solar and Xinyi Power
"Post-IPO Share Option Scheme"	the share option scheme conditionally adopted by our Company at the EGM, a summary of its principal terms is set forth in the paragraphs under "D. Post-IPO Share Option Scheme" in Appendix V to this prospectus
"PRC Government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or any of them
"PRC Legal Advisor"	Grandall Law Firm (Shanghai)
"Precious Smart"	Precious Smart Limited (睿寶有限公司), a company incorporated in the BVI on May 28, 2015 and wholly-owned by Mr. LEE Sing Din, one of our Controlling Shareholders
"Previous Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated December 7, 2018 entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, DBS Asia Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, Pacific Foundation Securities Limited, and Kingsway Financial Services Group Limited

"Price Determination Date"	the date, expected to be on or about Monday, May 20, 2019, and, in any event, not later than 8:00 a.m. on Friday, May 24, 2019 on which the Offer Price is determined by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters)
"Profit Noble"	Profit Noble Development Limited (寶溢發展有限公司), a company incorporated in Hong Kong with limited liability on February 6, 2015 and a Target Company, and "Profit Noble Group" refers to Profit Noble and its subsidiaries
"QIBs"	qualified institutional buyers as defined in Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers or representatives or any other parties involved in the Global Offering
"Remaining Business"	the principal business activities engaged by the Remaining Group following completion of the Spin-Off and the Listing, namely the Solar Glass Business, the EPC Service Business, and the Solar Farm Development Business, see the section headed "Relationship with our Controlling Shareholders — No business competition between our Group and the Remaining Group — Business delineation — No competing business" in this prospectus for further information
"Remaining Group"	Xinyi Solar and its subsidiaries following completion of the Spin-Off and the Target Acquisition
"Remuneration Committee"	a committee established by our Board to discharge our Board's responsibilities relating to the remuneration of Directors and executive officers of our Company
"Renewable Energy Fund"	中國再生能源發展基金 (China Renewable Energy Development Fund), a fund established by the Ministry of Finance for the provision of subsidy to renewable energy investments by way of tariff adjustment
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC)

"Sanshan Solar Farm"	Sanshan Solar Farm (三山光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Wuhu and located in Wuhu City, Anhui Province, the PRC with an approved capacity of 100 MW, which is a solar farm project of our Initial Portfolio
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of our Company with nominal or par value of HK$0.01 each
"Shareholder(s)"	holder(s) of Shares
"Sharp Elite"	Sharp Elite Holdings Limited (銳傑控股有限公司), a company incorporated in the BVI on May 29, 2015 and wholly-owned by Mr. TUNG Ching Sai, one of our Controlling Shareholders
"Shouxian Solar Farm"	Shouxian Solar Farm (壽縣光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Shouxian) and located in Shouxian County, Anhui Province, the PRC with an approved capacity of 100 MW, which is a solar farm project of our Initial Portfolio
"Shouxian Solar Farm Two"	Shouxian Solar Farm Two (壽縣二期光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Energy (Shouxian) located in Shouxian County, Anhui Province, the PRC with an approved capacity of 200 MW, which is a solar farm project of the Target Portfolio
"Sky Cheer"	Sky Cheer Investments Limited (悅天投資有限公司), a company incorporated in Hong Kong with limited liability on January 8, 2016 and a Target Company, and "Sky Cheer Group" refers to Sky Cheer and its subsidiaries
"Sky Falcon"	Sky Falcon Development Limited (天騰發展有限公司), a company incorporated in Hong Kong with limited liability on March 20, 2015 and a Target Company, and "Sky Falcon Group" refers to Sky Falcon and its subsidiaries

"Solar Farm Agreement"	the solar farm agreement dated December 5, 2018 entered by and between Xinyi Solar and our Company, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information
"Solar Farm Call Option"	the call option granted by Xinyi Solar to our Company pursuant to the Solar Farm Agreement requiring Xinyi Solar to sell to us solar farm projects developed or constructed by the Remaining Group upon grid connection and completion of construction, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information
"Solar Farm Development Business"	the business of development or construction of solar farm projects for sale, being a Remaining Business
"Solar Farm Operation Business"	the business of operating and managing solar farm projects currently conducted by us
"Solar Farm O&M Agreement"	the solar farm operation and management agreement dated December 5, 2018 entered by and between Xinyi Solar and our Company, see the section headed "Connected Transactions — Non-exempt continuing connected transactions — Solar Farm O&M Agreement" in this prospectus for further information
"Solar Farm ROFR"	the right of first refusal granted by Xinyi Solar to our Company pursuant to the Solar Farm Agreement on the acquisition of the solar farm projects that would otherwise be sold by the Remaining Group to Independent Third Parties upon the same terms and conditions, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information
"Solar Glass Business"	the commercial production of solar glass products, being a Remaining Business
"Sole Sponsor"	BNP Paribas Securities (Asia) Limited
"Spin-Off"	the spin-off of our Group for the Listing, which will be implemented by way of the Global Offering
"sq. m."	square meter
"Stabilizing Manager"	The Hongkong and Shanghai Banking Corporation Limited, being one of the Joint Global Coordinators

"State Grid"	the State Grid Corporation and the China Southern Power Grid
"State Grid Corporation"	國家電網公司 (The State Grid Corporation of China)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager and Xinyi Power, pursuant to which Xinyi Power will agree to lend up to 282,391,000 Shares to the Stabilizing Manager on terms set forth therein
"Subsidy Catalogue"	可再生能源電價附加資金補助目錄 (Renewable Energy Tariff Subsidy Catalogue)
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suiping Solar Farm"	Suiping Solar Farm (遂平光伏電站), the utility-scale ground-mounted solar farm operated by Xinyi Solar (Suiping) located in Suiping County, Henan Province, the PRC with an approved capacity of 110 MW, which is a solar farm project of the Target Portfolio
"Target Acquisition"	the acquisition of all issued shares of the Hong Kong companies comprising the Target Companies, namely New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer (or their holding company for tax efficiency purpose) which hold the equity interest of the companies in the PRC operating the utility-scale ground-mounted solar farm projects under the Target Portfolio, see the section headed "Corporate Structure and Business of the Target Companies" in this prospectus for further information
"Target Companies"	the companies operating the Target Portfolio, namely New Wisdom (Xinyi Solar (Xiaochang), Xinyi Solar (Xiaogan)), Sky Falcon (Xinyi Solar (Suiping)), Perfect Alliance (Xinyi Energy (Shouxian)), Profit Noble (Xinyi Solar (Huainan)), and Sky Cheer (Xinyi Solar (Wuwei)) as of the Latest Practicable Date, and the expression "**Target Company**" shall mean any of these companies

"Target Portfolio"	the solar farm projects owned by the Target Companies comprising six utility-scale ground-mounted solar farm projects, namely Xiaochang Solar Farm One, Xiaochang Solar Farm Two, Suiping Solar Farm, Shouxian Solar Farm Two, Huainan Solar Farm, and Wuwei Solar Farm Two, with an aggregate approved capacity of 540 MW for electricity generation, see the section headed "Corporate Structure and Business of the Target Companies" in this prospectus for further information
"Target Sale and Purchase Agreement"	the target sale and purchase agreement dated December 5, 2018 entered by and between Xinyi Solar Farm (1) (as seller) and our Company (as purchaser), see the section headed "Corporate Structure and Business of the Target Companies — Target Sale and Purchase Agreement" in this prospectus for further information
"Track Record Period"	the period comprising three years ended December 31, 2018
"Transaction Agreements"	the Solar Farm Agreement, Solar Farm O&M Agreement, and the Deed of Non-Competition
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"VAT"	PRC value-added tax
"**WHITE** Application Form(s)"	the application form(s) for use by members of the public who require(s) such Hong Kong Offer Shares to be issued in the applicants' or applicant's own name(s)
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting an application online through the designated website of **White Form eIPO** at **www.eipo.com.hk**

"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Will Sail"	Will Sail Limited (毅航有限公司), a company incorporated in the BVI on May 21, 2015 and wholly-owned by Mr. LI Man Yin, one of our Controlling Shareholders
"Wise Regal"	Wise Regal Investments Limited (智雄投資有限公司), a company incorporated in Hong Kong with limited liability on March 31, 2014 and a wholly-owned subsidiary of our Company
"Wuwei Solar Farm"	Wuwei Solar Farm (無為光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Wuhu) and located in Wuhu City, Anhui Province, the PRC with an approved capacity of 100 MW, which is a solar farm project of our Initial Portfolio
"Wuwei Solar Farm Two"	Wuwei Solar Farm Two (無為二期光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Wuwei) and located in Wuwei County, Anhui Province, the PRC with an approved capacity of 50 MW, which is a solar farm project of the Target Portfolio
"Xiaochang Solar Farm One"	Xiaochang Solar Farm One (孝昌一期光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Xiaochang) and located in Xiaochang County, Hubei Province, the PRC with an approved capacity of 130 MW, which is a solar farm project of the Target Portfolio
"Xiaochang Solar Farm Two"	Xiaochang Solar Farm Two (孝昌二期光伏電站), the utility-scale ground-mounted solar farm project operated by Xinyi Solar (Xiaochang) and located in Xiaochang County, Hubei Province, the PRC with an approved capacity of 30 MW, which is a solar farm project of the Target Portfolio
"Xinyi Bozhou"	信義新能源(亳州)有限公司 (transliterated as Xinyi Renewable Energy (Bozhou) Limited), a company established in the PRC on December 29, 2014 and a wholly-owned subsidiary of our Company
"Xinyi Energy (BVI)"	Xinyi Energy (BVI) Limited (信義能源(BVI)有限公司), a company incorporated in the BVI with limited liability on May 14, 2015 and a wholly-owned subsidiary of our Company

"Xinyi Energy (HK)"	Xinyi Energy (Hong Kong) Limited (信義能源(香港)有限公司), a company incorporated in Hong Kong with limited liability on February 6, 2017 and a wholly-owned subsidiary of our Company
"Xinyi Energy (Shouxian)"	信義新能源(壽縣)有限公司 (transliterated as Xinyi Renewable Energy (Shouxian) Limited), a company established in the PRC on July 23, 2015 and a wholly-owned subsidiary of Perfect Alliance
"Xinyi Glass"	Xinyi Glass Holdings Limited (信義玻璃控股有限公司), a company incorporated in the Cayman Islands with limited liability on June 25, 2004 with all of its shares listed on the Main Board (stock code: 00868) and a substantial shareholder of Xinyi Solar
"Xinyi Hong'an"	紅安信義新能源有限公司 (transliterated as Hong'an Xinyi Renewable Energy Limited), a company established in the PRC on August 12, 2014 and a wholly-owned subsidiary of our Company
"Xinyi Lu'an"	六安信義新能源管理有限公司 (transliterated as Lu'an Xinyi Renewable Energy Limited), a company established in the PRC on March 24, 2014 and a wholly-owned subsidiary of our Company
"Xinyi Nanping"	南平信義新能源管理有限公司 (transliterated as Nanping Xinyi Renewable Energy Limited), a company established in the PRC on June 17, 2014 and a wholly-owned subsidiary of our Company
"Xinyi Power"	Xinyi Power (BVI) Limited (信義能量(BVI)有限公司), a company incorporated in the BVI with limited liability on June 26, 2015 and a wholly-owned subsidiary of Xinyi Solar and one of our Controlling Shareholders
"Xinyi PV Products"	信義光伏產業(安徽)控股有限公司 (transliterated as Xinyi PV Products (Anhui) Holdings Limited), a company established in the PRC and a wholly-owned subsidiary of Xinyi Solar
"Xinyi Solar"	Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated in the Cayman Islands with limited liability on January 11, 2011 with all of its issued shares listed on the Main Board (stock code: 00968), and one of our Controlling Shareholders

"Xinyi Solar (BVI)"	Xinyi Solar (BVI) Limited (信義光能(BVI)有限公司), a company incorporated in the BVI with limited liability on January 13, 2011 and a wholly-owned subsidiary of Xinyi Solar
"Xinyi Solar (Fanchang)"	信義光能(繁昌)有限公司 (transliterated as Xinyi Solar (Fanchang) Limited), a company established in the PRC on May 12, 2015 and a wholly-owned subsidiary of our Company
"Xinyi Solar Farm (1)"	Xinyi Solar Farm (Group 1) Limited (信義太陽能電站(一)有限公司) (formerly known as Xinyi Power Station (BVI) Limited (信義電站有限公司)), a company incorporated in the BVI with limited liability on January 6, 2017 and the vendor under the Target Sale and Purchase Agreement
"Xinyi Solar Group"	Xinyi Solar and its subsidiaries, including members of our Group, prior to completion of the Spin-Off and the Listing
"Xinyi Solar (Huainan)"	信義光能(淮南)有限公司 (transliterated as Xinyi Solar (Huainan) Limited), a company established in the PRC on September 2, 2015 and a wholly-owned subsidiary of our Company
"Xinyi Solar (Shouxian)"	信義光能(壽縣)有限公司 (transliterated as Xinyi Solar (Shouxian) Limited), a company established in the PRC on April 21, 2015 and a wholly-owned subsidiary of New Wisdom
"Xinyi Solar (Suiping)"	信義光能(遂平)有限公司 (transliterated as Xinyi Solar (Suiping) Limited), a company established in the PRC on June 11, 2015 and a wholly-owned subsidiary of Sky Falcon
"Xinyi Solar (Tianjin)"	信義光能(天津)有限公司 (transliterated as Xinyi Solar (Tianjin) Limited), a company established in the PRC on November 24, 2014 and a wholly-owned subsidiary of our Company
"Xinyi Solar (Wuhu)"	信義光能(蕪湖)有限公司 (transliterated as Xinyi Solar (Wuhu) Limited), a company established in the PRC on December 17, 2014 and a wholly-owned subsidiary of our Company
"Xinyi Solar (Wuwei)"	信義光能(無為)有限公司 (transliterated as Xinyi Solar (Wuwei) Limited), a company established in the PRC on May 13, 2016 and a wholly-owned subsidiary of Sky Cheer

"Xinyi Solar (Xiaochang)"	信義光能(孝昌)有限公司 (transliterated as Xinyi Solar (Xiaochang) Limited), a company established in the PRC on November 16, 2015 and a wholly-owned subsidiary of New Wisdom
"Xinyi Solar (Xiaogan)"	信義光能(孝感)有限公司 (transliterated as Xinyi Solar (Xiaogan) Limited), a company established in the PRC on February 6, 2017 and a wholly-owned subsidiary of New Wisdom
"Xinyi Technology (Wuhu)"	信義能源技術(蕪湖)有限公司 (transliterated as Xinyi Energy Technology (Wuhu) Limited), a company established in the PRC on April 25, 2017 and a wholly-owned subsidiary of our Company
"Xinyi Wuhu"	蕪湖信義新能源管理有限公司 (transliterated as Wuhu Xinyi Renewable Energy Limited), a company established in the PRC on December 30, 2013 and a wholly-owned subsidiary of our Company
"Xu Feng"	Xu Feng Limited (旭溮有限公司), a company incorporated in the BVI on February 16, 2015 and wholly-owned by Mr. TUNG Ching Bor, one of our Controlling Shareholders
"XYS Assured Offering"	the offer to the XYS Qualifying Shareholders for subscription of the XYS Reserved Shares at the Offer Price on and subject to the terms and conditions stated herein and in the **BLUE** Application Form, being part of the International Offering, see the section headed "Structure and Conditions of the Global Offering" in this prospectus for further information
"XYS EGM"	the extraordinary general meeting of Xinyi Solar held on Wednesday, November 21, 2018, at which the Spin-Off (which constitutes a deemed disposal of the equity interest of our Company), the Target Sale and Purchase Agreement, the Transaction Agreements, and the adoption of the Post-IPO Share Option Scheme have been approved
"XYS Independent Shareholder(s)"	the XYS Shareholders, other than the controlling shareholders (within the meaning of the Listing Rules) of Xinyi Solar
"XYS Non-Qualifying Shareholder(s)"	XYS Shareholder(s) whose name(s) appeared on the register of members of Xinyi Solar at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date whose address(es) as shown in such register is/are in, or who is/are otherwise known by Xinyi Solar to be resident(s) of, any of the Excluded Territories

"XYS Qualifying Shareholder(s)"	XYS Shareholder(s) whose name(s) appeared on the register of members of Xinyi Solar at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date, other than the XYS Non-Qualifying Shareholder(s), which include XYS Independent Shareholders, Xinyi Glass, companies controlled by our individual Controlling Shareholders, and our executive and non-executive Directors (other than Ms. CHENG Shu E)
"XYS Qualifying Shareholders' Assured Entitlement"	the entitlement of the XYS Qualifying Shareholders to apply for the XYS Reserved Shares under the XYS Assured Offering on an assured basis to be determined on the basis of their respective shareholdings in Xinyi Solar as at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date
"XYS Qualifying Shareholders' Assured Entitlement Record Date"	Thursday, May 9, 2019, being the record date for the XYS Qualifying Shareholders' Assured Entitlement in order to determine the entitlement of the XYS Qualifying Shareholders to XYS Reserved Shares under the XYS Assured Offering
"XYS Reserved Share(s)"	the 804,736,584 Offer Shares offered by our Company to XYS Qualifying Shareholders under the XYS Assured Offering, being part of the International Offering, as set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"XYS Share(s)"	ordinary share(s) of par value of HK$0.10 each in the share capital of Xinyi Solar
"XYS Shareholder(s)"	holder(s) of XYS Share(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by members of the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yuanyi"	Yuanyi Limited (源溢有限公司), a company incorporated in the BVI on May 22, 2015 and wholly-owned by Mr. LI Ching Wai, one of our Controlling Shareholders

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"approved capacity"	the maximum electricity generation capacity of a solar farm approved by the NDRC or the relevant provincial delegates for grid connection
"COD"	commercial operation date of our solar farm projects
"connection-ready"	solar farm projects that have substantially completed construction and are ready for grid connection
"degradation"	the deterioration of performance of solar modules over time
"dispatch"	a system that assigns electricity generation to particular areas
"dispatch priority"	the ranking or preference of one source of electricity generation over other sources of electricity generation for priority of dispatch and electricity purchase
"double-glass module"	solar cells encapsulated with high-strength tempered glass on both sides of the cells with a frameless design which are more durable and weather-proof than single-glass modules and can be deployed in more extreme environments
"EPC"	engineering, procurement and construction
"Feed-in-Tariff"	the feed-in-tariff regime currently implemented by the PRC Government for the provision of subsidy to the solar farm operators in the PRC by way of tariff adjustment
"GDP"	gross domestic product
"grid-parity"	in the context of solar power generation, grid-parity occurs when photovoltaic technology has achieved a stage of development at which the cost of solar power generation is competitive with conventional energy sources
"ground-mounted"	in the context of solar farm generation in the PRC, large-scale solar farm projects installed at fixed locations that generate electricity for sale through the State Grid
"GW"	unit of energy (power), gigawatt, and 1 GW = 1,000 MW
"GWh"	unit of energy (power), gigawatt-hour, and 1 GWh = 1 million kWh. GWh is typically used as a measure for the annual energy production of large power plants

"kW"	unit of energy (power), kilowatt, and 1 kW = 1,000 watts
"kWh"	unit of energy (power), kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a power plant producing one thousand watts for one hour
"MW"	unit of energy (power), megawatt, and 1 MW = 1,000 kW. The power generating capacity of a power plant is generally expressed in MW
"MWh"	unit of energy (power), megawatt-hour, and 1 MWh = 1,000 kWh
"operating projects"	utility-scale ground-mounted solar farm projects that have completed construction and have achieved grid connection and are revenue generating
"pipeline projects"	utility-scale ground-mounted solar farm projects that have been identified for development and construction for which national quota has been obtained or is being applied for at specified sites with certain estimated power generating capacity.
"projects under construction"	utility-scale ground-mounted solar farm projects for which national quota has been obtained for development and construction and the construction work has commenced but not been completed, and for which project approval has been obtained from the NDRC or its provincial or local delegates and detailed engineering and construction blueprints have been drawn up
"renewable energy sources"	sustainable energy sources that are regenerative or, for all practical purposes, would not be depleted, such as solar, wind, or hydro energy sources
"sale of electricity"	the sale of electricity at the base tariff which is equivalent to the on-grid benchmark tariff rates of the local coal-fired power plants and is settled by the local subsidiaries of the State Grid on a monthly basis, see the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus for further information
"single-glass module"	solar cells encapsulated with glass on the front and polymer backsheet on the back

"solar module"	a layer of individual solar cell arrays which are connected together, along with other electrical circuit components, encapsulated between protective materials on the front (solar glass) and back (typically back sheet made with different polymers with dielectric properties for insulation and protection)
"solar irradiation"	radiant energy of the sun incident on the surface of a unit area
"solar power"	electricity generated by direct conversion of solar irradiation into electricity through photovoltaic energy conversion
"solar tracking system"	solar modules mounted on sun-tracking frames that mechanically rotate to track the progress of the sun across the sky, which maximizes the exposure to solar radiation and generates more electricity than stationary mounting
"stationary mounting system"	solar modules mounted on fixed-angle frames
"tariff adjustment"	also known as "subsidy portion", being the difference between the Feed-in-Tariff and the sale of electricity (at the base tariff rates) and is currently provided by the local subsidiaries of the State Grid to operators of utility-scale ground-mounted solar farm projects which are enlisted on the Subsidy Catalogue, see the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus for further information
"transmission grid"	a grid network for transmission and delivery of electricity from electricity suppliers to customers
"utility-scale"	in the context of solar power generation, large-scale ground-mounted solar farm projects that generate electricity for sale through the State Grid

An investment in our Shares involves various risks. You should consider carefully all the information set forth in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

As an investment in our Shares is meant to produce returns over the long-term, you should not expect to obtain short-term gains. The price of our Shares, and the income that may be derived from selling them, may rise or fall and may not fully reflect the underlying net assets attributable to them. You may not get back your original investment and you may not receive any distributions.

The occurrence of any of the following events could materially and adversely affect our business and financial condition, operating results and business prospects. If any of these events occurs, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

We are subject to the risk associated with the change in the government policy of mandatory grid connection and purchase of electricity generated from renewable energy projects.

The *Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount* (《可再生能源發電全額保障性收購管理辦法》) promulgated by the NDRC on March 24, 2016 and the *Renewable Energy Law of the People's Republic of China* (2009 Revision) (《中華人民共和國可再生能源法 (2009 修正)》) require all grid companies to purchase all electricity generated by renewable energy companies within the coverage of their power grids. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — Mandatory purchase" in this prospectus for further information. Our utility-scale ground-mounted solar farm projects have benefited and are expected to continue to benefit from such mandatory purchase obligation of the grid companies. We cannot assure you that such laws and policies will be enforced strictly by the State Grid and that such laws and policies will not be amended from time to time in the future. Any significant non-purchase by the State Grid could have a material adverse effect on our business, financial condition, operating results, and cash flows.

We are subject to the risk associated with the change in government policy of top priority in grid connection and dispatch for solar farm projects.

Solar power, along with other renewable energy sources, are entitled to top priority over conventional energy sources in grid connection and dispatch. The NDRC has released a utilization hour protection policy which provides guaranteed level of off-take hours for solar farm projects. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Curtailment and utilization hour protection" for further information. We cannot assure you that the above policies will not change or will be implemented accordingly by the NDRC or will not discontinue in the future.

Any reduction in the Feed-in-Tariff rate could materially and adversely affect our business and financial condition, operating results, and cash flows.

Pursuant to the *Circular of the National Development and Reform Commission on Improving the Policies on Benchmark Feed-in-Tariff rate for Onshore Wind Power and Photovoltaic Power Generation Projects* (NDRC Price [2015]3044) (《國家發展改革委關於完善陸上風電光伏發電上網標杆電價政策的通知》(發改價格[2015]3044)) issued by the NDRC in December 2015, there will be a gradual downward adjustment to the benchmark Feed-in-Tariff rate in the coming years. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Feed-in-Tariff (FiT regime) — FiT Rate (RMB/kWh) and resource zones" in this prospectus for further information. See the section headed "Applicable Laws and Regulations — Law and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. We did not experience any retrospective adjustments to the approved Feed-in-Tariff rates applicable to our operating utility-scale ground-mounted solar farm projects during the Track Record Period. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, no default and no retrospective adjustment to the approved Feed-in-Tariff rates have ever happened since the introduction of the Feed-in-Tariff regime in the PRC for solar power industry. If there is any downward adjustment to the Feed-in-Tariff rates or if there is any retrospective adjustment to the approved Feed-in-Tariff rates due to any policy change and that we are unable to mitigate such decrease with lower operation costs or enhanced operation efficiency, our business and financial condition, operating results, and cash flows will be materially and adversely affected.

We may be subject to risks and uncertainties following the issue of the 2018 Solar Power Industry Notice and the 2019 Grid Parity Notice

On May 31, 2018, the NDRC, Ministry of Finance, and the NEA jointly issued the 2018 Solar Power Industry Notice in respect of the latest policy on solar farm sector in the PRC. On January 7, 2019, the NDRC and the NEA jointly published the 2019 Grid Parity Notice on the subsidy-free pricing arrangement for utility-scale renewal energy power projects constructed in the PRC in the future. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. Further information on the impact of the 2018 Solar Power Industry Notice and the 2019 Grid Parity Notice is set forth in the section headed "Business of our Group — Our strengths" in this prospectus. We have been granted by Xinyi Solar the Solar Farm Call Option and Solar Farm ROFR to acquire construction completed and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar. The Solar Farm Development Business of Xinyi Solar may be impacted by the 2018 Solar Power Industry Notice which may pose uncertainty in its future growth to a certain extent, and may have a material impact on the business development of our Group as a solar farm operator. The implementation of the 2019 Grid Parity Notice may affect the business model and the amount of revenue of solar farm operation business in the PRC, further information on which is set forth in the section headed "Business of Our Group — Landscape of China solar farm industry — No tariff adjustment scheme" in this prospectus.

As the PRC regulatory framework for renewable energy projects is relatively new and is evolving, the implementation and enforcement of these policies, laws, and regulations involve uncertainties and different interpretations and may differ from region to region in the PRC. Any reduction, discontinuation or unfavorable alteration of the policies and incentives for the solar power industry could materially adversely affect our business, financial condition, and operating results, and could significantly limit our growth.

Any significant and prolonged delay in receiving the tariff adjustment under the Feed-in-Tariff regime could materially and adversely affect our business and financial condition, operating results, and cash flows.

Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. Both our Initial Portfolio and the Target Portfolio were developed and constructed under the national quota system in the PRC and connected to the State Grid. The Feed-in-Tariff for utility-scale ground-mounted solar farm projects is composed of two components: the sale of electricity at the base tariff rates and the tariff adjustment. The sale of electricity at the base tariff rates are equal to the on-grid benchmark tariff rates of local coal-fired power plants in the PRC. The tariff adjustment is the difference between the Feed-in-Tariff and the sale of electricity at the base tariff rates. Solar farm operators receive the revenue from the sale of electricity at the base tariff rates from local grid companies or the State Grid. The sale of electricity at the base tariff rates are paid and settled on a monthly basis. Solar farm operators also receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance utilizing the income of the Renewable Energy Fund. For utility-scale solar farm operators to receive the tariff adjustment, the relevant utility-scale ground-mounted solar farm projects must be enlisted on the Subsidy Catalogue. Following the enlisting, the solar farm operators will receive the tariff adjustment due prior to enlisting in batches, as well as the tariff adjustment due after enlisting, on a regular basis according to the prevalent payment trends under the Feed-in-Tariff regime.

Since 2009, the Renewable Energy Fund started to record a funding shortfall and has continued to experience funding deficit, which has led to the lead time between the grid connection of solar farm projects under the national quota system in the PRC and the settlement of the tariff adjustment by the Ministry of Finance as well as the delay of the receipt of the tariff adjustment. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus for further information. The NDRC, Ministry of Finance, and the NEA have jointly announced a total of seven batches of utility-scale ground-mounted solar farm projects under the Subsidy Catalogue since 2012. The sixth batch of the Subsidy Catalogue covers the utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid during the period between September 2013 and February 2015. During the fourth quarter of 2016, the solar farm projects enlisted on the sixth batch of the Subsidy Catalogue started to receive the first batch of the tariff adjustment incurred up to April 2015. As of the Latest Practicable Date, two solar farm projects under our Initial Portfolio have been enlisted on the sixth batch of the Subsidy Catalogue. The seventh batch of the Subsidy Catalogue covers solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue. As of the date of this prospectus, the remaining seven solar farm projects under our Initial Portfolio have been enlisted on the seventh batch of the Subsidy Catalogue and one solar farm project, namely Huainan Solar Farm, under the Target Portfolio has been enlisted on the seventh batch of the Subsidy Catalogue. As of the date of this prospectus, all solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue and five solar farm projects under the Target Portfolio have yet to be enlisted on the Subsidy Catalogue. There remains uncertainty as to the timing and recoverability of the tariff adjustment receivables for these solar farm projects.

As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the sale of electricity generated from the solar farm projects under our Initial Portfolio enlisted on the Subsidy Catalogue amounted to HK$303.1 million, HK$210.3 million, and HK$1,410.5 million, respectively. As of December 31, 2016, and 2017, the tariff adjustment receivables relating to the sale of electricity generated from the solar farm projects under our Initial Portfolio which were not enlisted on the Subsidy Catalogue amounted to HK$518.1 million and HK$1,191.5 million, respectively. As of December 31, 2018, we did not have any tariff adjustment receivables relating to the sale of the electricity generated from solar farm projects under our Initial Portfolio which were not enlisted on the Subsidy Catalogue. As of the date of this prospectus, all solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue and hence, the prerequisite for receiving the tariff adjustment under the Feed-in-Tariff regime has been satisfied.

As of December 31, 2016 and 2017, all tariff adjustment receivables relating to the sale of electricity generated from the solar projects under the Target Portfolio were not enlisted on the Subsidy Catalogue. As of December 31, 2018, such amount of tariff adjustment receivables amounted to HK$611.1 million. As of the date of this prospectus, one solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue.

We cannot assure you that we would receive full and timely payments of the tariff adjustment under the Feed-in-Tariff regime for the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the Target Portfolio. Any non-payment of the tariff adjustment in a significant amount or any delay in enlisting of the solar farm projects under our Initial Portfolio or the Target Portfolio on the Subsidy Catalogue or any delay in the receipt of tariff adjustment for our solar farm projects that have been enlisted on the Subsidy Catalogue could have a material adverse effect on our business, financial condition and operating results.

In any of the above events, we may not have sufficient cash inflows from our operating activities to make our Distributions or repay the Outstanding Amount and we may need to incur external debts or dispose of certain of our solar farm projects for additional financial resources. This could increase our leverage and could further affect our financial position. Any significant delay or failure of payment of tariff adjustment may also affect the recognition of the subsidy receivable as our revenue and may require us to make impairment provision for the receivables previously recognized. The amount of our Distributions would also be reduced accordingly. In any of these events, the value of the equity investment by our Shareholders could be adversely and materially affected.

We are subject to the risk in collecting the trade receivables due from our customers.

We are subject to the risk in collecting the trade receivables, which include receivables from the sale of electricity and tariff adjustment receivables, due from our customers which are local subsidiaries of the State Grid. The table below sets forth an analysis of the turnover days of our trade receivables for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	days	*days*	*days*
Sale of electricity receivables	30.5	32.7	21.6
Tariff adjustment receivables	313.8	579.5	690.3

As of December 31, 2016, 2017, and 2018, our trade receivables included (a) receivables from sale of electricity of HK$38.9 million, HK$35.6 million, and HK$18.5 million and (b) tariff adjustment receivables amounted to HK$821.1 million, HK$1,401.8 million, and HK$1,410.5 million, respectively. In addition, the amount of our trade receivables accrued for more than 90 days amounted to HK$1,218.7 million. As of the Latest Practicable Date, an amount of RMB77.1 million (equivalent to HK$89.6 million) out of the trade receivables (including receivables from sale of electricity and tariff adjustment receivables) as of December 31, 2018 has been received by us, representing 6.3% of the amount of trade receivables as of December 31, 2018.

Our Directors consider that the long time required for the settlement of the tariff adjustment inevitably increases the potential risk of our Group. We cannot assure you that all such amounts due to us will be settled promptly or within the anticipated timetable based on the previous track record of payment of the tariff adjustment. Our performance, liquidity, and profitability could be adversely affected.

We may not be able to pay or maintain our Distributions, and such amount may not be stable as they are dependent on a number of factors, including our operating results and our ability to generate sufficient cash inflows from our operating activities.

One of our business objectives is to provide our Shareholders with stable Distributions with sustainable long-term growth of such Distributions. In this connection, we rely on the receipt of cash revenue generated from the sale of electricity at the base tariff rates and the tariff adjustment under the Feed-in-Tariff regime, as well as our own internal financial resources, to make our Distributions. The prolonged settlement of the tariff adjustment would affect the availability of financial resources for the payment of our Distributions, albeit that we have recognized the entire amount of the tariff adjustment as our revenue. We cannot assure you that our Company or other members of our Group will have sufficient distributable cash flows or other distributable reserves in the future to pay Distributions or other payments to our Shareholders and there is no assurance that we will be able to maintain stable Distributions in the future.

The ability of our Company to pay our Distributions is dependent on a number of factors, including those set forth below:

— our business and financial condition, operating results, and cash inflows from our business activities;

— timing and amount of the tariff adjustment received by us from time to time under the Feed-in-Tariff regime;

— policies and incentives of PRC Government for solar power industry;

— applicable laws, rules, regulations, government policies and measures, which may restrict or adversely impact the payment of Distributions;

— changes in the applicable accounting standards, corporate laws, laws, rules and regulations in respect of tax, foreign exchange and repatriation of funds, and regulations relating thereto in the jurisdictions where members of our Group are currently incorporated, being Hong Kong, the BVI, and the PRC;

— the level and timing of capital expenditures we make, including acquisitions of solar farm projects;

— the level of our operating and general and administrative expenses;

— our debt service requirements and other liabilities;

— fluctuations in our working capital needs;

— our ability to borrow funds and access to capital markets;

— fluctuations in the foreign exchange rates between RMB and other currencies (including Hong Kong dollar);

— restrictions contained in our bank borrowing agreements;

— other business risks affecting our cash levels;

— the payment of interest and principal on outstanding indebtedness;

— compliance with financial undertakings and covenants imposed under the loan facilities or our indebtedness which may require us to set aside amounts which would otherwise be available for our Distributions or restrict us from paying any Distributions; and

— funding requirements of our Group, taking into account the prevailing business environment and operations, expansion plans, capital management considerations, availability of financing, overall stability of distributions and prevailing industry practice.

The occurrence of, or any adverse change in, any of the above or other factors may materially limit the amount of our Distributions, and other amounts received by us and consequently, we cannot assure you that we will be able to pay or maintain the policy of our Distributions or that such Distributions will be stable or that the level of our Distributions will be maintained or increase over time. See the section headed "Distributions" in this prospectus for further information.

The amount of Distributable Income during the Track Record Period may not be used as a reference or basis to determine the level of our Distributions in the future following completion of the Spin-Off and the Listing. The declaration, payment, and the amount of any future Distributions are subject to the discretion of our Board depending on, among other things, our earnings, financial condition and cash requirements, the provisions governing the declaration of distributions in the Articles, and the applicable laws and other relevant factors.

We are subject to the risk in relation to the expiry or discontinuation of preferential tax treatments.

The statutory income tax rate applicable to the PRC subsidiaries of our Group is 25%. Our solar farm projects satisfy the relevant provisions under the "Catalogue of Public Infrastructure Projects Enjoying Preferential Enterprise Income Tax" and as such, pursuant to the relevant tax regulations in the PRC, our PRC subsidiaries, except for Xinyi Technology (Wuhu), are eligible for exemption from the CIT for the first three years commencing from the first year of revenue generation, and are entitled to a 50% reduction of the CIT payable for the next three years of business operations. See the section headed "Applicable Laws and Regulations — Tax-related matters in the PRC — Enterprise income tax" for further information. During the Track Record Period, the amount of CIT paid by us was significantly lower than the theoretical amount of CIT that would have been paid under the CIT Law. The table below sets forth such differences during the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	659,067	734,809	792,656
Calculated at tax rate of 25%	164,767	183,702	198,164
Preferential tax rates on income of certain PRC subsidiaries	(179,905)	(189,219)	(179,562)
Effect of different tax rates in other countries	12,925	16,995	5,001
Expenses not deductible for tax purposes	2,275	3,692	24,026
	62	15,170	47,629

The effective tax rates of our Group during the Track Record Period were 0.01%, 2.06%, and 6.01%, respectively. The preferential tax treatments currently enjoyed by us will expire in accordance with the applicable PRC laws and regulations and may be subject to change from time to time pursuant to the PRC laws and regulations. The government grants and insurance compensation received during the Track Record Period were subject to the CIT with the statutory income tax rate of 25%. The CIT paid by us in 2018 was due to the commencement of payment of CIT by Xinyi Wuhu, Xinyi Nanping, and Xinyi Bozhou. Our tax liability will increase following the expiry of the above preferential tax treatment, and most of our subsidiaries in the PRC will be required to pay the CIT at the statutory income tax rate of 25% which could result in additional expenses to be borne by us, which could affect our operating results.

Any change or elimination of such preferential tax treatments could materially and adversely affect our business and financial condition and operating results.

Our business growth depends on our ability to identify and successfully acquire utility-scale ground-mounted solar farm projects from Xinyi Solar and Independent Third Parties at acceptable prices.

Our business strategy is to acquire utility-scale ground-mounted solar farm projects that are construction completed and grid-connected at the time of acquisition. We intend to pursue opportunities to acquire utility-scale ground-mounted solar farm projects from both Xinyi Solar and Independent Third Parties. Factors that may affect the availability of solar farm projects to grow our business are set forth below:

— competition for utility-scale ground-mounted solar farm projects from companies that may have greater capital, stronger financial strength and other resources than we do;

— fewer third-party acquisition opportunities, fewer third-party solar farm developers and fewer availability of solar farm projects with desirable economic returns or risk profiles which are commensurate with our business plan and consistent with our investment strategy;

— Xinyi Solar may fail to complete the development of its solar farm projects pipeline in a timely manner, or at all, which could be due to the failure to procure the requisite financing, the lack of availability of transmission lines with adequate capacity, or the failure to negotiate and enter into or renew the power purchase agreements, any of which could in turn limit our acquisition opportunities in the future;

— our failure to reach an agreement with Xinyi Solar or Independent Third Parties in respect of the pricing of the utility-scale ground-mounted solar farm projects to be acquired; and

— our failure to exercise the Solar Farm Call Option and the Solar Farm ROFR under the Solar Farm Agreement.

We will not be able to achieve our growth strategy and increase our Distributable Income unless we are able to acquire additional utility-scale ground-mounted solar farm projects at commercially viable prices. Even if we consummate acquisitions that we believe will be accretive to our Distribution per Share, such acquisitions may in fact result in a decrease in our Distribution per Share as a result of incorrect assumptions in our evaluation of such acquisitions, unforeseen consequences or other external events beyond our control.

The power output efficiency of solar modules will decline over time and the related technology may also become obsolete and as such the asset life and asset value of our solar farm projects will also decrease over time. Unless we acquire additional solar farm projects, the asset value of our solar farm portfolio will diminish over time, which could materially and adversely affect our business and financial condition, operating results, and cash flows.

Solar farm projects we own and operate are constructed under the national quota system in the PRC and thus are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated. If we fail to make any acquisitions in future, the value of our business may diminish over time as our solar farm projects approach the expiry of the 20-year time period under the Feed-in-Tariff regime.

We rely on a limited number of customers which are local subsidiaries of the State Grid.

We have entered into power purchase agreements for the utility-scale ground-mounted solar farm projects under our Initial Portfolio with the relevant local subsidiaries of the State Grid, pursuant to which the relevant solar farm operating subsidiaries sell electricity generated to the local subsidiaries of the State Grid. We do not sell electricity to commercial and industrial counterparties or off-takers. Same arrangement has been in place for the solar farm projects under the Target Portfolio. During the Track Record Period, all of our customers are local subsidiaries of the State Grid. Our five largest customers during the Track Record Period contributed to 83.3%, 85.3%, and 75.3% of our total revenue, respectively. Our business therefore relies heavily and will continue to rely heavily on the local subsidiaries of the State Grid.

None of the power purchase agreements entered into with our customers include any inflation-based price increases.

None of the power purchase agreements entered into in respect of the utility-scale ground-mounted solar farm projects under our Initial Portfolio or the Target Portfolio contain any inflation-based price increase provisions. The increase in inflation rates may lead to an increase in our operating costs and, as a result, we may not be able to generate sufficient revenue to offset the effects of inflation, which could materially and adversely affect our business and financial condition, operating results, and cash flows.

We are exposed to risks associated with the solar farm projects to be acquired pursuant to the Solar Farm Agreement.

We are granted by Xinyi Solar the Solar Farm ROFR and the Solar Farm Call Option under the Solar Farm Agreement for acquiring construction completed and grid-connected utility-scale ground-mounted solar farm projects developed and constructed by Xinyi Solar. Our growth strategy is therefore dependent to a significant degree on acquiring construction completed and grid-connected utility-scale ground-mounted solar farm projects from Xinyi Solar. The failure of Xinyi Solar to complete the construction of such projects in a timely manner, or at all, could have a material adverse effect on our expansion plan and growth strategy. On May 31, 2018, the NDRC, Ministry of Finance, and the NEA jointly issued the 2018 Solar Power Industry Notice in respect of the latest policy on the solar farm sector in the PRC. On January 7, 2019, the NDRC and the NEA jointly published the 2019 Grid Parity Notice on a subsidy-free regime for the utility-scale renewal energy power projects constructed in the PRC in the future. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. The Solar Farm Development Business of Xinyi Solar may be affected by the 2018 Solar Power Industry Notice and the 2019 Grid Parity Notice which may pose uncertainties in its future growth to a certain extent. The uncertainties involved in relation to the construction of solar farm projects include:

— delays in obtaining, or the inability to obtain, the necessary permits and licenses;

— delays relating to the interconnection of power generation facilities of solar farm projects to the grid transmission system;

— the inability to lease, acquire or maintain land use rights;

— interruptions to electricity dispatch at the facilities;

— unforeseen engineering, environmental, geological and hydrological problems;

— failure of contracting parties to perform under contracts, including engineering, procurement and construction contractors;

— government policies that could affect the national quota for the construction of solar farm projects in the PRC;

— reduction in the price for sale of electricity charged by the newly constructed solar farm projects subsequent to the implementation of the 2019 Grid Parity Notice;

— weather interferences; and

— unanticipated cost overrun in excess of budgeted contingencies.

Any of the above risks could cause a delay in the completion of construction and development of solar farm projects by Xinyi Solar, which could have a material adverse effect on our growth strategy.

The Deferred Outstanding Amount would result in imputed interest to be recognized in our consolidated income statement for the year ending December 31, 2019 to the full payment of the Outstanding Amount.

The Deferred Outstanding Amount was measured at its fair value at initial recognition based on the best estimate of the timing of the expected payments, i.e. upon receipt of the payment of tariff adjustment in respect of the Target Portfolio from the PRC Government or on the fourth anniversary of the Listing Date, whichever is earlier, by us. The imputed interest expenses arising from the Deferred Outstanding Amount, calculated by multiplying the outstanding Deferred Outstanding Amount with the effective interest rates of 5.49%, in the amount of HK$71.0 million, was recognized as finance costs in the unaudited pro forma consolidated income statement and statement of other comprehensive income of the Enlarged Group for the year ended December 31, 2018. The imputed interest expense is a hypothetical expense calculated in accordance with the HKFRS, and had no cash flow impact during the Track Record Period and in the future. See notes 5 and 7 to the unaudited pro forma consolidated financial information set forth in Appendix II to this prospectus for further information. We did not incur such expense during the Track Record Period.

The Deferred Outstanding Amount was then carried at amortized cost using the effective interest method. Subsequently, if we revise our estimate of the timing of the expected payments, the carrying amount of the Deferred Outstanding Amount will be adjusted to reflect the actual/revised estimated cash flow. Such adjustments would be recognized through our consolidated income statement and would have a continuing effect on the Enlarged Group until full payment of the Outstanding Amount.

Any failure by Xinyi Solar to perform its obligations pursuant to the Solar Farm Agreement could have a material adverse effect on our business and financial condition.

We are granted the Solar Farm Call Option and the Solar Farm ROFR pursuant to the Solar Farm Agreement by Xinyi Solar, which will be effective from the Listing Date until Xinyi Solar ceases to be our Controlling Shareholder. For details on the Solar Farm Agreement, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information. The Solar Farm Agreement is important to our growth as it grants us the Solar Farm Call Option and the Solar Farm ROFR to acquire the construction completed and grid-connected utility-scale ground-mounted solar farm projects from Xinyi Solar. Any failure by Xinyi Solar to perform pursuant to such arrangements or any failure by us to identify the Solar Farm Call Option projects or to renew the Solar Farm Agreement, could have a material adverse effect on our business and financial condition, operating results, and cash flows.

We need additional capital to acquire solar farm projects and if we fail to obtain capital on reasonable commercial terms or at all, our business could be materially and adversely affected.

We operate in a capital intensive industry. Acquiring or investing in solar farm projects requires substantial capital, and it usually takes a long period of time to recoup investment in solar farm projects. As a result, apart from the cash generated from our operations, we may also rely on external debt financing to meet our capital needs as well as to fund the expansion of our business. As of December 31, 2016, 2017, and 2018, the balance of our interest-bearing debt, including bank borrowings, amounted to HK$3,069.2 million, HK$2,714.8 million, and HK$1,687.2 million, respectively. During the Track Record Period, our finance costs were HK$53.2 million, HK$80.7 million, and HK$85.0 million, respectively. In addition to using the net proceeds from the Global Offering for an upfront payment of 50.0% of the Agreed Purchase Price, we expect to continue to borrow additional funds for our future acquisitions.

Our ability to obtain financing and the related finance costs are subject to various factors, including macroeconomic and capital market conditions, government policies and regulations (especially those related to currencies), and the continuous success of our business. Unfavorable global market conditions may adversely affect our ability to obtain financing. Any decline in the liquidity of the global capital markets may adversely affect the markets in Hong Kong or the PRC, and limit our ability to obtain funds. We cannot assure you that the banks that lend to us will honor their contractual obligations or will extend to us the entire amounts of credit that they have committed in a timely manner, nor can we assure you that we can obtain any international or domestic acquisition financing in the future on terms acceptable to us, or at all. If we fail to obtain external debt financing on terms acceptable to us, we may have to obtain financing through offering our Shares, which will dilute the equity interests of our existing Shareholders. If we are unable to obtain financing on favorable terms, or at all, we may be forced to delay, reduce or abandon our growth strategies or increase our financing costs, and our business and financial condition, operating results, and cash flows may be materially and adversely affected. To the extent that external sources of financing become limited or unavailable or available only on onerous terms, we may need to sell some or all of our solar farm projects, which would adversely affect our business and financial condition, operating results, and cash flows.

Our business could be affected by fluctuations in interest rates and the availability of credit.

We are exposed to interest rate risk resulting from fluctuations in interest rates on our borrowings. Changes in interest rates affect our finance expenses and, ultimately, our operating results. As we may use external sources to secure investment capital to finance the expansion of our solar farm business, we are sensitive to the cost of capital in securing these loans. Our interest expense on bank borrowings were HK$61.2 million, HK$84.1 million, and HK$88.2 million during the Track Record Period, respectively.

Our obligation to meet interest payment will reduce funds available for our working capital, capital expenditures, acquisitions and other business purposes. Shortage of funds could limit our ability to respond to changing market conditions or to expand through acquisitions, increase our vulnerability to adverse economic and industry conditions, and place us at a competitive disadvantage compared to our competitors that have less indebtedness. We may not have sufficient funds to pay all of our borrowings upon maturity.

Our ability to make scheduled payments of the principal of, or to pay interest on, or to refinance, indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by the general and regional economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the international, Hong Kong and PRC banking and capital markets. If we are unable to generate sufficient cash flow to service our debt or to fund our other liquidity needs, we may need to restructure or refinance all or a portion of our debt, which could cause us to default on our obligations and impair our liquidity. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. We may from time to time increase the amount of our indebtedness, modify the terms of our financing arrangements, issue distributions, make capital expenditures and take other actions that may substantially increase our leverage.

We cannot assure you that we will be able to refinance our existing term loans upon their maturity, and we cannot assure you that we will be able to raise necessary funding to finance our debt obligations. Our business, prospects, and financial condition may be materially and adversely affected if we are unable to refinance our loans upon maturity or if our cash flows and capital resources are insufficient to finance our debt obligations.

We are subject to the risks relating to the relative geographic concentration of our solar farm projects.

As of the Latest Practicable Date, 68.1% of the approved capacity of our Initial Portfolio and 50% of the approved capacity of the Target Portfolio were in Anhui Province, the PRC, Hence, a substantial portion of the sale of electricity or expected sale of electricity was attributable to solar farm projects in Anhui Province, the PRC. Due to the geographic concentration of our solar farm projects, we are subject to a number of risks specific to Anhui Province, the PRC. Any adverse changes affecting the local grid transmission capacity or the Feed-in-Tariff rate and any changes in government policy in Anhui Province could reduce the amount of electricity generated by our solar farm projects and the revenue generated from our sale of electricity in Anhui Province, the PRC. If any events that affect our business were to occur in Anhui Province, whether related to local policies, weather, natural disasters, infrastructure facilities or other matters, our business and financial condition, operating results, and cash flows may be materially and adversely affected.

Solar farm projects to be acquired by us in the future may not generate the level of cash flows as we expect and may not be as profitable as we expect, or at all, and may subject us to additional risks and liabilities.

Solar farm projects to be acquired by us in the future may not generate the level of cash flows and may not be as profitable as we expect, or may even incur operating losses. The Target Acquisition or investments that we carry out in the future may cause us to incur liabilities, or result in the impairment of goodwill or other intangible assets or other related expenses. Business expansion carried out through acquisitions and investments could also expose us to successor liability and litigation resulting from the actions of a company we have acquired or in which we made an investment before or after the acquisition or investment. Due diligence that we conduct in connection with the acquisition or investment may not be sufficient to uncover any unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the companies we have acquired or invested in may not be sufficient to protect us from, or compensate us for, actual liabilities. Any material liability associated with acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment. In any of these events, our business and financial condition, operating results, and cash flows could be materially and adversely affected.

Change in the business prospects or profitability of companies to be acquired by us, including the Target Companies, may result in goodwill impairment and could adversely affect our operating results.

Following completion of the Target Acquisition, we will record acquisition goodwill on our balance sheet. We are required to review our acquisition goodwill for impairment at least annually when events or changes in circumstances indicate that the carrying value of our acquisition goodwill may not be recoverable, including a decline in company value and a slowdown in our industry. If the carrying value of our acquisition goodwill is determined to be impaired, we would be required to write down the carrying value or record charges to earnings in our financial statements during the period in which our acquisition goodwill is determined to be impaired, which could adversely affect our operating results. Determination on whether the goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The calculation of value in use requires our Group to estimate the future cash flows expected to arise from the cash-generating units and the key assumptions and estimates used in determining the value in use include annual utilization hours, discount rates and trade receivables turnover days. There are inherent uncertainties in relation to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. If there is any impairment of the goodwill of the Target Companies which potentially caused by our failure to successfully integrate the operations of the Target Companies with other operations, our business, financial conditions and results of operations could be adversely affected. See Appendix II to this prospectus for the unaudited pro forma financial information of the Enlarged Group for further information.

Our ability to grow and make acquisitions with cash on hand may be limited by our Distribution policy.

We acquire, own, and manage a portfolio of stable revenue-generating assets. Our Company intend to adopt a high dividend payout policy and will use a substantial portion of our cash flow for Distributions (after deducting appropriate reserves for our working capital needs and the prudent conduct of our business). We expect that we will first consider using external financing sources, including commercial bank borrowings and issuances of debt and equity securities, to fund future acquisitions of solar farm projects. Certain of our project-level subsidiaries pay cash distributions to our Company in the form of distributions or other cash distributions and as a result, our Company's ability to pay or grow our Distributions is dependent upon the performance of our subsidiaries and their ability to distribute cash to our Company. The ability of our project-level subsidiaries to make cash distributions to us may be restricted by the provisions of our existing and future indebtedness. We may be precluded from pursuing otherwise attractive acquisitions if the projected short-term cash flows from the acquisition or investment are insufficient to service any associated debt or adequately compensate the invested capital, after giving effect to our available cash reserves.

To the extent we issue additional equity securities in connection with any acquisitions, the payment of distributions on these additional equity securities may increase the risk that we will be unable to maintain or increase our Distributions. The incurrence of bank borrowings or other debts to finance our growth strategy will result in increased interest expense and possibly the imposition of additional or more restrictive covenants which may, in turn, impact the distributions our Company makes to our Shareholders.

Operation of the solar farm projects under our Initial Portfolio and the Target Portfolio, solar farm projects under the Solar Farm Call Option, and the solar farm projects that we may acquire in the future will need governmental approvals and permits for operation. Any failure to obtain or maintain necessary permits could adversely affect our ability to operate and grow.

Operation of the solar farm projects requires various governmental approvals and permits. We cannot predict whether all permits required for a given project will be granted or whether the conditions associated with the permits will be achievable. The denial or loss of permits essential to the project, the imposition of impractical conditions upon renewal or the initiation of enforcement actions could impair our ability to operate the solar farm project. In addition, we cannot predict whether the permits will attract significant opposition or whether the approval process will be lengthened due to complexities, legal claims or appeals. Delays in the review and approval process for a project can impair or delay our ability to acquire a project or increase the cost such that the project is no longer attractive to us. If we fail to satisfy the conditions or comply with the restrictions imposed by governmental approvals and permits, or the restrictions imposed by any other statutory or regulatory requirements, we may be subject to regulatory enforcement action, fines, penalties or additional costs or revocation of such approvals or permits and the operation of the relevant projects could be adversely affected. Any failure to procure, renew or maintain necessary authorizations and permits could materially and adversely affect the continuing operation of our solar farm projects or our ability to acquire additional solar farm projects.

While we currently own only solar farm projects, we may expand our acquisition strategy in the future to include other types of renewable energy projects. To the extent that we expand our operations to include other types of renewable energy projects, our business operations may suffer from our limited experience in such renewable energy operations, which may materially and adversely affect our business and financial condition, operating results, and cash flows.

We have limited experience in other renewable energy generation operations other than solar farm operation and we may encounter difficulties if we expand our business to include other types of renewable energy projects beyond solar power. We do not have the experience and technological training in the operation of other types of renewable energy projects. With no direct training or experience in these areas, we may not be fully aware of the specific requirements for the relevant energy sectors. We may also be exposed to higher operating costs, unforeseen liabilities or risks, and regulatory and environmental concerns associated with entering new energy sectors, which could place us at a competitive disadvantage relative to the more established market participants in such new energy sectors and may require a disproportionate amount of resources and attention from our management. As a result, our business and financial condition, operating results, and cash flows may be materially and adversely affected. We may also need to hire additional experienced personnel to assist with our operations. We cannot assure you that we will be able to effectively acquire and operate projects in such new energy sectors and achieve our targeted financial goals.

We may experience difficulties in expanding and managing solar farm business outside the PRC where we do not have a presence.

We may seek and explore opportunities to expand our solar farm business in selected developed markets and emerging markets outside the PRC. We believe that the expansion of our solar power business into the international markets would help to diversify our revenue base and accelerate our business growth.

However, we have yet to identify any suitable international market for expanding our solar farm business. As we enter into new markets, we may face different regulatory requirements, business practices, governmental requirements, and industry conditions. Our experience and knowledge in the PRC may not be relevant or applicable, and we may need to devote substantial amount of management resources to familiarizing ourselves with the new business environment and conditions because we lack the required experience in the international markets. To the extent that we are not able to manage our business expansion effectively, it could have an adverse impact on our business and financial condition and operating results.

We face competition from other solar farm operators, as well as other renewable energy companies.

We face competition from other solar farm operators, who may have better access to infrastructure, financing or other resources than we do, enabling them to be more competitive in the acquisition of solar farm projects.

In addition, we may encounter competition from other renewable energy companies. Competition from such renewable energy companies may intensify if the technology used to generate electricity from such other renewable energy sources becomes more sophisticated and cost-effective, or if the PRC Government strengthens its support for such other renewable energy sources. While we are exploring opportunities in other renewable energy sectors, we cannot assure you that we will successfully develop projects in these sectors. If we are unable to maintain and enhance our competitiveness in the future, our business and financial condition, operating results, and cash flows will be materially adversely affected.

Unexpected equipment failures or accidents may lead to power production curtailments or shutdowns, and damage to the environment or personal injuries.

Our solar farm operation is susceptible to equipment failures or accidents, including failures or accidents due to severe weather conditions and natural disasters. Any interruption resulting from equipment failures, fire, explosion, industrial accidents, natural disaster or otherwise could cause significant losses in our operational capacity and materially and adversely affect our business and operations. Operations of our solar farm projects are also subject to negligence, labor disruptions, unscheduled downtime and other operational hazards which may be outside our control. Some of these operational hazards may cause personal injury or loss of life, damage to or destruction of assets, property and equipment or environmental damage, and may result in suspension of operations and imposition of civil liabilities or criminal penalties. In case of equipment failure, we may not be able to repair the equipment or return them to their original operational levels.

Any of these consequences, to the extent that they are significant, could result in business interruption or suspension of operations, legal liability, and damage to our reputation and corporate image, which could materially and adversely affect our business and financial condition, operating results, and cash flows.

Natural disasters and other factors may result in accidents or business interruption, which may materially and adversely affect our business and financial condition, operating results, and cash flows.

Our business operations are subject to the risks arising from natural disasters, including typhoons, floods, and earthquakes, among others. Severe economic loss may be incurred if the structural elements, electrical parts and components, inverters and controls rooms, or connection lines are damaged. In June 2015, equipment and electrical parts and component at Jinzhai Solar Farm were damaged as a result of excessive water run-off due to an extreme rainstorm and flooding. We take precautions in the operation of our solar farm projects, but we cannot assure you that natural disasters or other circumstances such as system failure, equipment malfunction, risks currently unknown or human errors, will not result in any accident or business interruption. Safety measures were incorporated into the design of our facilities and sites, and we have taken relevant protective measures and nonetheless, we cannot assure you that safety measures will prove fully effective in all cases.

If accidents were to occur at one or more of our solar farm facilities, whether caused by natural disaster or due to other causes, our business may be interrupted, and we may also be liable for casualties, property loss, environmental damages or other damages caused, or may be subject to investigations, legal proceedings and claims in relation to such accidents. Accidents caused by natural disasters or other reasons may result in various serious damages, and we may be liable for such events based on claims by third parties that protective measures taken by us were not sufficient, and such claims may have a material and adverse effect on our business and financial condition, operating results, and cash flows.

Lease agreements underlying the leased properties at Binhai Solar Farm and Fanchang Solar Farm have lease terms in excess of 20 years, which are not in compliance with the applicable PRC laws and regulations.

As advised by our PRC Legal Advisor, the lease agreements underlying the leased properties at Binhai Solar Farm and Fanchang Solar Farm have lease terms in excess of 20 years, which are not in compliance with the applicable PRC laws and regulations. Our PRC Legal Advisor advises that in respect of the lease agreement entered into for Binhai Solar Farm, the relevant lease period may not exceed 20 years for lease of State-owned land and any lease period in excess of the 20-year period is invalid under the applicable laws and regulations in the PRC. Our PRC Legal Advisor also advises that in respect of the lease agreement entered into for Fanchang Solar Farm, out of the 1,600 mu at the leased premises, 1,300 mu is State-owned land and the lease period of which may not exceed 20 years and any lease period in excess of the 20-year period is invalid under the applicable laws and regulations in the PRC. We may not be able to renew our lease agreements for the leased premises at Binhai Solar Farm and Fanchang Solar Farm at the expiry of the 20-year period of the lease agreements, which could have a material adverse effect on our business, financial condition and operating results.

We may not have adequate insurance to cover all potential liabilities or losses.

Our main assets include, among others, solar panels, mounting structures, transformers, transmission structures, interconnection infrastructure, external transmission structure to sub-stations of the grid, and ancillary equipment including electrical output measurement meters. Solar farm operation involves risks and hazards, including equipment failures, natural disasters, environmental hazards and industrial accidents. These hazards can cause significant personal injury or death, severe damage to and destruction of property, plant and equipment, and damage to the environment and suspension of operations. We may also face civil liabilities or fines as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws.

We have maintained insurance to cover certain risks associated with our business. See the section headed "Business of our Group — Insurance" in this prospectus for further information. While we believe that our insurance coverage is commensurate with our business nature and risk profile, we cannot assure you that our insurance policies will insure us fully against all risks and losses that may arise. In addition, our insurance policies are subject to annual review by our insurers, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, our business and financial condition, operating results, and cash flows could be materially and adversely affected.

We may incur unexpected expenses if our suppliers of components default in their warranty obligations.

Solar panels, inverters, and other system components utilized in our solar farm projects are generally covered by manufacturers' warranties, which typically range from 20 to 30 years. In the event that any such system components fail to operate, we may have claims against the applicable warranty to cover all or a portion of the expense associated with the faulty component. However, these suppliers could cease operations and could no longer honor the warranties, and we may have to cover the expenses associated with the faulty components in such circumstances. To the extent that damage occurs after the expiration of the warranties, we will need to bear the costs of such repairs or replacements. If we cannot make claims under warranties covering our projects, our business and financial condition, operating results, and cash flows could be materially and adversely affected.

Maintenance, expansion and refurbishment of our solar farm facilities may involve significant risks that could result in unplanned power outages or reduced output.

Our solar farm facilities may require periodic upgrading and improvement. Any unexpected operational or mechanical failure, including failure associated with breakdowns and forced outages, and any unsatisfactory operational or management performance, could reduce the output generation capacity of our solar farm projects below the expected levels, thereby reducing our revenue. Unanticipated capital expenditures associated with maintaining, upgrading or repairing our solar farm facilities may also reduce our profitability.

We may choose to refurbish or upgrade our solar farm facilities based on our assessment that such activities will provide adequate financial returns. Such activities require time for capital expenditures before repowering, and key assumptions underpinning the decision to make such investment, including assumptions regarding costs, timing, available financing and future tariff rate and power prices, may prove incorrect. This could have a material adverse effect on our business and financial condition, operating results, and cash flows.

Moreover, spare parts for solar farm facilities and key pieces of equipment may be difficult to acquire or unavailable to us. If we were to experience any shortage of or inability to acquire critical spare parts, we could incur significant delays in returning facilities to full operation, which could adversely impact our business and financial condition, operating results, and cash flows.

We are subject to environmental, health and safety laws and regulations and related compliance expenditures and liabilities. Our costs in this regard may increase if relevant laws change.

The power generation industry is subject to a broad range of increasingly stringent environmental laws and regulations in the PRC. As a clean energy company, the impact of the existing environmental laws and regulations in the PRC and the corresponding compliance costs on our solar farm operations are relatively low compared to that of traditional fuel-based power companies.

We are unable to predict future changes in environmental laws or enforcement policies or estimate the ultimate cost of compliance with such laws and regulations. The requirements of existing environmental laws and enforcement policies generally have become stricter in recent years, and the trend is likely to continue. The regulatory environment in which we operate is subject to frequent changes and may become more heavily regulated in the future. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. New regulations could require us to acquire costly equipment and refit existing facilities. Changes to existing environmental laws and regulations could require us to incur additional compliance costs or require costly and time-consuming changes to our operations, either of which could materially and adversely affect our business and financial condition, operating results, and cash flows.

We depend on key management personnel and professional technicians.

Our historical success is attributable to the efforts and expertise of our senior management and key employees, a list of which is set forth in the section headed “Directors, Senior Management, and Employees” in this prospectus. Mr. TUNG Ching Sai (董清世), our executive Director and our Vice Chairman, has been responsible for the formulation and implementation of the business strategies of our Group since the commencement of construction of the first utility-scale ground-mounted solar farm project at the beginning of 2014. Mr. TUNG Fong Ngai (董貺漄), our executive Director and our Chief Executive Officer, is principally responsible for overseeing the daily business operations of our Group and evaluating potential solar farm acquisition and investment opportunities. Mr. LEE Yau Ching (李友情), our executive Director, is mainly responsible for formulating the overall business strategies of our Group and planning and identifying suitable acquisition opportunities of solar farm projects. Ms. CHENG Shu E (程樹娥), our executive Director and our general manager, is mainly responsible for overseeing the operations of our solar farm projects. Mr. TUEN Ling (段寧), our financial controller, is also instrumental to our daily business operations.

We depend on our experienced management team, and the loss of key senior management or employees could have a negative impact on our business operations. Our future success depends significantly on our ability to continue to retain these key executives and employees as well as to recruit personnel and technicians with the relevant experience and expertise in solar farm operation and maintenance.

Moreover, competition for qualified personnel in the renewable energy sector is intense due to the rapidly growing renewable energy industry. Our failure to retain such key executives and employees, or to hire additional qualified executives and employees with the requisite industry knowledge and experience as our business grows, could adversely affect our ability to achieve our objectives and business strategy, and could have a material adverse effect on our business and financial condition, operating results, and cash flows.

There may not be sufficient land sites for solar farm development in the future if there is any change of government policy

The operation of utility-scale solar farm projects require large parcels of land. A variety of factors, including topographic constraints, proximity to and availability of grid transmission capacity and load centers, and proximity to areas of population density, nature reserves, airports and military facilities, all limit the number of appropriate sites suitable for the development of solar farm projects and other renewable energy facilities.

The land supply policies and supportive policies for renewable energy in the PRC will affect the availability and supply of suitable land sites for solar farm development in the future. If there are insufficient land sites or a change in the land supply policy or supportive policies for solar farm development, the number of newly developed and constructed solar farm projects would be significantly affected, which could have a material adverse effect on our business and financial condition, operating results, and cash flows. As a result, our growth strategy, expansion and acquisition of solar farm projects in the future would also be adversely affected.

The generation of electricity from our solar farm projects depends heavily on favorable meteorological conditions.

Our ability to generate electricity at our anticipated output levels remains critical to the success and growth of our business. The amount of electricity generated from our solar farm projects significantly depends on the weather conditions and the solar irradiation levels, which vary across seasons and regions in the PRC. Prior to acquiring any solar farm projects, we conduct tests and feasibility studies to evaluate the potential capacity of the site for electricity generation, and we make investment decisions based on our core operational and financial assumptions and the findings of the tests undertaken.

We cannot assure you that the actual weather conditions at any project site will conform to our assumptions made prior to the acquisition of the solar farm projects. As a result, we cannot assure you that our solar farm projects will meet their anticipated electricity output. There has been minor variation in annual solar irradiation level in the PRC across years. We cannot assure you that the solar irradiation variation in the PRC would remain at low level in the future. If solar irradiation variations and fluctuations in the PRC do not conform to our previous observations or do not meet our expectation, we may experience unexpected fluctuations in the electricity output of our solar farm projects. Similarly, extreme weather conditions, severe pollution in particular, could impact the solar irradiation levels and reduce our operational efficiency and electricity production, which could materially and adversely affect our business and financial condition, operating results, and cash flows.

Changes in policies and regulations on land could have an adverse effect on our business, future expansion, financial condition, operating results and cash flows.

As of the Latest Practicable Date, we have leased 11 parcels of land with a total site area of approximately 23,391 mu for our operational solar farm projects for a term of 20 to 30 years. The landlord to certain of these leased land is the PRC Government. We cannot rule out the possibility of any unexpected changes in laws or enforcement practices in respect of land use or land lease regulations. If the PRC Government implements any land reform policy leading to any change in land use, our operations on the affected leased land could be interrupted, which in turn could have an adverse effect on our business, future expansion, financial condition, operating results, and cash flows.

We may incur investment loss on the proposed investment out of the net proceeds from the Global Offering.

As set forth in the section headed "Proposed Use of Net Proceeds from the Global Offering" in this prospectus, to the extent that the net proceeds from the Global Offering are not immediately used for the designated purposes, including the payment of the Outstanding Amount, we will use part or all of the net proceeds for (a) short-term interest-bearing deposits; (b) purchasing money-market instruments issued by authorized financial institutions and/or licensed banks in Hong Kong or the PRC; or (c) purchasing investment-grade bond products. These investments will constitute our financial assets held for sale and their values may fluctuate from time to time depending on the nature of the investment products and the then prevailing market sentiment. We do not have any experience in making investment in these products. We cannot guarantee that we would not incur loss in relation to such deposit or investment products in the future. In such event, our business and financial condition could be adversely affected.

Failure to make adequate statutory social welfare contribution for our employees may subject us to penalties.

Under the relevant PRC laws and regulations, we are required to make statutory social welfare contribution for our employees, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. According to the relevant PRC laws and regulations, the amount we are required to contribute for each of our employees should be calculated based on the employee's average monthly salary level in the previous year, which is subject to a minimum and maximum as from time to time prescribed by the local authorities. During the Track Record Period, we had not made the required contributions to the social insurance plans and the housing provident fund for some of our employees. For more information, see the section headed "Business of our Group — Non-compliances in making contributions to PRC social insurance and housing provident fund" in this prospectus. We cannot assure you that the relevant authorities would not order us to make supplemental contribution and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

RISKS RELATING TO OUR INDUSTRY

We rely on local grid companies to provide grid connection, electricity transmission and dispatch services, and we may experience limitations on the dispatch of our electricity output in the future as a result of grid congestion, curtailment or other grid constraints.

We derive all of our revenue from the sale of electricity generated by our solar farm projects. Solar farm projects we own and operate sell electricity to local grid companies. We rely on local grid companies for construction and maintenance of grid infrastructure and to provide grid connection with local power grids as well as electricity transmission and dispatch services.

Currently, the solar farm projects that we operate and manage do not sell electricity to other industrial or commercial counter-parties or off-takers. Therefore, our revenue and operating results are reliant on our electricity sales to the local grid companies. Solar power, along with other types of renewable power sources, are currently entitled to top priority over conventional energy sources in grid connection and dispatch. We cannot assure you that the local grid companies will always perform their obligations under the relevant power purchase agreements, which include purchase of electricity, grid connection and dispatch, and make full payments for the electricity sold to them in a timely manner. If the local grid companies fail to perform their obligations under the relevant power purchase agreements, or in the event of their insolvency or liquidation, we may not have alternative customers readily available to us and our business and financial condition, operating results, and cash flows would be materially and adversely affected.

The solar farm projects that we operate, like most power stations, are unable to store electricity and must transmit electricity once it is generated. We may be forced to shut down or reduce electricity generation from some of our solar farm projects if we are unable to transmit electricity due to grid congestion or other grid constraints. In addition, the demand from the customers of the grid companies for electricity may decrease, which could reduce the net power generation delivered to the grid. Electricity transmission lines may also experience unplanned outages due to system failures, accidents, severe weather conditions, planned outages due to repair and maintenance, construction work and other reasons beyond our control. Moreover, neither the power purchase agreements nor the applicable PRC regulatory framework pursuant to which we sell electricity specifically provide for any compensation from the respective local grid companies for any financial losses caused by transmission limitations. During the Track Record Period, we have not experienced any grid congestion and curtailment and have not received any such compensation from the grid companies as a result of grid congestion and curtailment. Any reduction in dispatch of output due to grid restriction or breaches in performance of the applicable power purchase agreements by the local grid companies could materially and adversely affect our sale of electricity, our business and financial condition, operating results, and cash flows.

The off-takers of our solar farm projects are State-owned grid companies, which subject us to certain risks.

The sale and purchase of solar power generated by our solar farm projects are governed by the power purchase agreements we entered into with local grid companies of the State Grid and generally have terms ranging from two to five years. All of our grid company counter-parties to the power purchase agreements in respect of our solar farm projects are State-owned enterprises. Although we believe that they are creditworthy, we cannot assure you that the grid companies will make full and timely payments for our electricity output according to the benchmark on-grid Feed-in-Tariff rate, comply with their other contractual obligations under the power purchase agreements or will not be subject to insolvency or liquidation proceedings during the term of the relevant power purchase agreement. Any non-payment, significant non-compliance, insolvency or liquidation of such State-owned enterprises could have a material adverse effect on our business and financial condition, operating results, and cash flows.

Although the Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount (《可再生能源發電全額保障性收購管理辦法》) promulgated by the NDRC on March 24, 2016 and Renewable Energy Law of the People's Republic of China (2009 Revision) (《中華人民共和國可再生能源法 (2009 修正)》) require all grid companies to purchase all electricity generated by renewable energy companies within the coverage of their power grids, the State Grid is under no obligation to renew the power purchase agreements for each of our solar farm projects. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — Mandatory purchase" in this prospectus for further information. Although the PRC Government encourages the use of renewable energy and solar power, there is no assurance that we could secure favorable terms for renewal of the power purchase agreements for any of our solar farm projects. In case we cannot renew the power purchase agreements with the State Grid or the agreements terminate for whatever reason beyond our control, we would not be able to secure alternative and readily available customers for our solar farm projects, and our business, financial condition, operating results and cash flows would be adversely affected.

Technological changes in the power generation industry could render our existing solar farm projects and technologies uncompetitive or obsolete.

The solar industry is evolving rapidly and is highly competitive. Technological advances may result in lower costs for different sources of energy, and may render our existing solar farm projects and technologies uncompetitive or obsolete. If our solar farm projects become technologically obsolete due to future technological progress, we may become less competitive over time and may result in less demand for electricity generated from our solar farm projects. If other types of power generation become more competitive, there will be less demand for solar power. For example, technological progress in traditional forms of power generation, such as coal or oil, or the discovery of large new deposits or sources of these fuels could reduce the cost of power generation for those energy sources or make them more environmentally friendly, and, as a result, reduce the demand for solar power and render our solar farm projects less competitive. Any failure to respond to current and future technological changes and timely adoption of new technologies as they are developed could have a material adverse effect on our business and financial condition, operating results, and cash flows.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Uncertainties in connection with the PRC legal system could have a material adverse effect on our business and operations.

Our business and operations are primarily conducted in the PRC and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but may have limited weight as precedents. The PRC Government has significantly enhanced the PRC legislation and regulations since the late 1970s with an aim to provide protection for foreign investments in the PRC. Nevertheless, the PRC has not developed a fully integrated legal system. In addition, recently enacted laws, rules and regulations may not sufficiently cover different aspects of economic activity in the PRC. Since many of these laws, rules and regulations are relatively new, and due to the relatively limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. Furthermore, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. Thus, we may not be aware of our violations of these policies and rules until sometime after the violation. In addition, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may cause substantial costs and the diversion of our resources and management attention, which in turn could have a material adverse effect on our business and financial condition, operating results, and cash flows.

The PRC political, social and economic conditions could affect our business, operating results and financial condition, and any economic slowdown in the PRC or adverse developments in the PRC economy may have a material adverse effect on our business, operating results and financial condition.

We conduct our business in the PRC. Substantially all our assets and operations are located in and all of our revenue is derived from our operations in the PRC. Accordingly, our business, financial position and operating results are subject to the political, legal and economic developments in the PRC. The PRC economy differs from the economies of most of the developed countries in various respects, including government involvement, growth rate, level of development, allocation of resources and foreign exchange control.

While the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of the productive assets in the PRC are still owned by the PRC Government. The PRC Government also has a significant control over the economic growth of the PRC through resource allocation, setting monetary policies, regulating payments of foreign currency-denominated obligations and granting preferential treatments to particular industries. Although the PRC Government has implemented measures of economic reform with a view to introducing market forces and establishing modern management systems and sound corporate governance systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

The GDP growth of the PRC has slowed down in recent years. The GDP growth rate in the PRC decreased from 9.5% in 2011 to 6.7% in 2016, to 6.8% in 2017, and to 6.6% in 2018. The GDP growth rate in the PRC in the future may continue to decrease. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations.

Furthermore, the PRC stock market has been volatile in the past. The significant government involvement in the stock market, including introducing and suspending the "circuit breaker" mechanism within a single week and suspending all the IPO process for a period of time, has brought further uncertainties to the market, and has had and may continue to have an adverse impact on investors' confidence in the capital markets in the PRC. Moreover, concerns over geopolitical issues, liquidity issues and the availability and cost of credit have resulted in adverse market conditions in the PRC, which may materially and adversely affect our business and financial condition, operating results, and cash flows.

In addition, factors such as corporate and government spending, business investment, capital market volatility and inflation all affect the business and economic environments, the growth of the solar power generation markets and ultimately the profitability of our business. Our labor and other costs also may increase due to pressure from inflation.

Control of currency conversion by government and future fluctuations of the exchange rates of Renminbi could have a material adverse effect on our business, operating results and financial condition, and may reduce the value of, and distributions payable on, our Shares in foreign currency terms.

Our revenue and expenses are substantially denominated in Renminbi, which is currently not a freely convertible currency. A portion of our revenue must be converted into other currencies to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared distributions on our Shares.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar or other currencies fluctuates, and is subject to changes resulting from changes in the policies of the PRC and other governments, and depends substantially on domestic and international political and economic developments as well as demand and supply condition in the local markets. In July 2005, the PRC Government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the current policy, Renminbi is pegged against a basket of currencies, determined by the PBOC, against which Renminbi can rise or fall within stipulated ranges against different currencies each day. This change in policy has resulted in an appreciation of the value of Renminbi against the U.S. dollar of 24.6% from July 21, 2005 to June 30, 2015. In August 2015, the PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar will be determined based on market maker submissions that take into account Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Renminbi depreciated against the U.S. dollar by 3.7% by March 2016 following this August 2015 announcement by the PBOC. In general, Renminbi has depreciated from RMB6.49 for each U.S. dollar as of December 31, 2015 to RMB6.94 for each U.S. dollar as of December 31, 2016. The Renminbi subsequently appreciated to RMB6.51 for each U.S. dollar as of December 31, 2017. However, the Renminbi started to depreciate against the U.S. dollars from the middle of April. As of December 31, 2018, the exchange rate between Renminbi and the U.S. dollars was RMB6.85 for one U.S. dollar. As of the Latest Practicable Date, the exchange rate between Renminbi and the U.S. dollars was RMB6.7344 for one U.S. dollar. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. With an increased floating range of the value of Renminbi against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, Renminbi may appreciate further or depreciate substantially in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of Renminbi against the Hong Kong dollar, the U.S. dollar or other foreign currencies. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the future.

For the year ended December 31, 2016, we recognized exchange difference on translation of financial statements of entities with functional currencies other than Hong Kong dollars of loss of HK$417.6 million, due to the depreciation of RMB against the Hong Kong dollars. Due to the appreciation of RMB in 2017, there was an exchange gain on translation of our foreign operations in the PRC of HK$595.7 million. An exchange loss on translation of our foreign operations in the PRC was HK$446.0 million in 2018. Since our principal business presence will continue to be in the PRC in the near future, we expect that we will continue to record such translation gain or loss depending on the exchange rates between RMB and Hong Kong dollars from time to time.

In addition, as the net proceeds from the Global Offering will be denominated in Hong Kong dollars, any appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currency may result in the decrease in the value of our foreign currency-denominated assets and the amount of the net proceeds from the Global Offering in terms of Renminbi. Conversely, any depreciation of Renminbi may adversely affect the value of, and any distribution payable on, our Shares in foreign currencies. Currently there are limited instruments available to reduce our foreign currency risk exposure at reasonable cost in the PRC, and we have not utilized, but may in the future utilize, any such instrument. In addition, we are currently required to obtain the approval of the SAFE before converting substantial amounts of foreign currencies into Renminbi. All of these could materially and adversely affect our business, operating results and financial condition, and could therefore reduce the value of, and distributions payable on, our Shares in foreign currency terms.

Following completion of the Global Offering, we will be able to make current account foreign exchange transactions, including paying distributions in foreign currencies without prior approval from the SAFE under the existing PRC foreign exchange regulations. Nevertheless, the PRC Government may, in the future, take measures at its discretion to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. We may not be able to pay distributions in foreign currencies to holders of our Shares if such measures are implemented. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. Such limitations could affect our ability to obtain foreign exchange through offshore financing.

Our dividend payment from our foreign-invested PRC subsidiaries may be subject to a higher withholding tax rate than we currently anticipate.

Under the CIT Law and its implementing rules, dividend payments made by the PRC subsidiaries to their foreign shareholders are subject to a withholding tax rate of 10% if the foreign shareholder is not deemed to be a PRC tax resident enterprise under the CIT Law unless under the relevant jurisdiction of such foreign shareholders, a tax treaty or similar arrangement has been entered into with China and pursuant to which the foreign shareholder has obtained approval from the competent local tax authorities under such tax treaty or similar arrangement. The withholding tax rate could be reduced to 5% if certain conditions and requirements under the Hong Kong Tax Treaty are met. Circular 601 was promulgated by the SAT on October 27, 2009 and in addition, on February 3, 2018, the SAT promulgated the Announcement on Issues Related to "Beneficial Owners" in Tax Agreements (State Administration of Taxation Announcement No. 9 of 2018)《關於稅收協定中"受益所有人"有關問題的公告》(國家稅務總局公告2018年第9號), effective on April 1, 2018, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a "substance over form" analysis to determine whether or not to grant tax treaty benefits to a company. It is unclear whether it applies to dividend payments made by our PRC operating subsidiaries to us through our subsidiaries incorporated in Hong Kong which holds our PRC subsidiaries. If our subsidiaries incorporated in Hong Kong were not considered the "beneficial owner" of any such dividends, such dividends would be subject to withholding tax rate of 10% instead of the more favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our business, financial condition and operating results may be materially and adversely affected.

We rely on distributions paid by our subsidiaries for our cash needs, and limitations under the PRC laws could affect the ability of our PRC subsidiaries to distribute distributions to our Company, which could adversely affect our ability to utilize such funds for our Distributions.

As a holding company, our Company conducts substantially all of our business through our PRC subsidiaries. Our Company relies on distributions paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any distributions to our Shareholders, to service any foreign currency debt we may incur, and to make any offshore acquisition. The payment of distributions by PRC incorporated entities is subject to certain limitations under the PRC laws and regulations. Distributions are permitted to be paid only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Current PRC regulations require each of our PRC subsidiaries to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Therefore, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to our Company in the form of distributions, loans or advances. Following completion of the Spin-Off and the Listing, we anticipate that our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. The limitations on the ability of our PRC subsidiaries to transfer funds to our Company would limit our Company's ability to receive and utilize such funds for our Distributions.

Our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering may be limited by the SAFE regulations, which may adversely affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

Our plans to finance the operation of our PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions require registration with, or filing with the PRC Government authorities. Any overseas shareholder loans to our foreign-invested PRC subsidiaries must be registered with the local branch of the SAFE, and such loans shall not exceed the difference between the total investment amount and their respective registered capital of such subsidiaries. Furthermore, the amount of investment and the amounts of the capital contributions need to be filed with MOFCOM or its local counterpart. It is stipulated in the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結滙管理方式的通知》) promulgated by the SAFE on March 30, 2015 (the "**Circular 19**") that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement may not be used for certain purposes, including: (1) directly or indirectly used for payment outside the business scope of the enterprises or the payment prohibited under the relevant laws and regulations; (2) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). Any violations of Circular 19 may result in severe penalties, including substantial fines being imposed as stipulated in the Regulations of the People's Republic of China on the Foreign Exchange Administration (《中華人民共和國外匯管理條例》). We cannot assure you that we will be able to complete the necessary government registrations or government filing on a timely basis, or at all, as regards the making of future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or filings, our ability to contribute additional capital to fund our PRC operations may be affected, which could materially and adversely affect our liquidity and our ability to fund our operations and expand our business.

RISKS RELATING TO THE GLOBAL OFFERING

Our Controlling Shareholders will exercise substantial influence over us, and their interests may differ from and conflict with those of our other Shareholders.

Immediately following completion of the Global Offering and the Capitalization Issue, our Controlling Shareholders will own 4,744,740,000 Shares, representing 71.59% of our Shares in issue assuming that all XYS Independent Shareholders will have subscribed for all XYS Reserved Shares and without taking into account our Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme.

For details on shareholding of our Controlling Shareholders, see the section headed "Controlling Shareholders and Substantial Shareholders" in this prospectus. The relationship between us and our Controlling Shareholders is set forth in the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Our Controlling Shareholders will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of our Controlling Shareholders conflict with our interests or those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with our interests or those of other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

There is no prior public market for our Shares, and the liquidity and market price of our Shares may fluctuate after the Global Offering.

There has been no public market for our Shares prior to the Global Offering. We cannot assure you that an active trading market for our Shares will develop or be sustained following the completion of the Global Offering. Furthermore, the initial issue price range of our Shares was determined through the negotiations between our Company and the Joint Global Coordinators, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. The Listing, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

The market price of our Shares may be volatile.

The market price and trading volume of our Shares may be volatile. The market price of our Shares after the Global Offering may fluctuate and vary significantly from the Offer Price as a result of the following factors, among others, some of which are beyond our control:

— general political, economic, financial and social developments in the PRC and Hong Kong and in the global economy;

— regulatory or legal developments;

— market developments affecting us or the industry in which we operate;

— our inability to compete effectively in the market;

— announcement by us of significant acquisitions;

— our inability to obtain or maintain material regulatory approval for our operations;

— variations in our revenue, earnings, cash flow and distributions;

— major changes in our key personnel or senior management;

— changes in securities analysts' estimates of our financial performance or market perception of our financial performance;

— involvement in material litigation;

— fluctuations in stock market prices and volume; and

— unexpected business interruptions resulting from natural disasters, labor shortages and supply shortages.

Stock markets in recent years have experienced significant fluctuations in price and trading volume, some of which are not related to the operating performance of the listed companies. Such market fluctuations may materially and adversely affect the market price of our Shares.

Future issuances or sales of our Shares in the public market could adversely affect the market price of our Shares.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their shareholding interests in our Company upon the issuance or sale of additional securities in the future.

Our Shares owned by our Controlling Shareholders are subject to certain lock-up periods. We cannot assure you that they will not dispose of such Shares following the expiration of the lock-up periods. We cannot predict the effect, if any, significant future sales will have on the market price of our Shares.

The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price is expected to be determined on or about Monday, May 20, 2019 and in any event not later than 8:00 a.m. on Friday, May 24, 2019. However, our Shares will not commence trading on the Hong Kong Stock Exchange until after they are delivered, which is expected to be the fourth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, Shareholders are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding.

We may raise additional funds in the future to finance the expansion and development of our operations, acquisitions or strategic partnerships. If additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by our Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

— increase our vulnerability to any adverse economic and industry conditions; and

— require us to dedicate a significant portion of our cash flows from our operations to service our debt, thus reducing the availability of our cash flow to fund capital expenditures, working capital requirements and other general corporate needs; and also may limit our flexibility in planning for, or responding to, changes in the industry and business conditions.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our net tangible assets as of December 31, 2018. Therefore, purchasers of our Shares in the Global Offering will experience immediate dilution based on our pro forma net tangible assets per Share as of December 31, 2018. As such, subscribers of our Offer Shares will experience immediate dilution in pro forma net tangible asset value of HK$155.4 per Share (assuming that the Offer Price is HK$2.12, being the mid-point of indicative range of the Offer Price) and existing Shareholders will receive an increase of the pro forma net tangible asset value per Share. For details on the pro forma financial information of the Enlarged Group, see Appendix III to this prospectus for further information. In addition, holders of our Shares may experience a further dilution of their interest if the Stabilizing Manager exercises the Over-allotment Option.

We cannot assure you the accuracy of certain information, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain information and statistics contained in this prospectus relating to the PRC, Hong Kong or the solar power industry have been derived from various official government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of such information or statistics from the official government publications or other third party reports for the purpose of disclosure in this prospectus and have no reason to believe that such information or statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. However, we cannot assure you the quality or reliability of such source materials. They have not been prepared or independently verified by us or any of the Relevant Persons, and we and the Relevant Persons therefore make no representation as to the accuracy of such information or statistics, which may not be consistent with other information or statistics compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics contained in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance you should attach to or place on such information or statistics.

You may face difficulties in protecting your interests because we are incorporated in the BVI, and the protection to minority Shareholders under the BVI law may be different from that under the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by, among others, our Memorandum and Articles of Association as well as the BVI BC Act and the common law applicable in the BVI. The laws of the BVI relating to the protection of the interests of minority shareholders may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the BVI company law on protection of minority Shareholders is set forth in Appendix IV to this prospectus.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business or the Global Offering.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business or the Global Offering. Such press or media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information, projections, valuations and other information. None of us or any other party involved in the Global Offering has authorized the disclosure of any such information in any press or media and none of these parties accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication or the fairness or appropriateness of any forecast, view or opinion expressed by the press and/or other media regarding our Shares, the Global Offering, our business or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecast, view or opinion expressed in any such publication. To the extent that such information, forecast, view or opinion are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

— our operation and business prospects;

— our ability to maintain and enhance our market position;

— future developments, trends, competition and conditions in the industries and markets in which we operate;

— our ability to successfully implement any of our business strategies and plans to achieve these strategies;

— currency fluctuations and general economic, political and business conditions in the jurisdictions in which we operate;

— market demand for electricity and government policies;

— developments in or changes to the laws, regulations, governmental policies, taxation, operating conditions and general outlook in the industries and markets in which we operate;

— the actions of and developments affecting our strategic partners, major customers and suppliers;

— the ability of third parties to perform in accordance with contractual terms and specifications;

— changes in the availability of, or new requirements for, financing;

— the costs and availability of spare parts or other components and our ability to control or reduce these and other costs;

— our Distribution policy;

— our capital expenditure plans;

— the amount and nature of, and potential for, future development of our business;

— our success in accurately identifying future risks to our business and managing the risks as set forth in the section headed “Risk Factors” in this prospectus;

— competition from other actions of and developments affecting our competitors; and

— certain statements included in the sections headed “Financial Information of our Group” and “Financial Information of the Target Companies” in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to the above and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of, or references to, our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms (other than the **BLUE** Application Forms) set forth the terms and conditions of the Hong Kong Public Offering. The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms (other than the **BLUE** Application Forms) and on the terms and subject to the conditions set forth herein and therein.

We have not authorized anyone to provide any information or to make any representation not contained in this prospectus and the Application Forms. You should not rely on any information or representation not contained in this prospectus and the Application Forms as having been authorized by any of the Relevant Persons. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED. ***You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, dealing in, our Shares (or exercising rights attached to them). No responsibility is accepted by any of the Relevant Persons for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.***

Global Offering	Global Offering of 1,882,609,471 Shares (excluding any Shares to be allotted and issued pursuant to the Over-allotment Option) comprising 188,300,000 Hong Kong Offer Shares and 1,694,309,471 International Offer Shares, in each case subject to adjustment. All Offer Shares are new Shares to be allotted and issued by our Company. Out of the International Offer Shares, 804,736,584 Shares will be offered under the XYS Assured Offering. For details on the structure and conditions of the Global Offering is set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus for further information.
Indicative range of the Offer Price	HK$1.89 to HK$2.35
Procedures for application for the Hong Kong Offer Shares	See the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares" in this prospectus and the relevant Application Forms for the application procedure for the Hong Kong Offer Shares.
Stock borrowing arrangements in connection with settlement	The Stabilizing Manager or any person acting for it may borrow from Xinyi Power up to 282,391,000 Shares.
Number of new Shares to be issued under the Over-allotment Option	Up to 282,391,000 new Shares to be allotted and issued by our Company.
Number of Shares outstanding after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised)	6,627,349,471 Shares
Number of Shares outstanding after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is exercised in full)	6,909,740,471 Shares

Listing Date

Dealings in our Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, May 28, 2019. Our Shares will be traded on the Main Board in board lots of 2,000 Shares each. The stock code of our Shares will be 3868.

Lock-up undertakings by our Company and our Controlling Shareholders

See the section headed "Underwriting — Underwriting arrangements and expenses — Undertakings" in this prospectus for further information.

Distributions

See the section headed "Distributions" in this prospectus for further information.

Voting rights

Holder of each Share is entitled to one vote at our general meetings.

Share Registers and Hong Kong stamp duty

Our principal register of members in the BVI will be maintained by our BVI Share Registrar, Estera Corporate Services (BVI) Limited, and our register of members in Hong Kong will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

Dealings in our Shares registered in our Company's share register of members in Hong Kong will be subject to Hong Kong stamp duty.

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms (other than the **BLUE** Application Forms) in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Each person subscribing for the Hong Kong Offer Shares will be required to, or be deemed by his subscription for the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and on the relevant Application Forms.

Application for the Listing

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the Capitalization Issue and the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).

No part of our Share or loan capital of our Company is listed on or dealt in on any other stock exchange nor is there at present any proposal to do so. The Listing is sponsored by the Sole Sponsor.

Underwriting

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For details about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

Shares will be eligible for admission into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

Rounding

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Language

If there is any inconsistency between this prospectus and its Chinese translation, the English version of this prospectus shall prevail. For ease of reference, the English name of PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are for identification purpose only, and in case of inconsistency, the Chinese version shall prevail.

Exchange rate conversion

Unless otherwise specified, this prospectus contains certain exchange rate conversion for the convenience of the reader at the following rate:

RMB1.00 to HK$1.17, being the average exchange rate prevailing for the year ended December 31, 2016;

RMB1.00 to HK$1.15, being the average exchange rate prevailing for the year ended December 31, 2017;

RMB1.00 to HK$1.14, being the average exchange rate prevailing for the year ended December 31, 2018; and

RMB1.00 to HK$1.1648, being the exchange rate prevailing on the Latest Practicable Date published by the PBOC for foreign exchange transactions

The above conversion are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK$ can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

In preparation for the Global Offering, we have sought the following waivers and consents from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO THE SOLAR FARM O&M AGREEMENT

Pursuant to Chapter 14A of the Listing Rules, continuing connected transactions on normal commercial terms or better where each or all of the percentage ratios (other than the profits ratio) set forth in Rule 14.07 of the Listing Rules) is/are more than 0.1% and not more than 5% on an annual basis are subject to the announcement and annual review requirements as set forth in Rules 14A.35 of the Listing Rules and Rules 14A.55 to 14A.59 of the Listing Rules, and annual reporting requirements as set forth in Rule 14A.49, but such continuing connected transactions are exempt from the circular requirements as set forth in Rules 14A.46 to 14A.48 of the Listing Rules and the shareholders' approval requirements as set forth in Rules 14A.36 to 14A.45 of the Listing Rules.

Our Company has entered into the Solar Farm O&M Agreement, and the transactions contemplated thereunder will constitute non-exempt continuing connected transactions (as defined in the Listing Rules) for our Company following the Listing. For details on the Solar Farm O&M Agreement, see the section headed "Connected Transactions — Non-exempt continuing connected transactions — Solar Farm O&M Agreement" in this prospectus. The Solar Farm O&M Agreement has an initial term of three (3) years commencing from the Listing Date and ending on December 31, 2021, subject to full compliance with the applicable requirements under the Listing Rules and will be renewable for another three (3) years, so long as Xinyi Solar is one of our Controlling Shareholders. If Xinyi Solar ceases to be one of our Controlling Shareholders during the initial term of the Solar Farm O&M Agreement, the Solar Farm O&M Agreement may be terminated by either party with six (6) months' prior written notice.

Our Directors expect that the amount of annual service fee received by us during the term of the Solar Farm O&M Agreement would be more than 0.1% and not more than 5.0% of all applicable percentage ratios set forth in Chapter 14 of the Listing Rules. As such, the transactions would be exempt from the Shareholders' approval requirement under the Listing Rules.

Accordingly, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to our Company, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirements in respect of such non-exempt continuing connected transactions for such period of time up to 31 December 2021. Our Company will apply for a further waiver from the Hong Kong Stock Exchange in advance of the expiry date of the waiver or otherwise comply with the applicable disclosure requirements under the Listing Rules.

Our Directors consider that strict compliance with the requirements under the Listing Rules in respect of the Solar Farm O&M Agreement is unduly burdensome to us, taking into consideration the nature of the solar farm operation and maintenance services required, the business and operation needs, and the potential disruption to operations of the solar farm projects which would be subject to the Solar Farm Call Option and Solar Farm ROFR. Our Directors further confirm that the Solar Farm

O&M Agreement has been entered into in a manner with such terms and conditions which are generally consistent with the industry practice and established approach of similar contractual terms and conditions; and the Solar Farm O&M Agreement is negotiated on an arm's length basis upon normal commercial terms or better and entered into as part of our ordinary course of business.

Our Directors (including our independent non-executive Directors) are of the view and the Sole Sponsor concurs that the Solar Farm O&M Agreement, as well as the proposed annual caps for the service fees under the Solar Farm O&M Agreement of RMB7.2 million for 2019, RMB12 million for 2020, and RMB15 million for 2021, are entered into during our ordinary and usual course of business on normal commercial terms or better, are fair and reasonable so far as the independent Shareholders are concerned, and are in the interests of our Company and our Shareholders as a whole.

Further details of the continuing connected transactions we have entered into, or will enter to, are set forth in the section headed "Connected Transactions" in this prospectus.

WAIVER AND CONSENT IN RESPECT OF ALLOCATION OF SHARES TO THE XYS NON-INDEPENDENT PARTICIPANTS (AS DEFINED BELOW) IN THE XYS ASSURED OFFERING

Rule 10.03 of the Listing Rules provides that directors of a listing applicant and their close associates may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of the listing applicant if (a) no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (b) the minimum public float requirement under Rule 8.08(1) of the Listing Rules is fulfilled.

Rule 10.04 of the Listing Rules provides that an existing shareholder of a listing applicant may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the listing applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The XYS Qualifying Shareholders who are entitled to participate in the XYS Assured Offering (see the section headed "Structure and Conditions of the Global Offering" in this prospectus for further information) include our Directors and/or their close associates and certain Controlling Shareholders (collectively, the "**XYS Non-Independent Participants**"). The XYS Non-Independent Participants are Dr. LEE Yin Yee, B.B.S. (our non-executive Director), and Mr. TUNG Ching Sai (our executive Director), and Mr. TUNG Ching Bor, Mr. LEE Shing Din, Mr. LI Man Yin, Mr. LI Ching Wai, Mr. LI Ching Leung, Mr. NG Ngan Ho, and Mr. SZE Ngan Sze (all of them are our Controlling Shareholders). The XYS Qualifying Shareholders' Assured Entitlement is required under paragraph 3(f) of Practice Note 15 of the Listing Rules. In the absence of a written waiver and consent from the Hong Kong Stock Exchange, participation by the XYS Non-Independent Participants, who are XYS Qualifying Shareholders, in the XYS Assured Offering would be prohibited by Rules 10.03 and 10.04 of the Listing Rules, respectively, and paragraph 5(2) of Appendix 6 to the Listing Rules which restricts share allocations to directors of a listing applicant or their close associates or an existing shareholder of a listing applicant, whether in their own names or through nominees, unless the conditions set forth in Rule 10.03 of the Listing Rules are fulfilled.

The XYS Reserved Shares offered to the XYS Non-Independent Participants, who are XYS Qualifying Shareholders, are made pursuant to the XYS Assured Offering and therefore the conditions set forth under Rule 10.03(1) of the Listing Rules could not be fulfilled. However, the XYS Non-Independent Participants will participate in the XYS Assured Offering in their capacity as XYS Qualifying Shareholders, but not in the capacity as Directors and/or their close associates and our Controlling Shareholders, upon the same terms as the other XYS Qualifying Shareholders. There will be no preferential treatment given to any of the XYS Non-Independent Participants in the allocation of the XYS Reserved Shares as compared to other XYS Qualifying Shareholders.

Our Company has applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted to our Company, a waiver from strict compliance with Rules 10.03 and 10.04 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules for the inclusion of the XYS Non-Independent Participants, who are XYS Qualifying Shareholders, as the eligible participants under the XYS Assured Offering, subject to the conditions that:

(a) no preferential allocation of the XYS Reserved Shares will be made to any of the XYS Non-Independent Participants in their capacity as XYS Qualifying Shareholders;

(b) the XYS Non-Independent Participants in their capacity as XYS Qualifying Shareholders will not apply for such number of XYS Reserved Shares which is more than the total number of XYS Reserved Shares;

(c) save as the XYS Assured Offering, none of the XYS Non-Independent Participants will participate or indicate any interest in the International Offering and the Hong Kong Public Offering;

(d) the allocation of the XYS Reserved Shares will be on a pro rata basis amongst all XYS Qualifying Shareholders (who have applied for the XYS Reserved Shares) and no preferential treatment (in terms of allocation) will be given to the XYS Non-Independent Participants (who have applied for the XYS Reserved Shares and in their capacity as XYS Qualifying Shareholders) as compared to other XYS Qualifying Shareholders; and

(e) the minimum public float requirement under Rule 8.08(1) of the Listing Rules will be complied with immediately after completion of the Global Offering and the Capitalization Issue.

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENT

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of public float between 15% to 25% in the case of issuers with an expected market capitalization of over HK$10 billion at the time of listing, where the Hong Kong Stock Exchange is satisfied that the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage of public float, and on condition that the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document and confirm sufficiency of public float in successive annual reports after listing. In addition, the Hong Kong Stock Exchange would require a sufficient portion of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

If all XYS Reserved Shares are subscribed by the XYS Non-Independent Participants, the percentage of our Shares held by members of the public would be 16.26% at the time of the Listing on the basis that the holders of all XYS Reserved Shares would not be treated as public float of our Company for the purpose of the Listing Rules. Depending on the subscription level of the XYS Independent Shareholders under the XYS Assured Offering, the percentage of our Shares held by members of the public would increase to 28.41% if all XYS Reserved Shares are allocated to the XYS Independent Shareholders. Our Company has applied to the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(a) of the Listing Rules, and the Hong Kong Stock Exchange has granted to our Company a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules, pursuant to which the percentage of public float of our Company at the time of the Listing shall not be less than 16.26% of our Shares in issue. In support of the waiver application, we have confirmed to the Hong Kong Stock Exchange that:

(a) our Company will make appropriate disclosure of the lowest percentage of public float at the time of the Listing, i.e. 16.26%, in this prospectus;

(b) the total number of our Hong Kong Offer Shares will represent more than 10% of the total number of our Offer Shares and the total number of our International Offer Shares (including the XYS Reserved Shares), which represents slightly less than 90% of the total number of our Offer Shares, would normally be offered in Hong Kong. Hence, the quantity and the scale of our Offer Shares would enable the market to operate properly even with a lower percentage of public float;

(c) the expected market capitalization of our Company at the time of the Listing will be over HK$10 billion;

(d) our Company will confirm sufficiency of public float in the annual reports after the Listing; and

(e) in the event that the public float percentage falls below the minimum percentage prescribed by the Hong Kong Stock Exchange, i.e. 15%, our Company will implement appropriate measures and mechanism to ensure the minimum public float percentage prescribed by the Hong Kong Exchange is complied with.

Therefore, our minimum public float shall be the highest of:

(1) 16.26% of our Shares in issue at the time of the Listing if all XYS Reserved Shares are subscribed by the XYS Non-Independent Participants;

(2) such other percentage, which is expected to be in the range between 16.26% and 28.41%, of our Shares to be held by members of the public immediately after completion of the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option is not exercised, if not all XYS Reserved Shares are subscribed by the XYS Non-Independent Participants; and

(3) such percentage of our Shares to be held by members of the public immediately after completion of the Global Offering and the Capitalization Issue, as increased by the number of our Offer Shares upon the exercise of the Over-allotment Option,

provided that the highest of (1), (2), and (3) above is below the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules.

The percentage of public float of our Company at the time of the Listing is expected to be in the range between 16.26% and 28.41% assuming that the Over-allotment Option is not exercise.

DIRECTORS

Name	Residential address	Nationality
Non-executive Director and Chairman		
Dr. LEE Yin Yee, B.B.S. (李賢義), *Chairman*	House B4 12 Kapok Street Palm Springs Phase 1C Yuen Long New Territories Hong Kong	Chinese
Executive Directors		
Mr. TUNG Ching Sai (董清世), *Vice Chairman*	House 108 Pinaceae Drive Palm Springs Yuen Long New Territories Hong Kong	Chinese
Mr. TUNG Fong Ngai (董貺漄), *Chief Executive Officer*	House 2, Carmel Avenue Royal Palms, Phase A Yuen Long New Territories Hong Kong	Chinese
Mr. LEE Yau Ching (李友情)	Flat B, 7th Floor, Tower 2 The Austin 8 Wui Cheung Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
Ms. CHENG Shu E (程樹娥)	Unit 5-3-1101 Xinyi Staff Quarters Xinyi Research & Development Centre No. 23, Wuyishan Road Economic & Technical Development Zone Wuhu City, Anhui Province PRC	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
Mr. LEUNG Ting Yuk (梁廷育)	Unit E, 16th Floor, Block 10 Vista Paradiso 2 Hang Ming Street Ma On Shan, New Territories Hong Kong	Chinese
The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.* (葉國謙)	Flat A, 7th Floor Cambridge Gardens 20 Babington Path Mid-Levels Hong Kong	Chinese
Ms. LYU Fang (呂芳)	Room 552 Block A2 Yard 16 Zhong Guan Cun East Road Haidian District Beijing PRC	Chinese

For details on our Directors, see the section headed “Directors, Senior Management, and Employees” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Financial Centre 8 Finance Street Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Financial Centre 8 Finance Street Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Kingsway Financial Services Group Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
Underwriters	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Financial Centre 8 Finance Street Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Kingsway Financial Services Group Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong

Legal advisors to our Company	*As to Hong Kong law:* Squire Patton Boggs 29th Floor Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to the law of the United States:* Squire Patton Boggs (US) LLP 275 Battery Street Suite 2600 San Francisco California 94111 United States *As to PRC law:* Grandall Law Firm (Shanghai) 23-25/F, Garden Square 968 West Beijing Road Shanghai 200041, PRC *As to BVI law*: Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisors to the Sole Sponsor, the Joint Global Coordinators and the Underwriters	*As to Hong Kong law:* Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong *As to PRC law:* Jun He Law Offices 26th Floor, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No.1) Shanghai, PRC

	As to the law of the United States: Milbank, Tweed, Hadley & McCloy LLP 30th Floor Alexandra House 18 Chater Road Central Hong Kong
Auditor and Reporting Accountant . .	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central Hong Kong
Industry consultant	K2 Management A/S Hasselager Centervej 27 Viby 8260 Denmark
Receiving bank	Hang Seng Bank Limited 83 Des Voeux Road Central Central, Hong Kong

Registered office	Jayla Place Wickhams Cay I Road Town Tortola, VG1110 British Virgin Islands
Principal place of business in the PRC	No. 102, Meidiya Road E Qiao Town Sanshan District Wuhu County Anhui Province PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 2118-2120, 21/F Rykadan Capital Tower No. 135 Hoi Bun Road Kwun Tong Kowloon Hong Kong
Authorized representatives	Mr. TUNG Fong Ngai (董貺漄) House 2, Carmel Avenue Royal Palms, Phase A Yuen Long New Territories Hong Kong Mr. TUEN Ling (段寧), *CPA (Non-practicing)* Flat C, 17/F Yat Sing Mansion (1/F-RF) Lei King Wan Shau Kei Wan Hong Kong
Company secretary	Mr. TUEN Ling (段寧), *CPA (Non-practicing)* Flat C, 17/F Yat Sing Mansion (1/F-RF) Lei King Wan Shau Kei Wan Hong Kong
Company's website	**www.xinyienergy.com** *(The information on the website does not form part of this prospectus)*
Audit Committee	Mr. LEUNG Ting Yuk (梁廷育) *(Chairman)* The Hon. IP Kwok Him *G.B.M., G.B.S., J.P.* (葉國謙) Ms. LYU Fang (呂芳)

Remuneration Committee	The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.* (葉國謙) *(Chairman)* Dr. LEE Yin Yee, *B.B.S.* (李賢義) Mr. TUNG Ching Sai (董清世) Mr. LEUNG Ting Yuk (梁廷育) Ms. LYU Fang (呂芳)
Nomination Committee	Dr. LEE Yin Yee, *B.B.S.* (李賢義) *(Chairman)* Mr. TUNG Ching Sai (董清世) The Hon. IP Kwok Him, *G.B.M., G.B.S., J.P.* (葉國謙) Mr. LEUNG Ting Yuk (梁廷育) Ms. LYU Fang (呂芳)
Acquisition Committee	Mr. TUNG Fong Ngai (董貺漄)*(Chairman)* Ms. CHENG Shu E (程樹娥) Mr. LEUNG Ting Yuk (梁廷育) The Hon. IP Kwok Him *G.B.M., G.B.S., J.P.* (葉國謙) Ms. LYU Fang (呂芳)
BVI Share Registrar	Estera Corporate Services (BVI) Limited Jayla Place, Wickhams Cay I PO Box 3190 Road Town, Tortola, VG1110 British Virgin Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance advisor	Lego Corporate Finance Limited Room 1601, 16/F China Building 29 Queen's Road Central Central Hong Kong
Principal bankers	*Hong Kong* Bank of China (Hong Kong) Limited 24th Floor, Bank of China Tower Central Hong Kong Hang Seng Bank Limited 20th Floor, 83 Des Voeux Road Central Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Chiyu Bank Corporation Limited
78 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Central
Hong Kong

PRC

China Citic Bank
7 Beijing Road
Jinghu District
Wuhu City
Anhui Province
PRC

Huishang Bank Corporation Limited
Block A, Tianhui Building
79 Anqing Road
Hefei City
Anhui Province
PRC

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by K2 Management in connection with the Global Offering. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market data providers, communications with various PRC Government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of this prospectus which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, our Directors, and any of the Relevant Persons (excluding K2 Management) have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned K2 Management to conduct market research and prepare the K2 Management Report on January 31, 2019. K2 Management is an independent global consulting firm that offers market research. We agreed to pay K2 Management an aggregate fee of HK$235,073 in connection with its preparation of the K2 Management Report. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing the K2 Management Report, K2 Management used the following sources:

— reviewed and accessed relevant information from its own global renewable technology information pool, which consists of projects across a range of areas within the solar power industry. Such information contains previous project information, technology use, and information regarding renewable energy developers and suppliers;

— its extensive experience in China and globally allowed K2 Management to determine relevant industry trends, and these trends have been outlined where relevant within the report;

— where necessary, conducted primary research, building on its existing knowledge base, and sourced information from its wide-ranging network of contacts within the solar power industry being studied as part of the research; and

— materials provided by the Company or the Sponsor which were considered appropriate for the study, together with any additional sources of information from the Company or the Sponsor, which K2 Management used to draw from. This was based on the condition that K2 Management conducted its own investigation and verification of such documents, to the extent it considered necessary or appropriate or otherwise had satisfied itself concerning, including and without limitation, the regulatory, financial, legal, currency and other economic considerations. K2 Management will not rely, or be entitled to rely, on any materials provided by the Company or the Sponsor. The provided sources may also be used as reference for areas of further study.

In preparation of the K2 Management Report, K2 Management assumed:

— key market drivers, such as the transition to clean energy and distributed power supply, and government support are expected to continue to increase the development of solar power in China;

— growing power demand and the urbanization of mainland China is expected to continue and increase the growth of the solar power market during the forecast period;

— the social, economic and political environments being examined in the report remain stable; and

— political demands of downstream industries will remain stable during the forecast period.

SOLAR POWER OVERVIEW

Solar energy is the most abundant energy source on Earth. Solar radiation received on Earth for one year would far exceed the reserves of finite fossil based energy resources. The direct conversion of solar radiation into electricity is often described as a photovoltaic ("**PV**") energy conversion. A solar power system generates electricity through its solar cells. Global solar power installation has been growing rapidly driven by continuous technological advancements improving price competitiveness, rising environmental awareness, and supportive government policies.

During the period between 2010 and 2018, the annual average growth of solar power was 122%, as compared to 25% for wind power, 19% for nuclear power, and 6% for hydro power during the same period in China.

KEY SOLAR POWER TECHNOLOGIES

The key components of a solar power system include a solar module, which consists of various solar cells interconnected and encapsulated with protective materials, the mounting structure for the module, and the inverter which converts direct-current ("**DC**") to alternating-current ("**AC**") electric power.

Solar cell

Solar cell technologies are broadly categorized as either crystalline silicon ("**c-Si**") or thin-film. In comparison, thin-film cells are relatively less costly than crystalline silicon due to both the less costly materials used and the simpler manufacturing process. However, thin-film cells are less efficient.

Solar module

c-Si solar modules consist of primarily a layer of individual solar cell arrays connected together, and along with other electrical circuit components, encapsulated between protective materials on the front (solar glass) and back (typically back sheet made with different polymers with dielectric properties for insulation and protection). Solar modules are typically rated between 50 W and 400 W and have commercial efficiencies between 17.0% and 22.7%. Solar modules are designed for usage over a long time, and solar module manufacturers typically provide 25 to 30 year power output warranty.

The performance of a solar module decreases over time. Degradation may result from different causes, such as humidity, temperature, solar irradiation and voltage bias, which is referred to as potential induced degradation ("**PID**"). For double-glass modules, solar cells are encapsulated with high-strength tempered glass on both sides with a frameless design. Compared to single-glass modules, double-glass modules are more durable and weather-proof, which means they can be deployed in more extreme environments with high-temperature, high-humidity, wind, salt, or arid conditions, such as coastal fronts, fish farms, and deserts. The frameless design means modules no longer need to be grounded, which saves on installation time and materials, and eliminates PID. Double-glass modules have a better degradation profile and thus can generate higher system power yield over its lifetime.

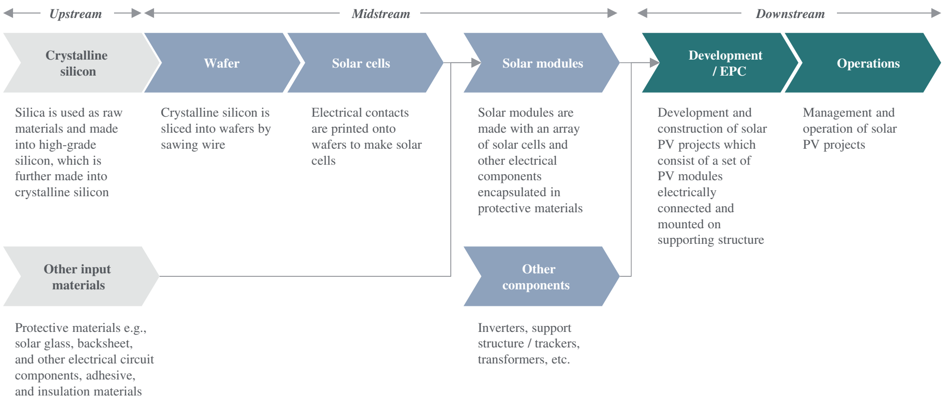
Current typical annual degradation profile (as % of original rated power)

Module Type	First Year	Subsequent Year	Module Degradation
Single-glass module	2.5-3.0%	0.68-0.7%	After 25 years, approximately 81%
Double-glass module	2.5-3.0%	0.5%	After 30 years, approximately 82.5-83.0%

Source: K2 Management

INDUSTRY VALUE CHAIN

The solar power industry can generally be categorized into upstream, midstream and downstream segments. Upstream participants produce raw materials such as silicon, polysilicon, and solar glass. Midstream participants utilize raw materials as inputs to produce wafers, manufacture solar cells and assemble solar modules. Downstream participants develop, construct and/or operate solar farm projects.



Source: K2 Management

TYPES OF SOLAR FARM PROJECTS

Utility-scale solar farm projects

Utility-scale ground-mounted solar farm projects are large-scale solar farm projects typically supplying grid-connected power at utility-scale with either a private/government owned utility or industrial end-users as off-takers, with long-term concessional or off-take arrangements. In China, the majority of such projects are connected to the state grid. Due to the large site area required, they are typically located in remote locations. The unit cost of constructing and operating large-scale solar farm projects are generally lower than in small-scale solar farm projects due to higher economies of scale and fixed cost spreading across a larger unit base.

Distributed solar farm projects

Distributed solar farm projects are solar farm projects which generate power for on-site usage. Distributed solar farm projects are often built on rooftop of buildings, and hence are often referred to as rooftop solar farm projects. Owners of distributed solar farm projects can directly supply energy to end-users, or sell electricity to private/government utilities. Distributed solar farm projects are smaller in scale than utility-scale solar farm projects.

Solar tracking

Solar modules are mounted on fixed-angle frames or sun-tracking frames. Solar resource varies across latitude, topographical, and climatic conditions. Fixed frames are simpler to install and less expensive and require relative less maintenance. A tracking system is consisting of either single or dual-axis trackers that mechanically rotate the solar modules to track the position of the sun for the purpose of maximizing the time for solar radiation exposure, and thus generate more electricity than the fixed-angle frame. The energy yield can typically be increased by using single-axis and dual-axis trackers in high insolation areas as compared with the fixed-angle frame. Single-axis tracking solar power systems have become dominant for utility-scale ground-mounted solar power systems in high insolation areas with the benefits exceeding the costs. Compared to the single-axis systems, the dual-axis tracking systems have even steeper ramp rates in the morning and evening.

COST OF ELECTRICITY GENERATION

The costs associated with solar power generation have been rapidly declining in recent years due to technological advancement. Solar power systems can now generate electricity at price levels comparable with conventional power generation. Globally, it is estimated that the price of solar power will reach grid-parity with traditional coal-fired power by 2025.

The cost associated with PV system decreased from 17.5 RMB/Wp in 2011 to 6.8 RMB/Wp in 2017, and the cost for PV modules also decreased from 9.0 RMB/Wp to 3.0 RMB/Wp during the same period in China.

The Levelized Cost of Electricity (LCOE) of global utility-scale solar power decreased steeply from 2010 to 2017, while it is forecasted that the LCOE of utility-scale solar power systems will continue to reduce through 2025. There is a downward trend of the LCOE of solar power globally until 2025.

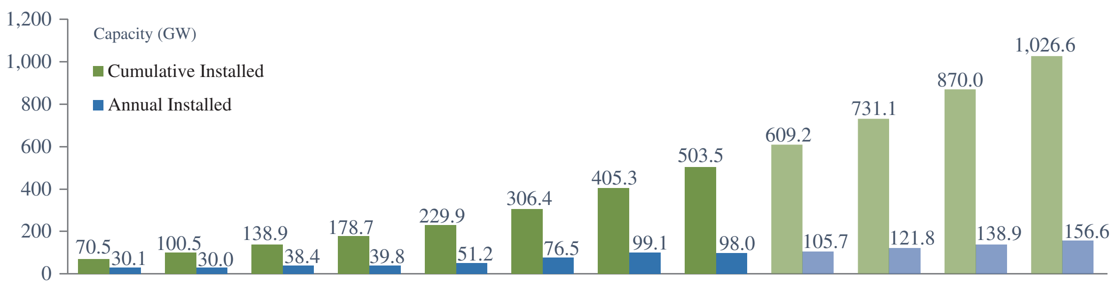
The PRC Government's Solar Development 13th Five-year Plan states that, by 2020, the cost of solar power generation will have fallen by more than 50% compared to 2015, when solar power generation is expected to achieve grid-parity.

Solar farm operational and maintenance ("**O&M**") costs changed slightly from 2016 to 2017 in China from RMB0.05/W to RMB0.05-0.06/W. Based on the 2016 and 2017 Feed-in-Tariff rates, annual O&M costs account for less than 5.10% and 5.88-7.06% of the generated revenue, respectively.

GLOBAL SOLAR POWER INSTALLATION

There has been a rapid growth of solar power installation globally in the past decade. The global cumulative installed capacity reached 503.5 GW by the end of 2018. In only seven years, from 2011 to 2018, the cumulative installed capacity increased about 600% from 70.5 GW. Installed capacity is now 77 times greater than it was at the end of 2006 (6.5 GW). The chart below depicts this growth up to 2018, and also provides an estimation up to 2022, showing both annually installed and cumulative installed capacity.

Global Annual Installed & Cumulative Installed Capacity



Source: K2 Management

With the rapid growth in export of PV module in China, anti-Dumping duty (ADD) was introduced to the Chinese PV modules by multiple countries including USA, European Union (EU), Korea, India and Turkey. For instance, EU and USA are the major export partners for Chinese solar PV manufacturers, and they are accounted for around 70% for the total export in 2012. The ADD of EU was introduced in 2012, but became invalid after September 3, 2018. USA introduced Customs Duty in October 2012, which vary from 18.32% to 249.96% of the import price, and the recent round of Customs Duty (with 30% of the import price) has been introduced since January 2018.

As Chinese module manufacturers suffered from the decrease of export, the government stimulated the domestic demands to consume the modules domestically by promoting large solar plants. The movement has been pushed by introducing framework policies such as "Comments on facilitating the stable development of solar industry" and so on. Hence, prior to 2015, solar power plants in the China are largely centrally planned, driven by utility-scale projects under the PRC government's incentives, such as financial subsidies, preferential Feed-in-Tariff and Quota System. Therefore, the development of solar power market in China were boosted since 2012 and the total installed capacity of solar power plants dramatically increased.

During 2018, China installed over 44.26 GW of solar power capacity, which accounted for 45% of global newly installed capacity.

CHINA SOLAR POWER INSTALLATION

Currently, China is the largest and fastest growing solar energy market in the world, and is expected to lead the global demand in terms of annual solar power installation and capital investment in solar farm projects between 2018 and 2020. In 2018, China led the world as the largest solar power installation market for the sixth consecutive year, with 44.26 GW of installations. The cumulative solar power generation capacity in China grew from 2.1 GW in 2011 to 174.5 GW by the end of 2018, representing a CAGR of 88.03%. Solar power is the fastest growing type of renewable energy in China. Such rapid growth is largely attributed to a favorable regulatory environment and supportive policies, in addition to continuous improvement and declining cost of solar power technologies.

Some domestic solar power markets have been over-stimulated, and in some areas the has been limited because the installed capacity has exceeded the actual demand; thus, the National Renewable Energy Development Fund experienced shortage of funding to support the significantly increasing subsides of solar market, and this was one of the reasons leading to the announcement of no further approvals for new projects with subsidy for the remainder of 2018 and competitive bidding for FiT. Since 2015, the market has started to be diversified with other supportive policies to develop distributed projects and launch the Forerunner Program and poverty alleviation program.

China Solar Power Installed Capacity (2013-2018) (GW)

Year	Utility-scale (newly-installed)	Distributed (newly-installed)	Cumulative
2013	12.1	0.8	19.4
2014	8.6	2.1	28.1
2015	13.7	1.4	43.2
2016	30.3	4.2	77.4
2017	33.6	19.4	130.3
2018	23.3	21.0	174.5

Source: K2 Management, NEA

The table below shows how China planned the installed capacity in the conservative scenario and positive scenario from 2019 to 2025.

China Solar Power Market — Expected Newly Installed Capacity (2019-2025)

Year	Conservative Scenario (MW)	Positive Scenario (MW)
2019	35,000	45,000
2020	40,000	50,000
2022	45,000	60,000
2025	50,000	70,000

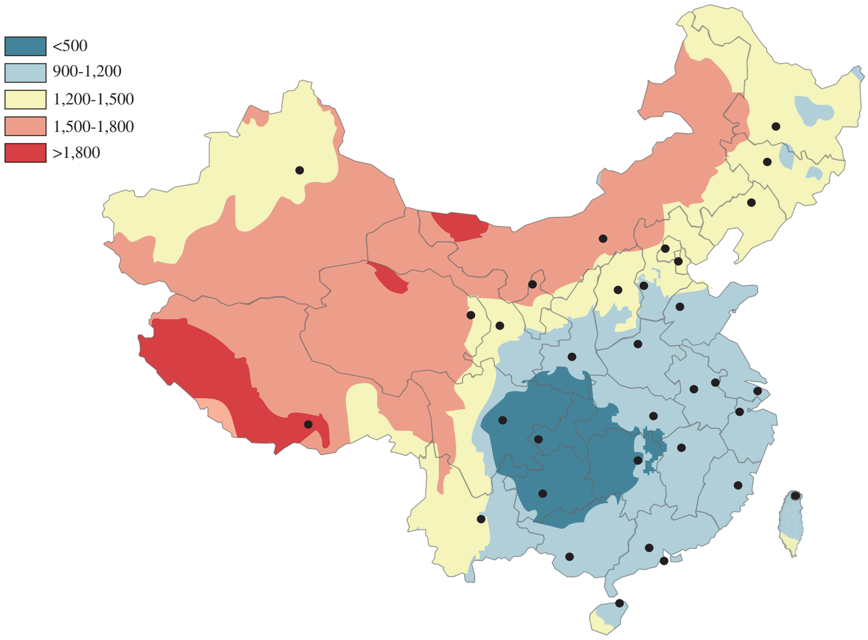
Source: K2 Management

Despite rapid installation growth in recent years, solar power installed capacity contributed to around 1.8% of the electricity demand in China in 2017 and around 2.5% in 2018, which is much lower than developed solar power markets, such as Germany (7.47%), Italy (7.11%), and Japan (5.93%). Globally, solar power installed capacity contributed to 2.14% of electricity demand in 2017. China aims to have solar power accounting for 15% of all new energy capacities installed, to reach 7% of total installed energy capacity, and account for 2.5% of the national electric power generation by 2020.

SOLAR IRRADIATION IN CHINA

Solar irradiation varies across different geographical locations, and this variation affects the annual effective utilization hours of solar power systems across locations. Northwestern, Western and Northern areas in China feature relatively higher level of solar irradiation levels compared to Central, Southern, and Eastern China.

China Solar Power System — Annual Effective Utilization Hours (2017)



Source: K2 Management

On the national level, China historically has minor variation in annual solar irradiation level over the years. In 2018, China recorded an average monthly solar irradiation level of 1,486.5 kWh/m^2, which is slightly lower than 2017. The level is close to the 10-year average irradiation between 2008 and 2018, with only 7.6 kWh/m^2 less. On project site level, typical irradiation variation across one year is between 2-3% from the average.

SOLAR INSTALLATION — SUPPORTIVE POLICIES IN CHINA

Feed-in-Tariff (FiT) regime

Since 2005, the PRC Government has initiated multiple incentive programs to promote sustainable growth in the solar power industry and to provide attractive pricing mechanisms for solar power.

Under the FiT regime, utility-scale solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the FiT at the same rate for 20 years for grid-connected electricity generation. The FiT regime promotes investment in solar farm projects by providing the certainty of long-term economic benefits to solar farm investors.

Since 2014, the NDRC has divided China into three different solar resource zones with standardized on-grid FiT rates, reflecting different solar irradiation levels across different geographical areas. The NDRC has been periodically adjusting the FiT rates as the cost of solar power technologies continually becomes more competitive.

Benchmark FiT Rate/Guidance Price (RMB/kWh) and Resource Zones

		Benchmark FiT Rate (RMB/kWh)					
Resource Zone	*Geographical Areas*	*Jan14–Dec15*[i]	*Jan16–Dec16*[j]	*Jan17–Dec17*[k]	*Jan18-Jun18*[l]	*Jul 18-Jun19*[m]	*Beyond Jul 1, 19*[n]
I	Ningxia, Qinghai Haixi, Gansu[a], Xinjiang[b], Inner Mongolia[c]	0.90	0.80	0.65	0.55	0.50	0.40
II	Beijing, Tianjin, Heilongjiang, Jilin, Liaoning, Sichuan, Yunnan, Inner Mongolia[d], Hebei[e], Shanxi[f], Shaanxi[g], Qinghai[h], Gansu[h], Xinjiang[h]	0.95	0.88	0.75	0.65	0.60	0.45
III	All other areas not listed under resource Zones I and II	1.00	0.98	0.85	0.75	0.70	0.55

Note (1) Feed-in-Tariff rate for Tibet is RMB1.05 kWh
a) Gansu includes Jiayuguan, Wuwei, Zhangye, Jiuquan, Duanhuang and Jinchang
b) Xinjiang includes Hami, Tacheng, Aletai and Kelamayi
c) Inner Mongolia includes all areas except for Chifeng, Tongliao, Xinganmeng and Hulunbeier
d) Inner Mongolia includes Chifeng, Tongliao, Xinganmeng and Hulunbeier
e) Hebei includes Chengde, Zhangjiakou, Tangshan and Qinhuangdao
f) Shanxi includes Datong, Shuozhou and Xinzhou
g) Shaanxi includes Yulin and Yanan
h) All areas except for those under resource zone I above
i) Effective from January 1, 2014, and inclusive of solar farm projects approved after September 2013 or previously approved but grid-connected after January 1, 2014
j) Effective from January 1, 2016, and inclusive of solar farm projects approved in 2016 or previously approved but grid-connected after June 30, 2016
k) Effective from January 1, 2017, and inclusive of solar farm projects approved in 2017 or previously approved but grid-connected after June 30, 2017
l) Effective from January 1, 2018 and inclusive of solar farm projects starting construction prior to May 31, 2018, and completed grid connection before June 30, 2018
m) Effective from May 31, 2018 and inclusive of solar farm projects grid-connected after June 30, 2018
n) Effective from July 1, 2019 and inclusive of solar farm projects grid-connected after June 30, 2019

Source: K2 Management

On 28 April, 2019, the NDRC released the 2019 Solar FiT Notice to be effective from July 1, 2019. The benchmark FiT has been renamed as Guidance Price which the FiT rates of new utility-scale PV solar farms that are required to determine through competitive process and connected to grid after June 30, 2019 should not exceed. The Guidance Price has been further reduced, comparing to the benchmark FiT rate indicated in the 2018 Solar Power Industry Notice.

Separately, new residential distributed solar farm projects are entitled to a subsidy of RMB0.18/kWh. New commercial & industrial ("C&I") distributed solar farm projects with "combined self-use and spare on grid" model are entitled to a subsidy of RMB0.10/kWh, while those C&I distributed solar projects with "full on grid" model should follow the Guidance Price in respective resource zone.

Subsidy settlement and Renewable Energy Fund

The FiT for utility-scale solar farm projects is composed of two components. Solar farm operators receive the revenue from local grid companies, which are subsidiaries of the two state-owned grid companies. The sale of electricity is paid and settled on a monthly basis.

Sale of electricity: The on-grid benchmark tariff rates of local coal-fired power plants.

Tariff adjustment: Difference between FiT and the sale of electricity.

The on-grid benchmark tariff rates of local coal-fired power plants vary across province. The prevalent rates, effective from July 1, 2017, range from RMB0.26/kwh to RMB0.451/kwh and represent RMB0.01 increase on national average over the previous rates which were effective since January 1, 2016.

Solar farm operators receive from local grid companies the tariff adjustment, which is funded by the Ministry of Finance utilizing the income of the Renewable Energy Fund. The Renewable Energy Fund was established by the Ministry of Finance in 2006 with the main objective of supporting renewable energy development in China. It is primarily funded by the Renewable Energy Surcharge, which is collected from electricity end-customers within the retail tariff. The Renewable Energy Fund in turn provides funding for subsidies to be paid to renewable power projects in China.

Since 2009, the Renewable Energy Fund started to record a funding shortfall due to the rapid development of the solar power installation in the PRC and the insufficient amount of the Renewable Energy Surcharge. The NDRC has raised the rate of the Renewable Energy Surcharge several times to increase income for the fund. Despite the Ministry of Finance increasing the Renewable Energy Surcharge rate and the injection of RMB 8.6 billion and RMB 14.8 billion in 2012 and 2013, respectively, the Renewable Energy Fund has continued to experience a funding deficit. As a consequence, the deficit contributes to the delay of subsidy settlement.

Renewable Energy Surcharge Rate (RMB/kWh)

Effective from date	July 2006	July 2008	November 2009	January 2012	September 2013	January 2016
Surcharge rate	0.001	0.002	0.004	0.008	0.015	0.019

Source: K2 Management

Since 2012, the NDRC, Ministry of Finance, and NEA have jointly announced seven batches of Subsidy Catalogues. Each batch announcement contains a number of solar farm projects which will receive subsidies from a preceding period of time up to the announcement date. For example, the sixth batch includes solar farm projects constructed under the national quota system in the PRC that were connected to the grid from September 2013 to February 2015. The seventh batch includes solar farm projects constructed under the national quota system in the PRC that were grid connected prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue.

Subsidy Catalogue - Announcement Dates

Batch	1	2	3	4	5	6	7
Announcement date	June 2012	October 2012	December 2012	February 2013	August 2014	August 2016	June 2018

Source: K2 Management

National quota system in the PRC

The PRC Government regulates solar power installation development with a quota system. It is mandated that solar farm projects are developed under this national quota system in the PRC in order to be eligible for various tariff adjustment benefits. The NEA sets an annual solar installation capacity quota on both national and provincial levels. Provincial governments and local power authorities are responsible for the assignment of its allocated quota to solar farm developers. The national quota system in the PRC allows the PRC Government to optimize resource allocation, with a periodic review reflecting latest demand and supply scenarios. The PRC Government has continued to refine the national quota system in the PRC in the past few years, including introducing intra-period installation progress audits and repositioning unused quotas to areas suitable for new development.

In 2015, the approval process for utility-scale solar farm projects was delegated to the local government level from the central government. No quota restriction is imposed for distributed solar projects and self-use utility-scale solar PV projects until the publication of the 2018 Solar Power Industry Notice that 10 GW quota for distributed solar projects is determined in 2018. Such projects require only regional filings with regional power authorities authorized to administer the application process. Once the application has been submitted and approved, the local grid companies will install grid-connections accordingly. After grid connection, the approved solar farm projects start its commercial operation.

In July 2017, the NEA announced a new target on solar power installation for 2017-2020, with standard PV plant and "Forerunner Program" accounting for 54.5 GW and 32 GW respectively.

The Forerunner Program aims to promote the application of advanced solar power technologies, with clear criteria setting out the specification for the development of solar farm projects. The program's aim is to accelerate the upgrading rate of industrial technology and over time assist in reducing obsolete technologies used in solar farm development. The size of each solar farm project under the Forerunner Program should principally be 100 MW or above. Project quota assignments are determined through a competitive tender bidding process, and competitive tariff pricing is an essential criterion for tender assessment.

It is common practice for the solar farm developers to submit quota applications and start construction after confirmation of the award of the quota. Solar farm quotas may be awarded before or upon grid connection with partially or fully completed installed capacity.

Forerunner Program Solar Farm Quota by Province in 2017

	Shanxi	Inner Mongolia	Jiangsu	Jilin	Qinghai	Shaanxi	Hebei
Capacity (MW) . . .	4,000	2,000	3,080	2,000	2,000	1,000	1,000

Source: K2 Management

On January 7, 2019, the NDRC and the NEA issued the 2019 Grid Parity Notice for the purpose of promoting subsidy-free grid price parity for wind power and solar power. Pursuant to 2019 Grid Parity Notice, NDRC and NEA encourage the construction of renewable energy projects, which will receive no subsidy and implement the benchmark price for coal power (the"Equal Price Projects"), and subject to certain conditions, the construction of pilot renewable energy projects, which will sell power at a price lower than the coal benchmark (the "Low Price Projects"). Further, the Equal Price Projects and the Low Price Projects will receive policy supports, including but without limitation to:

(i) the Equal Price Projects and the Low Price Projects, which satisfy certain conditions and have been constructed under the guidance of the local provincial competent authorities, will not be subject to the restriction under national quota system in the PRC;

(ii) relevant local government will give support on land utilization and land-related charges, and the relevant cost of the project site will be reduced;

(iii) prioritized power generation and full-amount protective purchase are assured; and

(iv) power grid enterprises at provincial level will be responsible for purchasing power generated from Equal Price Projects and Low Price Projects and entering into long-term fixed-rate power purchase contract (for no less than 20 years) with the relevant power generating companies according to the local benchmark prices for coal power when the project is approved.

Relevant supporting policies will remain unchanged during the operation period of the Equal Price Projects and the Low Price Projects, which satisfy the requirements of the 2019 Grid Parity Notice and have been approved and commenced construction before the end of 2020.

Competitive bidding

In June 2016, the NEA released a guideline for the allocation of quotas for solar farm projects, stating that a competitive bidding process must be adopted in order to award solar farm investors with quotas. These quotas will be allocated only to provinces with an established bidding process. Selection criteria in the bidding process will include the following: tariff pricing, investment capability, track record on the operation of solar farm projects and technological advancement. The way of bidding and the weighting of selection criteria vary among provinces. Meanwhile, competitive tariff pricing is required to be the major selection criteria of the total score for tender assessment.

The introduction of competitive bidding allows for increased transparency in the reward of quotas, in addition to visible standards listed as selection criteria. Along with the increased price competition, the winning price is expected to decline, so is the price of new solar farm future acquisition/disposal, which is a benefit to solar farm investment companies. For example, in Anhui, winning bids for projects were between RMB0.56/kWh and RMB0.73/kWh, which implies a 14.1%-34.1% discount to the benchmark rate of RMB 0.85/kWh in 2017. Also the increased price competition is expected to prevent cost-inefficient players from entering the market, thereby benefitting technologically advanced and cost-efficient players and optimizing the investment market for solar farm investment companies.

Top priority dispatch

The PRC Government has established an electricity purchase priority list giving renewable energy types such as wind, solar, and marine energy a prioritized position.

China's Power Generation Priority List

1. Wind, solar, marine, hydro and other renewables (with no flexibility in power generation)
2. Hydro, biomass, geothermal and other renewables (with flexibility in power generation) and waste-to-energy
3. Nuclear power
4. Co-generation coal-fired power
5. Gas-fired power and coal gasification power
6. Coal-fired power (units with lower energy consumption and emissions have higher dispatch priority)
7. Oil-fired power

Source: K2 Management

Curtailment and utilization hour protection

Northwest China has a high solar irradiation and thus provides high yields for solar power installations. However, the total electricity consumption of the five provinces in Northwest China (Gansu, Qinghai, Ningxia, Shaanxi and Xinjiang) amounted to only 632.5 billion kWh in 2017, accounting for less than 10.0% of China's total electricity consumption of 6.31 trillion kWh in the same year. Despite efforts to transmit power cross-province to consume some of the power generated, the power supply and demand imbalance persists and has resulted in curtailment of solar farm projects output in these areas.

In order to address the grid curtailment issue, the NDRC released an "utilization hour protection policy" in May 2016, which listed the guaranteed utilization hours for solar electricity generated to be purchased by the grid for Zone I and Zone II areas. Zone III locations are mostly industrialized, where no issues have emerged and therefore were not included in the policy. The policy states that electricity generated within the guaranteed utilization hours will enjoy the highest priority dispatch. If a solar project's utilization falls below the guaranteed hours, the shortfall is to be compensated by the grid in the full amount (i.e. takes into account curtailed amount of electricity and benchmark Feed-in-Tariff). If a solar farm project's utilization exceeds the guaranteed hours, the solar farm operator is encouraged to sell the extra electricity through the open market or bilateral agreements with power retailers or end users. While the guaranteed utilization hour protection policy states that the shortfall is to be compensated by the grid in the full amount, there is uncertainty on whether the policy could be effectively implemented by local government.

In July 2017, the NEA prohibited new solar power installation within 2017-2020 in Gansu, Xinjiang and Ningxia, except for installations under the Solar Project for Poverty Alleviation initiative.

Solar projects for poverty alleviation

Policies have been developed to alleviate poverty by installing distributed solar projects in households and providing the residents with income generated from subsidies of distributed solar energy, with the majority of capital cost subsidized by the central or local government. The program aims to provide more than RMB 3,000 annual income per household to 35,000 registered poverty villages across 471 counties in 16 provinces by 2020. The policy was first published in October 2014. In March 2016, the NDRC updated the policy and detailed the objectives and key steps. Subsequently, in December 2016, NEA released the 13th Five-Year Energy Development Plan, which provided further guidance. The 2018 Energy-guidance released on March 2018 mentioned that village-level Solar Projects for Poverty Alleviation would account for 15 million kWh, which will benefit two million household in poverty.

POWER TRANSMISSION AND DISTRIBUTION

The two grid companies, the State Grid Corporation of China and the China Southern Power Grid, are responsible for the transmission and distribution of electric power in China. China Southern Power Grid is in charge of the operation and maintenance of the grid network and power supply in Guangdong, Guangxi, Yunnan, Guizhou and Hainan provinces. State Grid Corporation supplies power to over 1.1 billion people in 26 provinces, autonomous regions and municipalities in China, covering 88% of the national territory, making it the largest utility company in the world.

The PRC Government is encouraging solar farm operators to benefit from the development of inter-province transmission lines, which will allow solar farm projects to be built in remote areas and supply energy cross-provinces. One of the current objectives of the government is the utilization and combination of multiple energy sources, the increase of power consumption from renewable sources and the improved efficiency of them. In the northern areas of China, making use of existing and/or planned ultra-high voltage inter-province transmission channels will help increase energy consumption from these areas and increase the proportion of renewable energy sources being distributed via such transmission channels.

LANDSCAPE OF CHINA SOLAR FARM INDUSTRY

Key factors affecting the competitive landscape of China solar farm industry include in-house EPC capability and construction cost, execution track record with local government and access to low-cost capital, etc..

In-house EPC capability and construction cost. Solar farm developers may choose to construct solar farms with an in-house EPC team, or out-source construction to an external EPC contractor. In-house EPC capability allows solar farm developers to have better control of its solar farm design and construction, higher flexibility on the choice of solar power system components, and allows them to accumulate valuable know-hows in the development and construction process, including the testing and commissioning of latest technological applications and innovations. Internal EPC capability also lowers the cost of solar farm construction by capturing the margin in-house. Solar PV industry leaders can also take advantage of their supplier/customer relationship to negotiate for better module pricing for solar PV projects.

Execution track record with local government. Despite tariff price becoming the most important criteria for tender assessment after the introduction of competitive bidding, the local government take into consideration other criteria such as contribution to and impact on local economies, credit-worthiness of bidders. Solar farm developers and operators with competitive tariff pricing and strong execution track records are more favorably positioned to secure projects quotas.

Access to low-cost capital. Subsidy payments in China are often delayed for 2 to 3 years, resulting in cash flow pressure for project owners. Best practice would suggest that owners should have sufficient contingencies in place to ensure sustainable development of a solar farm portfolio. Having access to low-cost financing is also important.

Key participants in solar farm projects in China include state-owned enterprises (including the five large state-owned power generation companies(1) and four small state-owned power generation companies(2)) and a number of private sector participants, which mainly consist of vertically or partially integrated solar industry manufacturers. State-owned enterprises continue to have a higher market share of solar installation as of 2018, despite the increasing market share of private enterprises.

Notes:

(1) China Huaneng Group, China Datang Corporation, China Guodian Corporation, China Huadian Corporation, and State Power Investment Corporation.

(2) State Development & Investment Corporation, China Shenhua Group, China Resources Power Group, and China General Nuclear Power Group. In 2017, China Guodian Corporation and China Shenhua Group have merged and reorganized as State Energy Investment Corporation.

Top Concentrated Utility-scale Solar Farm Owners & Operators by Cumulative Installed Capacity (2018)[1]

Overall Ranking	Private Enterprise Ranking	Company	Cumulative Installed Capacity in 2018[(2)] (MW)		Market Share
1		SOE	11,659	(2017)	6.68%
2	1	PE	6,824	(1H 2018)	3.91%
3		SOE	4,220	(2018)	2.42%
4		SOE	4,200	(1H 2018)	2.41%
5		SOE	4,000	(2018)	2.29%
6		SOE	3,170	(2018)	1.82%
7	2	PE	3,020	(2018)	1.73%
8		SOE	2,806	(2017)	1.61%
9		SOE	2,467	(1H 2018)	1.41%
10	3	Xinyi Solar	2,282	(2018)	1.31%
11	4	PE	2,051	(1H 2018)	1.18%
12	5	PE	1,979	(1H 2018)	1.13%
13	6	PE	1,819	(1H 2018)	1.04%
14	7	PE	1,512	(1H 2018)	0.87%
15	8	PE	1,220	(2017)	0.70%
		Subtotal	**53,229**		**30.50%**
		Others	**121,281**		**69.50%**
		Total	**174,510**		**100%**

SOE: Refers to state-owned enterprises
PE: Refers to private enterprises (not state-owned)
(1) The table above is produced by K2 Management based on publicly available information (by March 13, 2019, being the report issuing date) from companies (e.g. annual reports) where possible.
(2) Data statistic used here is to the end of 2018, first half year of 2018 or to the end of 2017 based on the data available at the time of report writing.
Source: K2 Management

MARKET DRIVERS

Environmental Awareness and Society Responsibility

Awareness of climate change and other environmental concerns has increased in the last few decades. As the world's largest polluter, by far, it is likely to be urgent for China to address its environmental issues while continuing to meet domestic electricity needs. Domestically, China's 13th Five-Year Plan aims at smooth the switch from coal driven industry to sustainability diversifying its energy mix, with focus on wind and solar. Internationally, the Paris Climate Agreement signed by China in 2016 requires China to reduce its carbon emissions beginning from 2030 or earlier, while increasing energy use from zero-emission sources to 20% by 2030. These should ensure that the government stays committed to renewables over the long term.

Regional Demand for Electrification

Electricity consumption in China increases steadily every year from 5.3 trillion kwh in 2013 to 6.3 trillion kwh in 2017. Rising demand for electricity in China has led to several power supply shortages over the past few years, which has stimulated demand for solar power generation. Especially in central and eastern China, high demand of power with no curtailment creates plenty of opportunities for developing solar power projects.

Technological Improvements

The rapid growth of solar installed volume in China also leads to burgeoning competition in the China's solar PV supply market, the module prices have been declining steeply on year over year basis, which, in turn is forcing LCOE to move downwards. To achieve profits in the competition and reflect the current policies, Chinese manufacturing enterprises have also focused on the improvement of technology, to develop more reliable and high-efficiency products.

For the electricity consumption, the average portion of non-hydro renewable energy in 2016 and 2017 are 6.3% and 8.0% respectively across the country, and the obligatory target in 2018 is 9.3%. The further obligatory target set for 2020 is to reach an average proportion of 11.4%.

Comparing to 2016, the electricity consumption of non-hydro renewables energy in all provinces experiences an increase in 2017, except for Guizhou province. Furthermore, to achieve the obligatory target of 2020, following top 20 provinces are expected to contribute more on developing the non-hydro renewable energy, such as Qinghai, Hunan, Gansu, Heilongjiang, Beijing, Tianjin, Hebei, Shaanxi, Shandong, Zhejiang, Hubei, Xinjiang, Anhui, Shanxi, Henan, Jiangsu, Guangxi, Fujian, Jiangxi and Liaoning. Whilst, the contribution from Inner Mongolia, Yunnan and Ningxia will be limited, since their figures of 2017 have already exceeded the value of 2020 target.

Below table displays the cumulative and newly-installed solar PV capacities across China on a province-by-province basis. This table demonstrates that western provinces have installed a significant proportion of installed capacity throughout the country, compared with more central and eastern provinces. As of Q3 of 2018, the newly-installed Solar PV capacities in most of China decreased year-on-year, whilst year-on-year growth of 44.2% in South China.

Electricity consumption of Non-hydro Renewable Energy by Province

Province	Electricity Consumption			
	Portion of Non-Hydro Renewable Energy in 2016	Portion of Non-Hydro Renewable Energy in 2017	Obligatory Target Portion of Non-Hydro Renewable Energy in 2018	Obligatory Target Portion of Non-Hydro Renewable Energy by 2020
Tianjin	9.0%	10.4%	10.5%	15.0%
Anhui	6.1%	8.8%	9.5%	11.5%
Fujian	3.7%	4.5%	4.5%	6.0%
Henan	4.4%	8.1%	9.0%	10.5%
Hubei	4.7%	6.8%	7.5%	10.0%
Beijing	9.0%	10.4%	10.5%	15.0%
Hebei	9.0%	10.4%	10.5%	15.0%
Shanxi	10.0%	12.0%	12.5%	14.5%
Inner Mongolia	15.3%	18.3%	18.0%	18.0%
Liaoning	8.6%	9.2%	10.0%	10.5%
Jilin	13.7%	16.4%	15.0%	16.5%
Heilongjiang	12.4%	15.8%	15.0%	20.5%
Shanghai	2.0%	2.7%	2.5%	3.0%
Jiangsu	4.2%	5.4%	5.5%	7.5%
Zhejiang	3.6%	4.2%	5.0%	7.5%
Jiangxi	3.8%	6.5%	6.5%	8.0%
Shandong	5.6%	6.9%	9.0%	10.5%
Hunan	4.1%	7.2%	9.0%	13.0%
Guangdong	1.9%	3.2%	3.5%	4.0%
Guangxi	1.3%	3.0%	4.0%	5.0%
Hainan	4.5%	4.7%	4.5%	5.0%
Chongqing	1.6%	2.4%	2.0%	2.5%
Sichuan	2.3%	3.3%	3.5%	3.5%
Guizhou	4.6%	4.3%	4.5%	5.0%
Yunnan	12.5%	14.2%	11.5%	11.5%
Tibet	10.1%	14%	Out of Assessment	Out of Assessment
Shaanxi	3.8%	7.7%	9.0%	12.0%
Gansu	12.5%	13.8%	15.5%	19.0%
Qinghai	18.3%	18.5%	19.0%	25.0%
Ningxia	19.1%	21.0%	18.0%	20.0%
Xinjiang	11.1%	13.1%	14.5%	16.0%
Total / Average*	**6.3%**	**8.0%**	**9.3%**	**11.4%**

Note: no detailed breakdown to solar, biomass, wind, etc.

* The average numbers for 2016 and 2017 are based on the overall non-hydro renewable energy electricity consumption. The average numbers for obligatory target and incentive target of non-hydro renewable energy in 2018 and 2020 are based on the averaged of portion directly in each province.

Source: K2 Management

Provincial Data of Installed Capacities: Cumulative & Newly-Installed (10MW)

Province	Solar PV Capacity in 2016		Solar PV Capacity in 2017#		Solar PV Capacity in 2018 (Q1-Q3)	
	Cumulative Installed	Newly-installed	Cumulative Installed	Newly-installed	Cumulative Installed	Newly-installed
Tianjin	60	47	67	7	105	38
Anhui	345	225	888	543	1,069	181
Fujian	27	12	92	65	138	46
Henan	284	244	703	419	962	259
Hubei	187	138	414	227	504	90
Beijing	24	8	25	1	36	11
Hebei	443	203	868	425	1,127	259
Shanxi	297	183	590	293	804	214
Inner Mongolia	637	148	743	106	880	137
Liaoning	52	36	223	171	290	67
Jilin	56	49	159	103	201	42
Heilongjiang	17	15	94	77	195	101
Shanghai	35	14	58	23	85	27
Jiangsu	546	123	908	362	1,237	329
Zhejiang	338	175	814	476	1,089	275
Jiangxi	228	185	450	222	526	76
Shandong	455	322	1,052	597	1,314	262
Hunan	30	1	176	146	271	95
Guangdong	156	92	332	176	494	162
Guangxi	18	6	69	51	109	40
Hainan	34	10	33	-1	100	67
Chongqing	0.5	0	12	11.5	42	30
Sichuan	96	60	135	39	172	37
Guizhou	46	43	137	91	181	44
Yunnan	208	144	233	25	320	87
Tibet	33	16	79	46	89	10
Shaanxi	334	217	524	190	617	93
Gansu	686	76	785	99	804	19
Qinghai	682	119	790	108	955	165
Ningxia	526	217	620	94	786	166
Xinjiang	862	329	947	85	974	27
Total	**7,742**	**3,454**	**13,020**	**5,278**	**16,474**	**3,454**

* The data includes distributed and utility-scale solar PV plants.

\# The cumulative installed and newly installed numbers in 2017 are calculated based on the numbers from 2016 and 2018(Q1-Q3) in this table which resourced from NEA and CNREC.

Source: K2 Management, National Energy Administration, china National Renewable Energy Centre.

Our business is in the PRC. Therefore, our business must comply with the relevant laws and regulations of the PRC. These regulations cover such areas as project approvals, filing, power generation, power transmission, power grid management and on-grid tariff, etc. In addition, our business operation must be in compliance with the general laws and regulations of the PRC as well, such as laws and regulations in connection with land, environmental protection, work safety, companies, foreign investment, foreign-exchange administration and taxes.

PRINCIPAL REGULATORY AUTHORITIES IN THE PRC

We are subject to the governmental supervision and restriction mainly by the following regulatory authorities in the PRC.

The NDRC and the NEA and local offices under the NDRC's administration, whose principal functions include (without limitation): to formulate and implement major policies regarding economic and social development of China; to examine, approve and file up power-sector investment projects of certain size; to formulate rules and regulations in relation to operation of power stations; to set electricity price; to be responsible for electricity governing of the whole nation; to formulate rules for operation of the electricity market; to draft plans for the development of electricity market and setup of regional electricity market; and to examine and determine the operation pattern of electricity market, plans for establishment of trading institutions of power grid management, etc.

MEE and local environmental protection authorities. Their principal functions include (without limitation): to establish a sound basic system for environmental protection; to prevent and control environmental pollution and environmental damage at source; and to oversee and administer the prevention and control of environmental pollution.

The State Administration of Work Safety and local administrations of work safety. Their principal functions include (without limitation): to formulate policies and plans for work safety; to guide and coordinate national work safety inspections; to exercise, according to law, the functions and powers to comprehensively oversee and administer work safety; and to guide, coordinate and supervise the nationwide administrative law enforcement on work safety.

The State Administration of Taxation and local tax administrations. Their principal functions include (without limitation): to organize and implement the collection and administration of central taxes, shared taxes and contributions to funds specified by laws and regulations; to draft laws and regulations for administration of taxation and formulate detailed implementation rules thereof; to formulate rules and regulations for administration of tax business and tax collection and oversee their implementation; to oversee and examine the implementation of tax laws, regulations and policies; and to guide and oversee local taxation-related works.

According to the restructuring plan of the State Council approved at the first meeting of the 13th National People's Congress, the previous principal functions of the Ministry of Land and Natural Resources are undertaken by the Natural Resources Department; the previous principal functions of the Ministry of Environmental Protection are undertaken by the newly established Ministry of Ecology and Environment; the previous principal functions of the State Administration of Work Safety are undertaken by the newly established Emergency Management Department; the previous principal functions of the Ministry of Agriculture are undertaken by the newly established Ministry of Agriculture and Rural Affairs; and the previous principal functions of the State Forestry Administration are undertaken by the newly established State Administration of Forestry and Grassland.

The Ministry of Natural Resources and local land administrations. Their major functions include (without limitation): to regulate the administration on ownerships of and titles to land and resources; to regulate the order of the market of land and resources; to be responsible for examinations and approval of use of land in various kinds; to be responsible for the protection of nationwide cultivated land; and to ensure that the amount of cultivated land and prime cropland area determined by relevant plans are not reduced.

The Ministry of Agriculture and local agricultural administrations. Their major functions include (without limitation): to study on and draw up policies for the agricultural industry; to guide reasonable adjustment of the structure of agricultural industries; to guide and supervise the circulation of the use right of cultivated land; and to guide the development and exploitation of agricultural land, fishery waters, grasslands, and shoals and swamps suitable for agricultural purposes.

The State Forestry Administration and local administrative authorities of forestry, which are mainly responsible for (without limitation): guiding and supervising the circulation of contracted management right and use right of rural forest land; supervising and inspecting the development and utilization of forests, wetlands and deserts resources; and formulating policies on the optimized allocation of forest resources.

LAWS AND REGULATIONS APPLICABLE TO SOLAR POWER STATIONS IN THE PRC

Electric Power Business Permit

In accordance with the *Administrative Regulations on Electric Power Business Permit* (as promulgated by the former State Electricity Regulatory Commission on October 13, 2005 and subsequently amended by NDRC on May 30, 2015), China's electric power industry adopts the system of market access permit. An electric power business permit shall be obtained in accordance with relevant regulations for engagement in electricity business within China. Except for certain special circumstances, no entity or individual may engage in any electric power business before obtaining an electric power business permit. A power generation permit shall be obtained for engagement in power generation business.

Project Filing and Opinions on Access to Power Grid

According to the *Administrative Measures on Government Approval for Investment Projects* (as promulgated by NDRC on May 14, 2014 and effective as of June 14, 2014) which had been superseded by Measures for the Administration of the Confirmation and Recordation of Enterprises' Investment Projects on March 8, 2017 (as effective on April 8, 2017) and the *Catalogue of Investment Projects Subject to Governmental Approval (2014)*, as promulgated by the State Council on October 31, 2014 (the "**Catalogue**") which had been superseded by the Catalog of Investment Projects subject to Governmental Approval (2016) (as promulgated on December 12, 2016, any investment in construction of a fixed-asset investment project listed in the Catalogue shall be submitted to the relevant project approval authorities for approval in accordance with applicable provisions, and investment in other projects except for those in the Catalogue shall be filed for record. Neither the construction nor the operation of a solar power station is within the scope of the Catalogue, and thus shall be subject to filing management rather than approval management. In accordance with the *Interim Provision on Administration of Photovoltaic Power Stations* promulgated by the National Energy Administration on August 29, 2013 (reference number: GUO NENG XIN NENG No.329 of 2013), energy regulatory authorities at provincial level shall carry out record management on photovoltaic power stations in accordance with the relevant regulations of the State Council on investment projects. A recorded project shall conform to the national plan for development of solar power generation as well as the annual size guidance and annual implementation plan released by the energy regulatory authority under the State Council for the relevant region, and shall satisfy the conditions for access to power grid. A project of solar power station shall also obtain opinions from power grid enterprises at provincial level in respect of the proposed access to power grid.

Dispatch

In accordance with the *Administrative Regulations on Power Grid Dispatching*, as promulgated in 1993 and subsequently amended in 2011 by the State Council, the operation of power grid is subject to the principles of unified dispatching and level-to-level administration, and the electric-power administrative authority under the State Council is in charge of the power grid dispatching works. Without approval by the regulatory authority releasing the power utilization plan, any entity or individual shall neither distribute nor use the electric power or the amount of electricity beyond the plan. Pursuant to the *Administrative Regulations on Power Grid Dispatching*, power plants under grid-connected operation or power grids must submit to unified dispatch of the dispatching agencies; and, prior to inter-connected generation of electricity, a grid-connection agreement between the power plant requiring grid-connected operation and power grid as well as between the power grids shall be executed according to principles of equality, mutual benefit and consensus and shall be strictly implemented.

Mandatory Purchase

According to *the Renewable Energy Law of the People's Republic of China* (2009 Revision) promulgated by the Standing Committee of the National People's Congress in 2005 and subsequently amended in 2009 (the "**Renewable Energy Law**") and the Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount promulgated by the NDRC on March 24, 2016, China implements the system of full-amount protective purchase of renewable energy-generated power, and power grid enterprises (including power dispatching agencies) shall, subject to guarantee of power-supply safety, fully purchase the amount of electricity inter-connected to a power grid of renewable energy power generation project within the scope of relevant plan as per the benchmark price determined by the state and the utilization hours applicable to the protective purchase.

The Tariff of Electricity Inter-connected to Power Grid and Compensation

Pursuant to the *Circular of the National Development and Reform Commission in respect of the Function of Price Leverage to Promote the Healthy Development of Photovoltaic Industry* (NDRC Price [2013] No. 1638) (《國家發展改革委關於發揮價格槓桿作用促進光伏產業健康發展的通知》(發改價格[2013]1638號)), under the Feed-in-Tariff regime, utility-scale solar farm projects constructed under the national quota are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. The on-grid Feed-in-Tariff rate is determined by the NDRC under the Renewable Energy Law. Since 2014, the NDRC has divided China into three different solar resource zones with standardized benchmark on-grid Feed-in-Tariff rates, reflecting different solar irradiation levels across different geographical areas. The NDRC has been periodically adjusting the Feed-in-Tariff rate as the cost of solar photovoltaic technologies continually becomes more competitive.

In accordance with the *Renewable Energy Law*, the tariff of electricity inter-connected to a power grid of renewable-energy power generation projects shall be determined by the pricing authority under the State Council according to characteristics of different types of renewable-energy power generation, situation of different regions, and the principle that it shall be beneficial to promotion of the development and utilization of renewable energy and economically reasonable, and shall be duly adjusted in accordance with the technological development in exploitation and utilization of renewable energy. The tariff of electricity inter-connected to a power grid shall be public.

In accordance with the *Renewable Energy Law*, China carries out a compensation system for costs and expenses of renewable energy. To this end, the Renewable Energy Fund was established by the Ministry of Finance to compensate the power grid enterprise against their excess costs for purchasing power generated from renewable energy at a price higher than the average price of power generated from traditional energy. Capital sources of the Renewable Energy Fund include special funds annually arranged by the Ministry of Finance and the renewable energy surcharge collected in accordance with laws.

According to *the Interim Measures for the Administration of Additional Subsidies for Renewable Energy Tariff* (No.102 [2012] of the Ministry of Finance) promulgated and given effect by the Ministry of Finance, NDRC and NEA on March 14, 2012, the Ministry of Finance, NDRC and NEA review the renewable energy projects applying for subsidies, and incorporate the qualified projects into the Subsidy Catalogue. Grid enterprises apply to the local financial, price and energy competent authorities at provincial level for renewable energy tariff additional subsidies, taking into consideration the grid power generation projects and grid connection projects within the local power grid coverage that are included into the Subsidy Catalogue. The local provincial competent authorities will, after review, report to the Ministry of Finance, NDRC, and NEA. The Ministry of Finance allocates renewable energy tariff additional subsidies based on factors such as renewable energy tariff additional income, fund applications from grid enterprises, etc. Grid enterprises should settle the tariff with renewable energy enterprises according to the renewable energy Feed-in-Tariff rate and the actual amount of renewable energy on-grid electricity purchased.

On May 31, 2018, the NDRC, the Ministry of Finance, and NEA promulgated the *Notice on Certain Matters on Solar Power Industry (2018)* (No. 823 (2018) NDRC Energy), which is aimed at optimizing the capacity of new photovoltaic energy projects and lowering the amount of subsidies. According to the 2018 Solar Power Industry Notice, the PRC Government would not grant new approval for the construction of new ground-mounted solar farm projects under the national quota system in the PRC in 2018. This follows that no new ground-mounted solar farm projects under the national quota with entitlement to tariff adjustment would be approved for construction in the year. No quota restriction is imposed on the construction of distributed solar projects and construction capacity of 10 GW is expected to be approved for distributed solar projects. Concerning the Feed-in-Tariff rate, since May 31, 2018, the benchmark Feed-in-Tariff rate of all newly operated photovoltaic power stations is lowered by RMB 0.05/kWh. Benchmark Feed-in-Tariff rates in resource zone I, II and III are adjusted to RMB 0.5/kWh, RMB 0.6/kWh, and RMB 0.7/kWh respectively (tax included); for the newly operated distributed photovoltaic power projects that adopt the "self-generate, self-use, residual on-grid" mode, the standard fully charged power subsidy is adjusted to RMB 0.32/kWh, representing a decrease of RMB 0.05/kWh; the tariff of distributed photovoltaic power projects that adopt the "all-on-grid" mode is the same as the rate of photovoltaic power stations in resources zones where they operate; power generated by distributed photovoltaic power projects for self-use is exempted from various types of governmental funds and charges that come with the tariff, system back up capacity fee and other related grid service fee; benchmark tariff for village-level photovoltaic power stations for Poverty Alleviation that comply with national policies (less than 0.5 MW) remains unchanged. The 2018 Solar Power Industry Notice further provides that all general photovoltaic power stations must select their owners by way of competitive bidding, and Feed-in-Tariff rate should be considered as a major selection criteria.

On January 7, 2019, the NDRC and the NEA issued the 2019 Grid Parity Notice for the purpose of promoting subsidy-free grid price parity for wind power and solar power. Pursuant to 2019 Grid Parity Notice, NDRC and NEA encourage the construction of renewable energy projects, which will receive no subsidy and implement the benchmark price for coal power (the "**Equal Price Projects**"), and subject to certain conditions, the construction of pilot renewable energy projects, which will sell power at a price lower than the coal benchmark (the "**Low Price Projects**"). Further, the Equal Price Projects and the Low Price Projects will receive policy supports, including but without limitation to:

(i) the Equal Price Projects and the Low Price Projects, which satisfy certain conditions and have been constructed under the guidance of the local provincial competent authorities, will not be subject to the restriction under national quota system in the PRC;

(ii) relevant local government will give support on land utilization and land-related charges, and the relevant cost of the project site will be reduced;

(iii) prioritized power generation and full-amount protective purchase are assured; and

(iv) power grid enterprises at provincial level will be responsible for purchasing power generated from Equal Price Projects and Low Price Projects and entering into long-term fixed-rate power purchase contract (for no less than 20 years) with the relevant power generating companies according to the local benchmark prices for coal power when the project is approved.

There is, however, no clear distinction in the incentives that may be enjoyed by the Equal Price Projects and the Low Price Projects, as the PRC Government is still considering the appropriate industry policies for the renewable energy sector.

On April 8, 2019, the NEA commenced the consultation on a work plan for the implementation of the 2019 Grid Parity Notice『國家能源局綜合司關於徵求《關於推進風電、光伏發電無補貼平價上網項目建設的工 作方案(徵求意見稿)》意見的函』. The consultation paper proposes to identify new renewable energy projects that will achieve grid-parity under the 2019 Grid Parity Notice. In addition, the consultation paper also proposes a voluntary conversion of renewable energy projects with tariff adjustment into renewable energy projects with grid-parity with incentives in other aspects that may be offered by the PRC Government for such conversion. As of the Latest Practicable Date, the consultation was in progress and there was no conclusion made for the purpose. The consultation proposes that prior to the identification of the first batch of grid parity projects in 2019, the regions will not organize competition allocation (競爭配置) of wind power and photovoltaic power generation projects that require State subsidies. Our Directors expect that with the initiatives and incentives that may be offered by the PRC Government under the 2019 Grid Parity Notice, a number of grid-parity renewable energy projects would be constructed.

The 2019 Grid Parity Notice will have no impact on the utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC before the effective date of the 2019 Grid Parity Notice. Generally speaking, following the full implementation of the 2019 Grid Parity Notice, investors may choose whether the electricity generated by their renewable energy projects would be charged at or even below the local benchmark price of conventional coal-fired power i.e. an Equal Price Project or a Low Price Project, taking into consideration the incentives available to the proposed renewable energy projects, the level of demand for electricity, and other factors based on the cost and benefit analysis of the operation of the renewable energy projects.

The NDRC released the *Circular on Improving the Mechanism for Feed-in-Tariff Rate of Photovoltaic Power Generation* (No.761 (2019) NDRC Price) (hereinafter referred to as the "**2019 Second Notice**") on April 28, 2019, which will come into effect on July 1, 2019. The 2019 Second Notice sets out the following provisions regarding the Feed-in-Tariff rates for utility-scale ground-mounted solar farm projects: (1) The benchmark Feed-in-Tariff rates have been changed to guide rates. The guide rates for utility-scale ground-mounted solar farm stations, which are newly operated in resource zone I, II and III and entitled to national subsidy, are RMB 0.40/kWh, RMB 0.45/kWh, and RMB 0.55/kWh respectively (tax included); (2) The Feed-in-Tariff rates for newly-operated utility-scale ground-mounted solar farm projects are in principle determined by way of market competition and shall not exceed the guide rates for the resource zone where the solar farm project is operated. Upon determination of the Feed-in-Tariff rate, the portion within the local benchmark price of coal-fire power will be settled by local subsidiaries of the State Grid and the remaining balance shall be settled by the National Renewable Energy Development Fund; (3) Where an utility-scale ground-mounted solar farm project is granted with the national subsidy, but has not obtained the approval for Feed-in-Tariff rate, its applicable Feed-in-Tariff rate shall either be subject to provisions of the 2018 Solar Power Industry Notice (if it is connected to grid on or before June 30, 2019), or the 2019 Second Notice (if connected to grid on or after July 1, 2019); and (4) For village-level solar power projects for poverty alleviation which have been included into the Subsidy

Catalogue, the Feed-in-Tariff rates for such projects in resource zone I, II and III are unchanged and remain at RMB 0.65/kWh, RMB 0.75/kWh, and RMB 0.85/kWh, respectively. The 2019 Second Notice further provides that the subsidy standard for newly-operated distributed solar power projects shall be suitably lowered.

LAND-RELATED MATTERS IN THE PRC

In accordance with the *Land Administration Law of the People's Republic of China* (as promulgated by the Standing Committee of the National People's Congress in 1986, effective in 1987, and subsequently amended in 2004), land in urban areas of China is owned by the State; and land in rural and suburban areas, except those which are required to be owned by the State under laws, is collectively owned by peasants. Where land collectively owned by peasants is collectively owned by village peasants according to laws, it shall be operated and managed by a collective economic organization of the village or the village committee. Dispute in the ownership or use right of land shall be settled by the parties thereto through negotiation. If no agreement can be reached through such negotiation, the dispute shall be handled by the PRC Government. According to the *Law of the People's Republic of China on Land Contract in Rural Areas* (as promulgated by the Standing Committee of the National People's Congress in 2002, and subsequently amended in 2009 and 2018), China applies the system of contractual management of rural land, the contractee and contractor shall enter into a contract setting out the rights and obligations of the parties thereto. During the contracting period, the contractee shall not take back the contracted land. In accordance with the *Administrative Measures for Transfer of Management Rights of Contracted Rural Land* promulgated by the Ministry of Agriculture in 2005, the contracted management right lawfully obtained by a contractor for rural land may be subcontracted, leased, swapped, transferred, or circulated through other methods consistent with the relevant laws and national policies.AL36

In accordance with the *Guidance on Implementation of Policies for Industrial Land* promulgated by the Ministry of Land and Resources on October 28, 2016, where a photovoltaic power generation station intends to use unused land to lay out photovoltaic square array, such land may be determined and managed as per its original land type.

ENVIRONMENTAL PROTECTION IN THE PRC

According to the *Environmental Protection Law of the People's Republic of China (2014 Revision)* promulgated by the Standing Committee of the National People's Congress in 1989 and subsequently amended in 2014, the construction of any project with environmental influence shall be subject to environmental impact assessment in accordance with laws, and construction projects that have not gone through the environmental impact assessment according to laws shall not commence construction. The *Law of the People's Republic of China on Environment Impact Assessment* (as promulgated by the Standing Committee of the National People's Congress in 2002 and subsequently amended in 2016 and 2018) further stipulates that the State shall carry out classified management on environmental impact assessment of construction projects on basis of the degree of their environmental impact. The constructor shall prepare environmental impact assessment documents (which, on basis of different environmental impact degrees of the project, can be classified into environmental impact report, environmental impact reporting form and environmental impact registration form) and submit the same to the competent environmental-protection administrative authority for approval in accordance with the relevant provisions of the State Council.

Pursuant to the *Administrative Regulations on the Environmental Protection of Construction Projects* promulgated by the State Council in 1998 and amended in 2017 and the *Administrative Measures on Environmental Protection Acceptance Inspection for Completion of Construction Projects* promulgated by the State Administration of Environmental Protection in 2001 and subsequently amended in 2010. Prior to October 1, 2017, after a construction project is completed, the constructor shall apply to competent environmental administrative authority for environmental protection inspection for construction completion. After October 1, 2017, after a construction project is completed, the builder shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report.

WORK SAFETY IN THE PRC

According to the *Work Safety Law of the People's Republic of China (2014 Revision)* promulgated by the Standing Committee of the National People's Congress in 2002 and subsequently amended in 2014, entities that engage in production and business operation activities within the territory of China must comply with the Work Safety Law and other laws and regulations regarding work safety, and any entity that does not meet work-safety conditions shall not engage in production or business operation activities.

In accordance with the *Measures for the Supervision and Administration of Power Work Safety* promulgated by NDRC on February 17, 2015 and effective as of March 1, 2015, such measures apply to those power enterprises which mainly engage in the business of power generation, power transmission, power supply and/or electric power construction and have already obtained relevant business permit or are exempted from obtaining the power business permit under the relevant regulations. Power enterprises are responsible for the safety of power generation, and shall, in compliance with the laws, regulations, rules and standards of China regarding work safety, establish a responsibility system for the safety of power generation, strengthen their management over the safety of power generation, improve conditions for safe electric-power works, and assure the power work safety.

LABOR AND EMPLOYMENT IN THE PRC

The principal labor-related laws and regulations of China include the *Labor Law of the People's Republic of China 2018 Revision* promulgated by the Standing Committee of the National People's Congress in 1994 and amended in 2009 and 2018, the *Employment Contract Law of the People's Republic of China (2012 Revision)* promulgated by the Standing Committee of the National People's Congress in 2007 and amended in 2012, and the *Implementation Rules of the Employment Contract Law of the People's Republic of China* promulgated by the State Council on September 18, 2008. According to the laws and regulations mentioned above, an employer must establish a sound management system to assure laborer's rights; the employer shall enter into a written contract with the labor for establishment of labor relation between them, and the employer and the laborer shall fully perform their respective obligations under the terms of the employment contract.

FOREIGN EXCHANGE CONTROL IN THE PRC

The *Administrative Regulations of the People's Republic of China on Foreign Exchange* was promulgated by the State Council in 1996 and was revised in 1997 and 2008, respectively (the "**Foreign Exchange Regulation**"). It is an important legal basis for the relevant authorities of China to supervise and regulate foreign exchanges. Pursuant to the Foreign Exchange Regulation, subject to a true and lawful transaction, RMB is freely convertible for payment of current account items (such as foreign exchange transactions in relation to foreign exchange and services and payment of dividends). However, as for payment of capital account items (such as transfer of share capital, direct investment, securities investment, derivatives, or loans), RMB is not freely convertible without prior approval of the SAFE.

On February 13, 2015, the SAFE released its *Notice on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment*. Pursuant to such notice, two administrative approval items (namely, foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment) were cancelled, and the foreign-exchange procedures of certain direct investments have been simplified.

TAX-RELATED MATTERS IN THE PRC

Enterprise Income Tax

According to the *Enterprise Income Tax Law of the People's Republic of China* (which was promulgated by the National People's Congress on March 16, 2007, came into force on January 1, 2008, and subsequently amended by the Standing Committee of the National People's Congress on February 24, 2017 and December 29, 2018), and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China* (the "**Implementation Rules"**) promulgated by the State Council on December 6, 2007 and then amended on April 23, 2019, all enterprises and other organizations gaining incomes within the territory of China are taxpayer of the enterprise income tax, and shall pay enterprise income tax in accordance with the provisions of the CIT Law and its Implementation Rules. Except as otherwise stipulated, the enterprise income tax rate shall be 25%.

Pursuant to the *Circular on Issues Regarding Implementation of Enterprise Income Tax Preferences for Public Infrastructure Project Enterprises with Key Support from the State* released by the State Administration of Taxation on April 16, 2009 (document number: GUO SHUI FA No.80 of 2009), incomes from investments in and operation of public infrastructure projects that satisfy the scope, conditions and standards specified in the *Catalogue of Public Infrastructure Projects Enjoying Preferential Enterprise Income Tax* shall, commencing from the taxable year in which such project receives its first business income: (i) be exempted from enterprise income tax from the first taxable year to the third taxable year; and (ii) be entitled to a 50% reduction in enterprise income tax from the fourth taxable year to the sixth taxable year. A newly-constructed solar power station satisfies the relevant provisions of the *Catalogue of Public Infrastructure Projects Enjoying Enterprise Income Tax Preference*.

VAT

According to the *Interim Regulations of the People's Republic of China on Value-added Tax* promulgated by the State Council in 1993 and subsequently amended in 2008, 2016, and 2017 and the *Implementation Rules for the Interim Regulations of the People's Republic of China on Value-added Tax (2011 Revision)* promulgated by the Ministry of Finance in 1993 and amended in 2008 and 2011, and the *Circular on Adjusting Value-added Tax Rates* promulgated by the Ministry of Finance and the State Administration of Taxation in April 2018, except as otherwise specified, taxpayers who sell or import goods, or provide processing, repair and maintenance services shall be subject to a VAT at the current rate of 13%. The term "goods" means tangible moveable goods, including electricity, heat and gases. The VAT paid or incurred on goods purchased and taxable labor services received are input VAT and can be offset by output VAT in accordance with relevant requirements. The deductible items and rate of deduction shall be determined by the State Council.

LAW ON WHOLLY FOREIGN-OWNED ENTERPRISES AND COMPANIES IN THE PRC

The *Law of the People's Republic of China on Wholly Foreign-owned Enterprises (2016 Revision)* (as effective on April 12, 1986 and amended in 2000 and 2016, respectively) and the *Implementation Rules for the Law of the People's Republic of China on Wholly Foreign-owned Enterprises* (2014 Revision) (as effective on December 12, 1990 and amended in 2001 and 2014, respectively) are the major law and regulation regulating the establishment of a wholly foreign-owned enterprise ("**WFOE**") within China by foreign companies or other foreign economic organizations or individuals. They set forth specific provisions for the establishment of WFOE, registered capital of WFOE after its establishment, and its shareholders, corporate form, merger, split-up and other changes as well as the dissolution and termination of WFOE. The establishment, change and dissolution of a WFOE is subject to the jurisdiction and regulation of the MOFCOM and its authorized agencies.

The *Company Law of the People's Republic of China* came into effect on July 1, 1994 and has been amended several times thereafter, and its latest revision was made on October 26, 2018 (the "**Company Law**"). The Company Law intends to regulate the organization and activities of those companies (either limited by liabilities or shares) which are established within the PRC. The Company Law also specifies that its provisions apply to foreign-invested companies (either limited by liabilities or shares), provided that, if specific laws regarding foreign investment stipulate otherwise, the provisions of such specific laws shall prevail.

BVI LAW ON DISTRIBUTION

Pursuant to our BVI Legal Advisor, our Company was incorporated in the British Virgin Islands (the "**BVI**") as a business company limited by shares under the BVI BC Act and is subject to BVI law. Under the BVI BC Act, there is no concept of authorized share capital, or of share capital (such concept was historically present in the BVI but was abolished when the BVI BC Act came into force). There is also no concept of share premium under the BVI BC Act. Subject to the BVI BC Act and the Articles, our Directors may by resolution, authorize a distribution (which includes a dividend) by our Company to our Shareholders, if our Directors are satisfied, on reasonable grounds, that immediately after the distribution, our Company will satisfy the solvency test, that is: (a) our Company will be able to pay our debts as they fall due; and (b) the value of our assets will exceed our liabilities. There is no requirement under the BVI BC Act to demonstrate surplus or any other form of distributable reserves for the purpose of paying a distribution.

A distribution made to our Shareholders at a time when our Company did not, immediately after the distribution, satisfy the above solvency test may be recovered by our Company from our Shareholders unless (a) the relevant Shareholders received the distribution in good faith and without knowledge of our failure to satisfy the solvency test; (b) the relevant Shareholders have altered their positions in reliance on the validity of the distribution; and (c) it would be unfair to require repayment in full or at all.

If, after a distribution is authorized and before it is made, the Directors cease to be satisfied on reasonable grounds that the Company will, immediately after the distribution is made, satisfy the solvency test, any distribution made by the Company is deemed not to have been authorized. A Director is personally liable to the Company to repay to the company so much of the distribution as is not able to be recovered from members if the Director (a) ceased, after authorization but before the making of the distribution, to be satisfied on reasonable grounds for believing that the company would satisfy the solvency test immediately after the distribution is made; and (b) failed to take reasonable steps to prevent the distribution being made.

OVERVIEW

Our Company was incorporated in the BVI on June 26, 2015 with limited liability and was a wholly-owned subsidiary of Xinyi Solar at the time of incorporation. As of the date of this prospectus, our Company is owned as to 75.0% by Xinyi Power, which is a wholly-owned subsidiary of Xinyi Solar. See the paragraphs under "Our corporate history" below for further information. We currently conduct the Solar Farm Operation Business in the PRC through our subsidiaries incorporated in Hong Kong and the PRC. Prior to the Spin-Off and the Listing, our business was one of the business segments of the Xinyi Solar Group and thereafter, the Remaining Group will conduct the Solar Glass Business, EPC Service Business, and the Solar Farm Development Business. Following completion of the Spin-Off and the Listing, our Company will continue to be a non-wholly owned subsidiary of Xinyi Solar and our operating results will continue to be consolidated into the consolidated financial statements of Xinyi Solar.

DEVELOPMENT OF THE SOLAR FARM OPERATION BUSINESS

In the second quarter of 2012, Xinyi Solar commenced the construction of roof-top solar farm projects under the "*Golden Sun Demonstration Projects*" (金太陽示範工程), a PRC nation-wide program on the promotion of the use of solar power, for generation of electricity used by the manufacturing facilities of the Solar Glass Business. Xinyi Solar commenced the planning and development of its first utility-scale ground-mounted solar farm project in the PRC, i.e. Jinzhai Solar Farm, during the third quarter of 2013. The construction work of this utility-scale ground-mounted solar farm project commenced in the first half of 2014, with grid connection commencing in the third quarter of 2014. The Solar Farm Operation Business has been undertaken by members of our Group since 2014. With the increase in the number and the approved capacity of the utility-scale ground-mounted solar farm projects under our Initial Portfolio, the Solar Farm Operation Business has become a distinctive business segment of the Xinyi Solar Group.

During the year ended December 31, 2016, our principal business was operating and managing utility-scale ground-mounted solar farm projects in the PRC. Members of our Group operating solar farm projects were also involved in the construction of solar farm projects under our Initial Portfolio. As of December 31, 2016, 2017, and 2018, the approved capacity of our connected and completed utility-scale ground-mounted solar farm projects remained unchanged at 954 MW, and the amount of revenue generated from these solar farm projects during the Track Record Period was HK$968.3 million, HK$1,116.0 million, and HK$1,200.6 million, respectively.

The utility-scale ground-mounted solar farm projects under our Initial Portfolio were developed and constructed by the Xinyi Solar Group under the national quota system in the PRC and are connected to the State Grid. The electricity generated from the utility-scale ground-mounted solar farm projects under our Initial Portfolio is sold to the local subsidiaries of the State Grid Corporation pursuant to the relevant on-grid power purchase agreements.

BUSINESS MILESTONES

The table below sets forth the key timelines on grid connection of certain of our solar farm projects and the date of receipt of tariff adjustment from the PRC Government:

Month/Year	Business milestones
September 2014	Our first solar farm project in Anhui Province, Jinzhai Solar Farm situated at Lu'an, Anhui Province with an approved capacity of 150 MW, was connected with the State Grid and commenced electricity generation.
November 2014	Our first solar farm project, which is partially installed above water surface on fish pond, Sanshan Solar Farm situated at Wuhu, Anhui Province with an approved capacity of 100 MW, was connected with the State Grid and commenced electricity generation.
March 2015	Our first solar farm project in Fujian Province, Nanping Solar Farm situated at Fujian Province with an approved capacity of 30 MW, was connected with the State Grid and commenced electricity generation.
October 2015	Our first solar farm project in Hubei Province, Hong'an Solar Farm situated at Hubei Province with an approved capacity of 100 MW, was connected with the State Grid and commenced electricity generation.
December 2015	Our first solar farm project utilizing solar tracking system, Fanchang Solar Farm situated at Wuhu, Anhui Province with an approved capacity of 60 MW, of which 2.99 MW utilizes solar tracking system, was connected with the State Grid and commenced electricity generation.
March 2016	Our first solar farm project in Tianjin, Binhai Solar Farm with an approved capacity of 174 MW, was connected with the State Grid and commenced electricity generation.
November 2016	Jinzhai Solar Farm and Sanshan Solar Farm, which have been enlisted on the sixth batch of the Subsidy Catalogue, received the tariff adjustment in the amount of RMB61.4 million (equivalent to HK$68.9 million) incurred up to the end of April 2015.
June 2017	Jinzhai Solar Farm and Sanshan Solar Farm, which have been enlisted on the sixth batch of the Subsidy Catalogue, received the tariff adjustment in the amount of RMB39.7 million (equivalent to HK$45.3 million) for the period from May 2015 to the end of July 2015.
October 2017	Jinzhai Solar Farm and Sanshan Solar Farm, which have been enlisted on the sixth batch of the Subsidy Catalogue, received the tariff adjustment in the amount of RMB232.6 million (equivalent to HK$272.8 million) for the period from August 2015 to the end of December 2016.

Month/Year	Business milestones
September/October 2018	(a) All solar farm projects under our Initial Portfolio (other than Binhai Solar Farm), which have been enlisted on the seventh batch of the Subsidy Catalogue, received the tariff adjustment for the period up to January 31, 2017 and (b) Binhai Solar Farm received the tariff adjustment for the period up to March 31, 2017 in the aggregate amount of RMB522.9 million (equivalent to HK$592.9 million).
November/December 2018 . .	All solar farm projects under our Initial Portfolio, which have been enlisted on the seventh batch of the Subsidy Catalogue, received the tariff adjustment for the period up to March 31, 2017 in the aggregate amount of RMB670.6 million (equivalent to HK758.7 million).
January 2019 to the Latest Practicable Date.	We have received an additional amount of RMB77.1 million (equivalent to HK$89.6 million) out of the trade receivables (including receivables from the sale of electricity and tariff adjustment receivables) as of December 31, 2018.

EQUITY INVESTMENT

Reorganization for the purpose of the Equity Investment

Prior to the reorganization, the Solar Farm Operation Business was principally conducted through wholly-owned subsidiaries of Xinyi Solar, namely Xinyi Lu'an and Xinyi Wuhu, and certain departments of Xinyi PV Products, which commenced planning and development of the first utility-scale ground-mounted solar farm project in the third quarter of 2013.

For the purpose of preparing for the Equity Investment, the following steps were undertaken, pursuant to which the Solar Farm Operation Business was transferred to members of our Group. Our Directors confirm that the following steps have been conducted and completed in accordance with the applicable laws and regulations, and such steps were as follows:

(a) On May 14, 2015, Xinyi Energy (BVI) was incorporated in the BVI with limited liability and 200 shares in Xinyi Energy (BVI), representing the entire issued share capital of Xinyi Energy (BVI), were allotted and issued to Xinyi Solar.

(b) On May 28, 2015, Xinyi PV Products transferred its entire equity interests in Xinyi Lu'an and Xinyi Wuhu to Xinyi Solar (Wuhu).

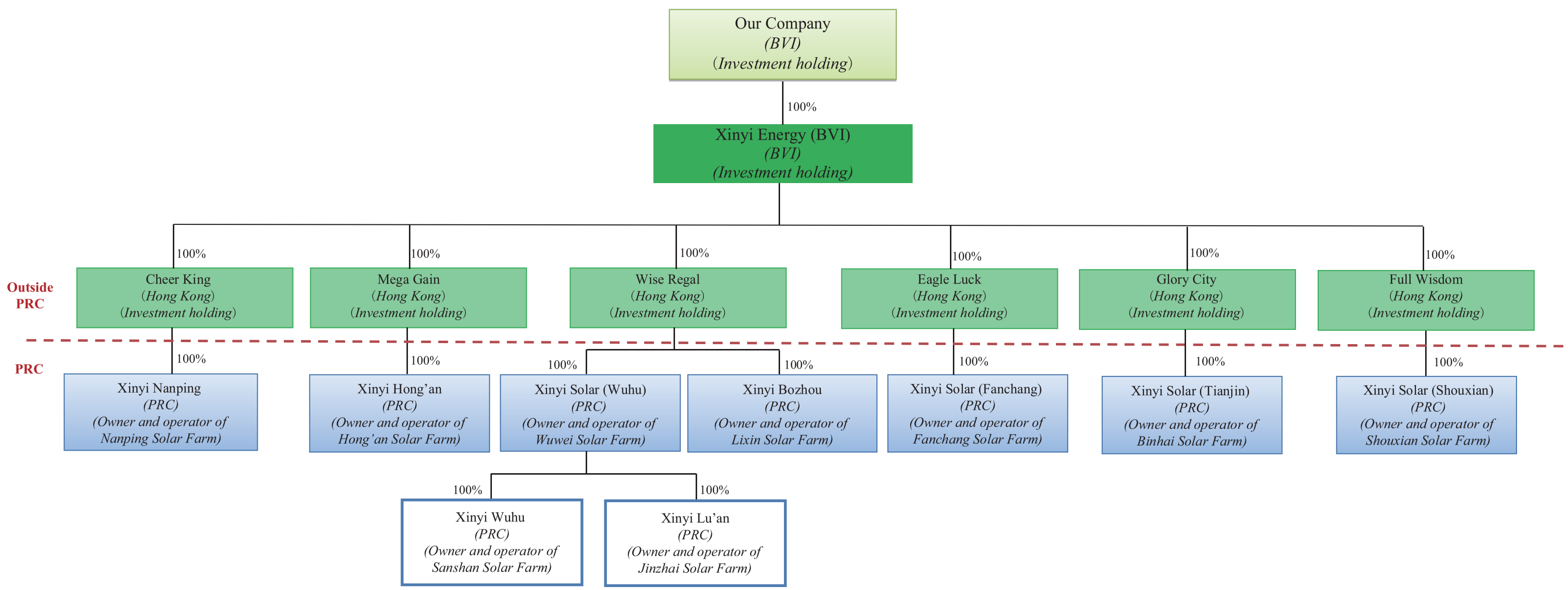
(c) On June 24, 2015, Xinyi Solar (BVI) transferred its entire equity interests in Cheer King, Mega Gain, Wise Regal, Full Wisdom, Eagle Luck, and Glory City, being the intermediate holding companies for the businesses under our Initial Portfolio, to Xinyi Energy (BVI). Accordingly, Xinyi Energy (BVI) became the holding company of those companies and their respective wholly-owned subsidiaries operating the utility-scale ground-mounted solar farm projects under our Initial Portfolio.

(d) On June 26, 2015, our Company was incorporated in the BVI with limited liability and 200 shares of par value US$1.0 each in our Company, representing the then entire issued shares of our Company, were allotted and issued to Xinyi Power.

(e) On June 30, 2015, Xinyi Solar transferred its entire equity interests in Xinyi Energy (BVI) to our Company. Accordingly, our Company became the holding company of Xinyi Energy (BVI), which wholly owns other members of our Group operating the utility-scale ground-mounted solar farm projects under our Initial Portfolio.

(f) For the year ended December 31, 2015, Xinyi PV Products transferred the relevant assets and liabilities of HK$104,374,000 of the Solar Farm Operation Business to our Group.

The following diagram illustrates our shareholding and corporate structure immediately after completion of the reorganization steps for the Equity Investment:



Principal terms of the Equity Investment Agreement

On October 18, 2015, our Company, Xinyi Solar (as the then existing sole shareholder of our Company), and the Equity Investors entered into the Equity Investment Agreement. Pursuant to the Equity Investment Agreement, our Company agreed to allot and issue, and each of Charm Dazzle, Sharp Elite, Xu Feng, Precious Smart, Will Sail, Yuanyi, Heng Zhuo, Far High, and Day Dimension, being our Controlling Shareholders, agreed severally, but not jointly and severally, to subscribe for 610 shares, 250 shares, 250 shares, 150 shares, 60 shares, 60 shares, 60 shares, 60 shares, and 80 shares of par value of US$1.0 each in our Company, respectively.

The table below summarizes the principal terms of the Equity Investment Agreement:

	Name of the Equity Investors								
	Charm Dazzle (wholly-owned by Dr. LEE Yin Yee, B.B.S.), a non-executive Director	*Sharp Elite (wholly-owned by Mr. TUNG Ching Sai, an executive Director)*	*Xu Feng (wholly-owned by Mr. TUNG Ching Bor)*	*Precious Smart (wholly-owned by Mr. LEE Sing Din)*	*Day Dimension (wholly-owned by Mr. SZE Nang Sze)*	*Will Sail (wholly-owned by Mr. LI Man Yin)*	*Yuanyi (wholly-owned by Mr. LI Ching Wai)*	*Heng Zhuo (wholly-owned by Mr. LI Ching Leung)*	*Far High (wholly-owned by Mr. NG Ngan Ho)*
Date of the Equity Investment Agreement:	October 18, 2015								
Amount of cash consideration paid:	HK$610 million	HK$250 million	HK$250 million	HK$150 million	HK$80 million	HK$60 million	HK$60 million	HK$60 million	HK$60 million
Date of payment of the consideration:	December 31, 2015								
Basis of determination of the consideration:	The amount of the consideration set forth in the Equity Investment Agreement was arrived at after arm's length negotiations among the parties to the Equity Investment Agreement, taking into consideration the estimated total capital expenditure of constructing the then existing solar farm projects of our Group.								
Use of net proceeds:	All net proceeds from the Equity Investment were used in the construction of the utility-scale ground-mounted solar farm projects under our Initial Portfolio.								
Strategic benefits to our Group:	With the net proceeds from the Equity Investment, the Solar Farm Operation Business is expected to generate stable and predictable cash flows which enable us to become a separate platform for the purpose of the Spin-Off and the Listing. The Equity Investment represents the first of the equity financing required for our Solar Farm Development Business based on its implied valuation.								
Special rights granted to the Equity Investors that will survive after the Listing:	None								

The following sets forth certain information relating to the Equity Investment as compared with the mid-point of the indicative range of the Offer Price, and the Shareholding percentages following completion of the Listing:

Number of Shares held after the Global Offering and the Capitalization Issue(1):	457,957,500	187,687,500	187,687,500	112,612,500	60,060,000	45,045,000	45,045,000	45,045,000	45,045,000
Shareholding in our Company upon Listing(1):	6.91%	2.83%	2.83%	1.70%	0.91%	0.68%	0.68%	0.68%	0.68%
Public float:	The Equity Investors are our Controlling Shareholders and as such, their shareholding interests in our Company will not be considered as part of our public float. See the sections headed "Controlling Shareholders and Substantial Shareholders" and "Relationship with our Controlling Shareholders" in this prospectus for further information.								

(1) Assuming that the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme are not exercised and that none of the Equity Investors has accepted any XYS Reserved Shares.

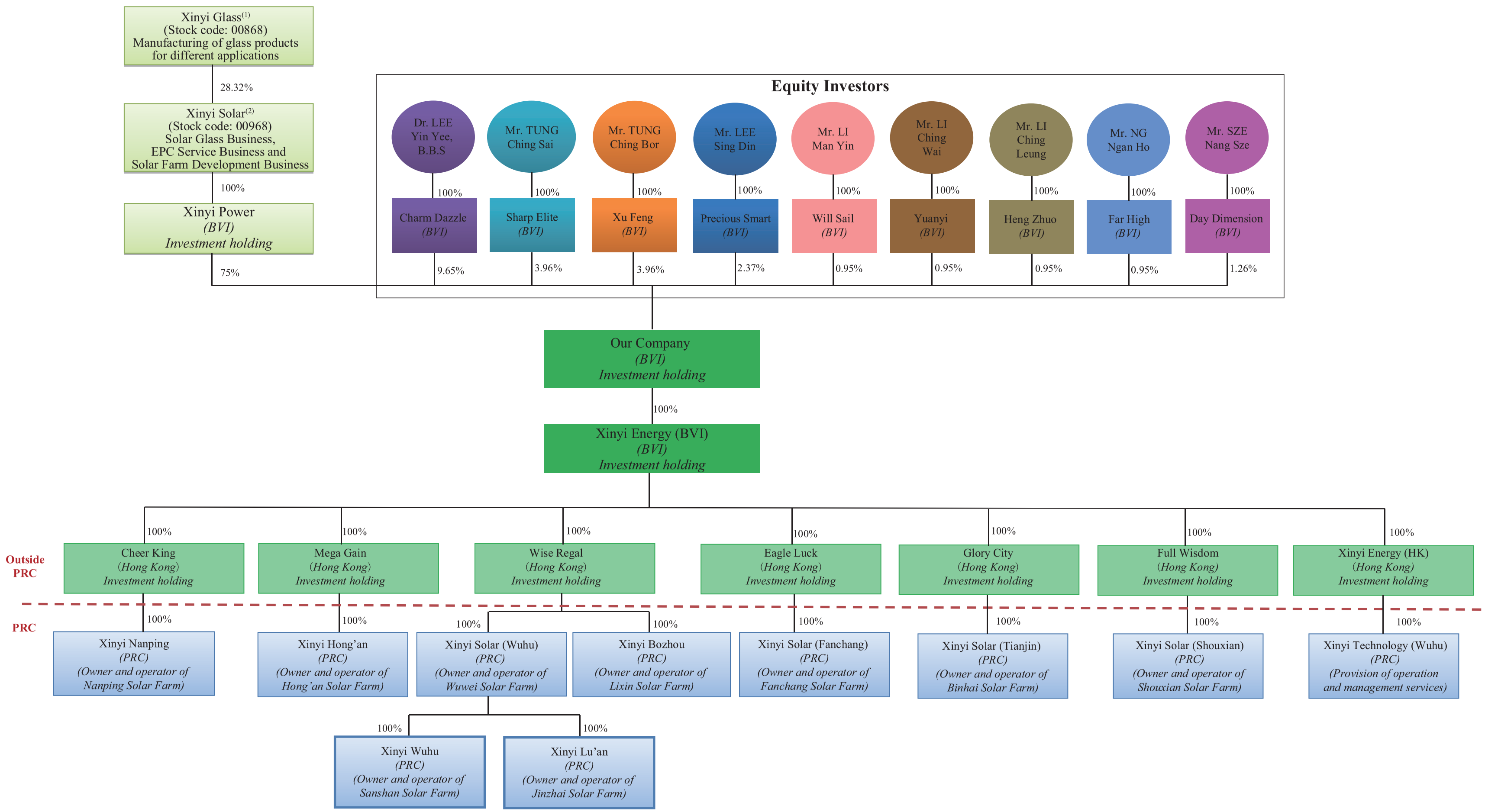
Pursuant to the Equity Investment Agreement, Xinyi Solar and each of the Equity Investors agreed that upon the request of Xinyi Solar, they would provide or to procure their respective nominees to provide additional equity investment to our Company up to HK$3,000 million in aggregate on a pro rata basis within one year from the date of completion under the Equity Investment Agreement or such other period of time as required by our Company depending on its business development. No such additional equity investment has been requested by Xinyi Solar and the commitment of the Equity Investors has expired.

Lock-up arrangement

Each of the Equity Investors has undertaken to each of our Company, the Sole Sponsor, and the Joint Global Coordinators (on behalf of the Underwriters) that each of them will not, and will procure that none of its affiliates will, without the prior written consent of our Company, the Sole Sponsor, and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time up to the end of the first 12-month period commencing from the Listing Date dispose of or agree to dispose of their Shares held in the capacity as our Controlling Shareholders. For details on these undertakings, see the section headed "Underwriting — Underwriting arrangements and expenses — Undertakings — By each of our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement" in this prospectus.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE EQUITY INVESTMENT AND BEFORE COMPLETION OF THE SPIN-OFF AND THE LISTING

The following diagram illustrates our shareholding and corporate structure immediately after completion of the Equity Investment and before completion of the Spin-Off and the Listing.



OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the BVI with limited liability on June 26, 2015. Further information on changes in the authorized shares and par value of our Company is set forth in the paragraphs under "A. Further information about our Group — 2. Changes in the authorized shares and par value of our Company" in Appendix V to this prospectus. Our Company is the holding company of our Group and does not carry on any business activities.

As of the Latest Practicable Date, our Group comprised our Company and 18 wholly-owned subsidiaries established in the BVI, Hong Kong and the PRC. Members of our Group commenced business from the respective dates of their incorporation.

Our subsidiaries

The following sets forth the corporate history of each member of our Group.

Non-PRC subsidiaries

Xinyi Energy (BVI)

Xinyi Energy (BVI) was incorporated in the BVI on May 14, 2015 with limited liability and has the authority to issue a maximum of 50,000 shares of a single class with par value of US$1 each. On the same date, 200 shares in Xinyi Energy (BVI) were allotted and issued to Xinyi Solar at par. Xinyi Solar was the then sole shareholder of Xinyi Energy (BVI).

On June 30, 2015, Xinyi Solar transferred all of its 200 shares in Xinyi Energy (BVI) to our Company at the consideration of US$200, being the amount initially paid by Xinyi Solar for such shares in Xinyi Energy (BVI). Since then, Xinyi Energy (BVI) has been a wholly-owned subsidiary of our Company.

Cheer King

On March 31, 2014, Cheer King was incorporated in Hong Kong with limited liability and is the holding company for Nanping Solar Farm.

On June 10, 2014, the issued share capital of Cheer King was increased from HK$1.0 to HK$10,000 by the allotment and issue of an additional 9,999 ordinary shares of HK$1.0 each in Cheer King to Xinyi Solar (BVI). On the same date, the initial subscriber, who is an Independent Third Party, transferred one ordinary share in Cheer King to Xinyi Solar (BVI) for nominal consideration of HK$1.0. Accordingly, Xinyi Solar (BVI) became the sole shareholder of Cheer King.

On June 24, 2015, Xinyi Solar (BVI) transferred the 10,000 ordinary shares in Cheer King to Xinyi Energy (BVI) for cash consideration of HK$10,000, being the amount initially paid by Xinyi Solar (BVI) for such shares in Cheer King. Since then, Cheer King has been a wholly-owned subsidiary of our Company.

Mega Gain

On March 31, 2014, Mega Gain was incorporated in Hong Kong with limited liability and is the holding company for Hong'an Solar Farm.

On June 10, 2014, the issued share capital of Mega Gain was increased from HK$1.0 to HK$10,000 by the allotment and issue of additional 9,999 ordinary shares of HK$1.0 each in Mega Gain to Xinyi Solar (BVI). On the same date, the initial subscriber, who is an Independent Third Party, transferred one ordinary share in Mega Gain to Xinyi Solar (BVI) for nominal consideration of HK$1. Accordingly, Xinyi Solar (BVI) became the sole shareholder of Mega Gain.

On June 24, 2015, Xinyi Solar (BVI) transferred the 10,000 ordinary shares in Mega Gain to Xinyi Energy (BVI) at the consideration of HK$10,000, being the amount initially paid by Xinyi Solar (BVI) for such shares in Mega Gain. Since then, Mega Gain has been a wholly-owned subsidiary of our Company.

Wise Regal

On March 31, 2014, Wise Regal was incorporated in Hong Kong with limited liability and is the holding company for Lixin Solar Farm, Jinzhai Solar Farm, Sanshan Solar Farm, and Wuwei Solar Farm.

On June 10, 2014, the issued share capital of Wise Regal was increased from HK$1.0 to HK$10,000 by the allotment and issue of an additional 9,999 ordinary shares of HK$1.0 each in Wise Regal to Xinyi Solar (BVI). On the same date, the initial subscriber, who is an Independent Third Party transferred one ordinary share in Wise Regal to Xinyi Solar (BVI) for nominal consideration of HK$1. Accordingly, Xinyi Solar (BVI) became the sole shareholder of Wise Regal.

On June 24, 2015, Xinyi Solar (BVI) transferred 10,000 ordinary shares in Wise Regal to Xinyi Energy (BVI) for cash consideration of HK$10,000, being the amount initially paid by Xinyi Solar (BVI) for such shares in Wise Regal. Since then, Wise Regal has been a wholly-owned subsidiary of our Company.

Eagle Luck

On July 18, 2014, Eagle Luck was incorporated in Hong Kong with limited liability and is the holding company for Fanchang Solar Farm.

On August 19, 2014, the issued share capital of Eagle Luck was increased from HK$1.0 to HK$10,000 by the allotment and issue of an additional 9,999 ordinary shares of HK$1.0 each in Eagle Luck to Xinyi Solar (BVI). On the same date, the initial subscriber, who is an Independent Third Party, transferred one ordinary share in Eagle Luck to Xinyi Solar (BVI) for consideration of HK$1. Accordingly, Xinyi Solar (BVI) became the sole shareholder of Eagle Luck.

On June 24, 2015, Xinyi Solar (BVI) transferred 10,000 ordinary shares in Eagle Luck to Xinyi Energy (BVI) for cash consideration of HK$10,000, being the amount initially paid by Xinyi Solar (BVI) for such shares in Eagle Luck. Since then, Eagle Luck has been a wholly-owned subsidiary of our Company.

Glory City

On July 18, 2014, Glory City was incorporated in Hong Kong with limited liability and is the holding company for Binhai Solar Farm.

On August 19, 2014, the issued share capital of Glory City was increased from HK$1.0 to HK$10,000 by the allotment and issue of an additional 9,999 ordinary shares of HK$1.0 each in Glory City to Xinyi Solar (BVI). On the same date, the initial subscriber, who is an Independent Third Party, transferred one ordinary share in Glory City to Xinyi Solar (BVI) for nominal consideration of HK$1. Accordingly, Xinyi Solar (BVI) became the sole shareholder of Glory City.

On June 24, 2015, Xinyi Solar (BVI) transferred 10,000 ordinary shares in Glory City to Xinyi Energy (BVI) for cash consideration of HK$10,000, being the amount initially paid by Xinyi Solar (BVI) for such shares in Glory City. Since then, Glory City has been a wholly-owned subsidiary of our Company.

Full Wisdom

On February 6, 2015, Full Wisdom was incorporated in Hong Kong with limited liability and is the holding company for Shouxian Solar Farm.

On March 23, 2015, the issued share capital of Full Wisdom was increased from HK$1.0 to HK$10,000 by the allotment and issue of an additional 9,999 ordinary shares of HK$1.0 each in Full Wisdom to Xinyi Solar (BVI). On the same date, the initial subscriber, who is an Independent Third, Party transferred one ordinary share in Full Wisdom to Xinyi Solar (BVI) for nominal consideration of HK$1. Accordingly, Xinyi Solar (BVI) became the sole shareholder of Full Wisdom.

On June 24, 2015, Xinyi Solar (BVI) transferred 10,000 ordinary shares in Full Wisdom to Xinyi Energy (BVI) for cash consideration of HK$10,000, being the amount initially paid by Xinyi Solar (BVI) for such shares in Full Wisdom. Since then, Full Wisdom has been a wholly-owned subsidiary of our Company.

Xinyi Energy (HK)

Xinyi Energy (HK) was incorporated by Xinyi Energy (BVI) on February 6, 2017 with the issued capital of HK$1 divided into 1 share. Since its incorporation, Xinyi Energy (HK) has been directly wholly owned by Xinyi Energy (BVI).

PRC subsidiaries

Xinyi Nanping

On June 17, 2014, Xinyi Nanping was established in the PRC with limited liability and is the operating company for our Group's business under Nanping Solar Farm. It has a registered capital of US$18,000,000, all of which was contributed by Cheer King. Since its establishment, Xinyi Nanping has been a wholly-owned subsidiary of Cheer King.

Xinyi Hong'an

On August 12, 2014, Xinyi Hong'an was established in the PRC with limited liability and is the operating company for our Group's business under Hong'an Solar Farm. It has a registered capital of US$35,000,000, all of which was contributed by Mega Gain. Since its establishment, Xinyi Hong'an has been a wholly-owned subsidiary of Mega Gain.

Xinyi Solar (Wuhu)

On December 17, 2014, Xinyi Solar (Wuhu) was established in the PRC with limited liability and is the operating company for our Group's business under Wuwei Solar Farm. It has a registered capital of US$35,000,000, all of which was contributed by Wise Regal. Since its establishment, Xinyi Solar (Wuhu) has been a wholly-owned subsidiary of Wise Regal.

Xinyi Wuhu

On December 30, 2013, Xinyi Wuhu was established in the PRC with limited liability and is the operating company for our Group's business under Sanshan Solar Farm. It had an initial registered capital of RMB10.0 million, all of which was contributed by Xinyi PV Products.

On September 18, 2014, a resolution was passed by the then sole shareholder to increase the registered capital of Xinyi Wuhu from RMB10.0 million to RMB300.0 million. The additional registered capital was contributed in cash by Xinyi PV Products.

On May 28, 2015, pursuant to an equity interests transfer agreement entered into between Xinyi PV Products and Xinyi Solar (Wuhu), Xinyi Solar (Wuhu) agreed to purchase the entire equity interest in Xinyi Wuhu for cash consideration of RMB300.0 million, which was determined by the parties after arm's length negotiations with reference to the net asset value of Xinyi Wuhu as of December 31, 2014 at RMB300.0 million. Since June 30, 2015, Xinyi Wuhu has been a wholly-owned subsidiary of our Company.

Xinyi Lu'an

On March 24, 2014, Xinyi Lu'an was established in the PRC with limited liability and is the operating company for our Jinzhai Solar Farm. It had an initial registered capital of RMB10.0 million, all of which was contributed by Xinyi PV Products, a wholly-owned subsidiary of Xinyi Solar.

On August 18, 2014, a resolution was passed by its then sole shareholder to increase the registered capital of Xinyi Lu'an from RMB10.0 million to RMB300.0 million. The additional registered capital was contributed in cash by Xinyi PV Products.

On January 10, 2015, pursuant to an equity interests transfer agreement entered into between Xinyi PV Products and Xinyi Solar (Wuhu), Xinyi Solar (Wuhu) agreed to purchase the entire equity interest in Xinyi Lu'an for cash consideration of RMB304,376,523.15, which was determined by the parties after arm's length negotiations with reference to the net asset value of Xinyi Lu'an as of December 31, 2014 at RMB343,765,231. Since May 28, 2015, Xinyi Lu'an has been a wholly-owned subsidiary of our Company.

Xinyi Bozhou

On December 29, 2014, Xinyi Bozhou was established in the PRC with limited liability and is the operating company for our Group's business under Lixin Solar Farm. It has a registered capital of US$35,000,000, all of which was contributed by Wise Regal. Since its establishment, Xinyi Bozhou has been a wholly-owned subsidiary of Wise Regal.

Xinyi Solar (Fanchang)

On May 12, 2015, Xinyi Solar (Fanchang) was established in the PRC with limited liability and is the operating company for our Group's business under Fanchang Solar Farm. It has a registered capital of RMB75,000,000, all of which was contributed by Eagle Luck. Since its establishment, Xinyi Solar (Fanchang) has been a wholly-owned subsidiary of Eagle Luck.

Xinyi Solar (Tianjin)

On November 24, 2014, Xinyi Solar (Tianjin) was established in the PRC with limited liability and is the operating company for our Group's business under Binhai Solar Farm. It had an initial registered capital of US$35,000,000, all of which was contributed by Glory City. Since its establishment, Xinyi Solar (Tianjin) has been a wholly-owned subsidiary of Glory City.

On May 26, 2016, a resolution was passed by Glory City to increase the registered capital Xinyi Solar (Tianjin) from US$35,000,000 to US$53,000,000. The additional registered capital was contributed in the form of cash by Glory City. On June 14, 2016, Tianjin Municipality People's Government approved the said increase of registered capital.

Xinyi Solar (Shouxian)

On April 21, 2015, Xinyi Solar (Shouxian) was established in the PRC with limited liability and is the operating company for our Group's business under Shouxian Solar Farm. It had an initial registered capital of RMB75,000,000, all of which was contributed by Full Wisdom. Since its establishment, Xinyi Solar (Shouxian) has been a wholly-owned subsidiary of Full Wisdom.

On November 23, 2015, a resolution was passed by the board of directors of Xinyi Solar (Shouxian) to amend the articles of association of Xinyi Solar (Shouxian) including the increase of the registered capital of Xinyi Solar (Shouxian) from RMB75,000,000 to RMB215,000,000. The additional registered capital was contributed in the form of cash by Full Wisdom. On December 3, 2015, Anhui Provincial People's Government approved the said increase of registered capital.

Xinyi Technology (Wuhu)

On April 25, 2017, Xinyi Technology (Wuhu) was established in the PRC with limited liability and is engaged in the business of provision of solar farm operation and management services. Xinyi Technology (Wuhu) has a registered capital of RMB6,800,000, all of which was contributed by Xinyi Energy (HK). Since its establishment, Xinyi Technology (Wuhu) has been a wholly-owned subsidiary of Xinyi Energy (HK). Xinyi Technology (Wuhu) is a party to the Solar Farm O&M Agreement.

SHARE SUB-DIVISION, GLOBAL OFFERING, AND CAPITALIZATION ISSUE

On May 21, 2018, our Shareholders passed written resolutions to approve, inter alia, the change in the maximum number of shares that our Company is authorized to issue from 50,000 shares of a single class each with a par value of US$1.0 to a total of 800,000,000,000 Shares of a single class each with a par value of HK$0.01 by amending clause 6.2 of the Memorandum (the "**Amendment**") and the redesignation of the shareholding of our Controlling Shareholders into Shares, upon the Amendment becomes effective. The Amendment became effective on May 24, 2018, as follows:

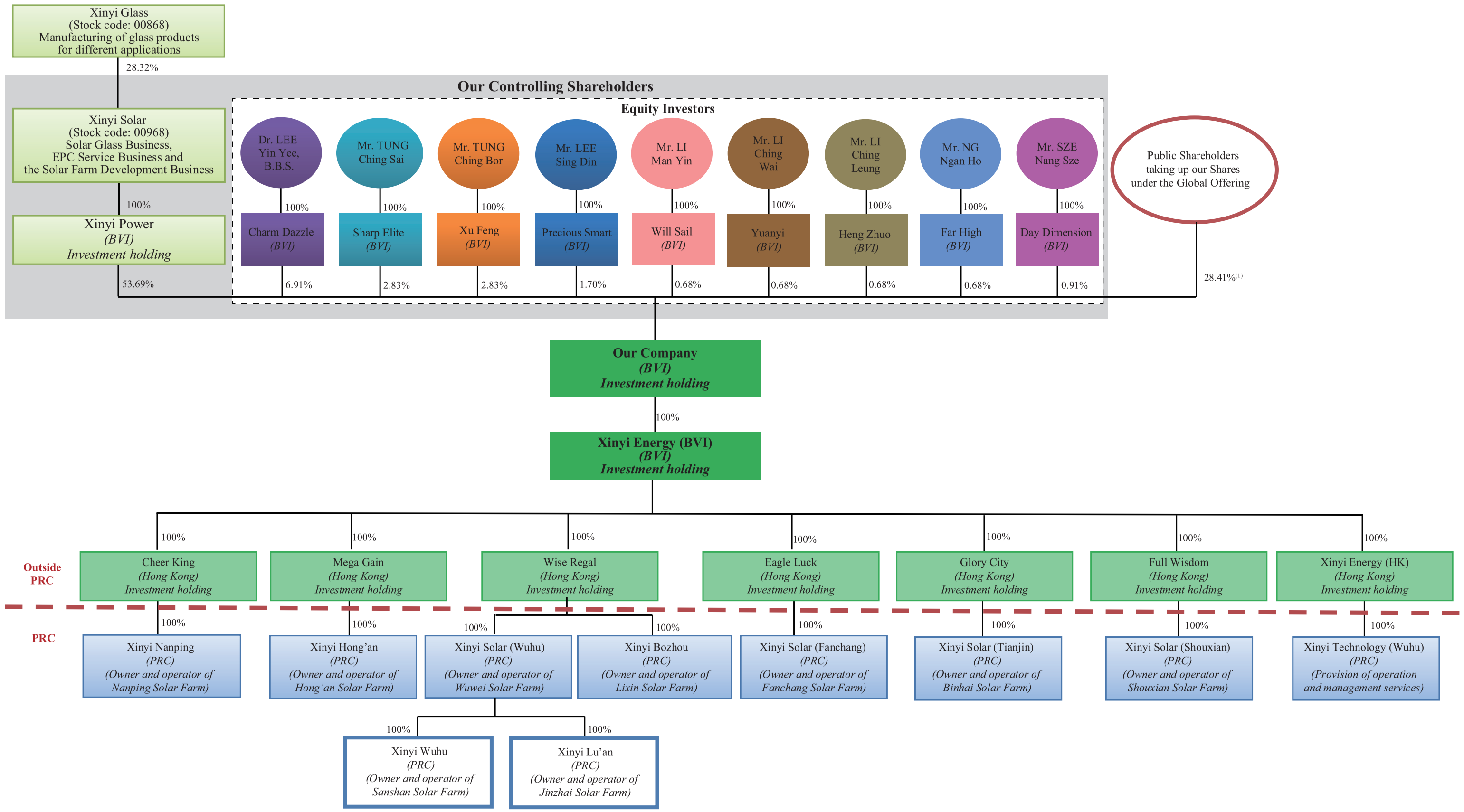
	Before the Amendment	**After the Amendment**
Our Controlling Shareholders	*Number of shares of US$1.0 each*	*Number of Shares*
Xinyi Power	5,214	4,066,920
Charm Dazzle	671	523,380
Sharp Elite	275	214,500
Xu Feng	275	214,500
Precision Smart	165	128,700
Will Sail	66	51,480
Yuanyi	66	51,480
Heng Zhuo	66	51,480
Far High	66	51,480
Day Dimension	88	68,640
Total	6,952	5,422,560

Pursuant to the Global Offering, new Shares representing 28.4% of the enlarged number of Shares in issue will be issued and allotted to the investors taking up our Shares under the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering.

Conditional on our Company being credited with an amount of no less than HK$47,393,174.4 as a result of the Global Offering, 4,739,317,440 new Shares will be allotted and issued to our Shareholders on October 30, 2018 on a pro rata basis. Such Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares.

SHAREHOLDING AND CORPORATE STRUCTURE FOLLOWING COMPLETION OF THE SPIN-OFF AND THE LISTING

Our shareholding and corporate structure following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme) is set forth below:



Note:

(1) This percentage assumes that all XYS Independent Shareholders have subscribed for all XYS Reserved Shares. If all XYS Reserved Shares are subscribed by the XYS Shareholders other than the XYS Independent Shareholders, our Shares held by the public Shareholders would be 16.26%.

THE SPIN-OFF

On February 13, 2017, Xinyi Solar submitted an application to the Hong Kong Stock Exchange for the Spin-Off pursuant to Practice Note 15 of the Listing Rules, and the Hong Kong Stock Exchange confirmed on September 13, 2017 that Xinyi Solar may proceed with the Spin-Off. On April 10, 2018, Xinyi Solar submitted an updated application for the Spin-Off, and the Hong Kong Stock Exchange has confirmed on May 21, 2018 that Xinyi Solar may proceed with the Spin-Off. Xinyi Solar will comply with the requirements under Practice Note 15 of the Spin-Off, and our Company will comply with the applicable requirements of the Listing Rules regarding the Listing.

Our Company issued a prospectus on December 10, 2018 for global offering of our Shares. The proposed global offering was not proceeded with in view of the then continuing stock market volatility, as announced by Xinyi Solar on December 14, 2018. Our business remains unaffected by the decision of not proceeding with the proposed global offering.

The board of directors of Xinyi Solar still believe that the Spin-Off and the Listing are beneficial to both Xinyi Solar and our Company for the following reasons:

(a) The market position and the valuation methodology of the Remaining Group and our Group are different. The Remaining Group is in the industrial sector and is typically valued by investors on price-to-earnings multiples, whereas our Group, being a dividend-oriented company which owns, operates, and acquires a portfolio of stable revenue generating solar farm projects, will adopt a high dividend payout policy to use a substantial portion of our cash flow for dividend distributions to our Shareholders (after deducting appropriate reserves for our working capital needs and the prudent conduct of our business), and will be valued on a distribution yield basis. The business model of our Group is intended to attract investors looking for investment opportunities in the renewable energy sector with well-defined and predictable amount of revenue and relatively high dividend payout ratio. Through the Spin-Off and the Listing, our Group will be valued independently and the investors will be provided with more information on the operating performance of our Group. The Spin-Off will also help to attract a new investor base for our Group.

    Following the Spin-Off and the Listing, we will focus on the Solar Farm Operation Business and will acquire from the Remaining Group (pursuant to the Solar Farm Agreement) or Independent Third Parties solar farm projects which have completed construction and are grid-connected for our business growth.

    The business delineation between the Remaining Group and our Group, namely the business delineation between (a) the development and construction of solar farm projects and (b) the operation and management of solar farm projects, is commonly adopted in the global renewable energy sector, including the solar power generation sector. Such business delineation is generally adopted because the two businesses require different management skills and offer different profiles of investment return and risk which are appealing to different types of investors. See the section headed "Relationship with our Controlling Shareholders — No business competition between our Group and the Remaining Group" in this prospectus for further information.

Whilst we focus on the Solar Farm Operation Business, the Remaining Group will continue to be engaged in the Solar Glass Business, the EPC Service Business, and the Solar Farm Development Business. This clear business delineation between our Group and the Remaining Group will be achieved by entering into the Transaction Agreements for the purpose of regulating the ongoing relationship between the Remaining Group and our Group following the Spin-Off and the Listing. Pursuant to the Solar Farm Agreement, our Group will be granted the Solar Farm Call Option and the Solar Farm ROFR to acquire construction completed and grid-connected solar farm projects constructed or developed by the Remaining Group. Pursuant to the Solar Farm O&M Agreement, our Group will provide operation and management services for the solar farm projects constructed or developed by the Remaining Group and are held for sales.

(b) As a result of the Spin-Off and the Listing, the Remaining Group and our Group will have separate fund-raising platforms in the equity and debt capital markets, which will increase financing flexibility for both the Remaining Group and our Group. A separate listing will also provide clarity to the credit profile of our Group to financial institutions preparing to analyze and lend against the credit rating of our Solar Farm Operation Business.

The Spin-Off and the Listing will enable investors to appraise and assess the value and performance of our Group independently from the Remaining Group. This is particularly important as the factors affecting the performance of our Group are different from those affecting the Remaining Group. The Spin-Off and the Listing will provide a separate listing platform for our Group and enable our Group to obtain the required funding independently in the capital markets.

Following the Spin-Off and the Listing, Xinyi Solar will continue to be the single largest Shareholder and one of our Controlling Shareholders. This will enable the Remaining Group, as well as the shareholders of Xinyi Solar, to continue to enjoy the economic benefits from our Group. Xinyi Solar will also benefit from the Spin-Off and the Listing in the following aspects, among others:

(a) The implied value of the Solar Farm Operation Business of our Group can be unlocked with a higher valuation multiple than the valuation of the Xinyi Solar Group as a whole.

(b) Xinyi Solar will continue to consolidate the operating results of our Group, and enjoy the economic benefit and the expected high dividend payout ratio to be adopted by our Company. Xinyi Solar will continue to receive distributions from our Company.

(c) Xinyi Solar will receive an upfront payment of 50% of the Agreed Purchase Price. The Outstanding Amount will be fully settled by our Group on the earlier of (a) the fourth anniversary of the Listing Date and (b) by instalments following the receipt of the tariff adjustment on the electricity generated by the solar farm projects under the Target Portfolio. On this basis, the Outstanding Amount will only be deferred to the respective time periods when the delayed payment of the tariff adjustment is to be settled by the PRC Government. This payment arrangement of the Outstanding Amount is designed to match the expected receipt of the delayed tariff adjustment incurred by the Target Portfolio from the PRC Government. Our Directors confirm that this arrangement has been negotiated on an arm’s length basis taking into consideration the prevailing market practice and the current prolonged settlement of the tariff adjustment by the PRC Government. As such, the payment arrangement should not be considered as financial assistance to be provided by the Remaining Group to our Group. See the section headed "Relationship with our Controlling Shareholders — Independence from the Remaining Group — Financial independence" and "Relationship with our Controlling Shareholders — Payment arrangement under the Target Sale and Purchase Agreement and sustainability of our business" in this prospectus for further information. The above arrangement has been considered and approved by the XYS Independent Shareholders at the XYS EGM.

(d) Pursuant to the Solar Farm O&M Agreement, we will provide operation and management services for solar farm projects of the Remaining Group which are connection-ready. This will establish a clear business delineation between the Remaining Group and our Group and facilitate the planning, development, and construction of solar farm projects by the Remaining Group with improved technology and know-how.

The Spin-Off and the Listing will also be beneficial to our Group for the following reasons:

(a) The operating results of our Group are sufficient to warrant a separate listing on the Main Board. The Listing will enable our Company to have our own fund raising platform to directly and independently access both the debt and equity capital markets. Such segregation will allow our Company to target our investor base more effectively and enable investors and financiers to appraise the strategies, exposure, risks, and investment returns of the business of our Group independently. Our Company can then be valued on a standalone basis, which can release the true implied value of our business.

(b) The Listing will lead to a more direct alignment of the responsibilities and accountability of the management of our Group with our operating and financial performance. Following completion of the Listing, our Company will become a separately listed entity with our own management team and structure focusing on the operation and maintenance of solar farm projects, which will improve our ability to recruit, motivate and retain key management personnel. A clear and transparent separation of the management structure will also enhance our decision-making process and responsiveness to any market change.

(c) The Listing will deliver greater value to the shareholders of both Xinyi Solar and our Company for the respective merits of the two companies. The Listing will also increase operational and financial transparency of the Solar Farm Operation Business and provide greater clarity on the business and financial condition. Investors would be able to appraise and assess the performance and potential of the Solar Farm Operation Business as (i) our Company will enjoy enhanced flexibility to grow our business free of actual or perceived constraints as a wholly-owned subsidiary; (ii) our Company will enjoy increased ability to make acquisitions by using our Shares as acquisition currency; and (iii) Xinyi Solar will be able to enjoy increased shareholders' value through sharing the economic benefits from the ongoing development of the Solar Farm Operation Business by remaining as the largest shareholder of our Company immediately following the Spin-Off and the Listing.

In accordance with the requirements of Practice Note 15 of the Listing Rules, Xinyi Solar will give due regard to the interests of its shareholders by providing XYS Qualifying Shareholders with the XYS Qualifying Shareholders' Assured Entitlement by way of the XYS Assured Offering. For details on the XYS Assured Offering, see the section headed "Structure and Conditions of the Global Offering" in this prospectus for further information.

OVERVIEW

We are a leading non-State owned solar farm owner and operator in the PRC in terms of the approved capacity of the utility-scale ground-mounted solar farm projects in operation owned by us and under our management. Established and spun-off from Xinyi Solar, we own and operate utility-scale ground-mounted solar farm projects initially developed and constructed by Xinyi Solar. As of the date of this prospectus, the aggregate approved capacity of our Initial Portfolio is 954 MW. Pursuant to the Target Sale and Purchase Agreement, we will acquire the utility-scale ground-mounted solar farm projects under the Target Portfolio with an approved capacity of 540 MW upon the Listing. All solar farm projects owned and managed by us are situated in the PRC.

Xinyi Solar commenced the planning and development of utility-scale ground-mounted solar farm project in the PRC, i.e. Jinzhai Solar Farm, during the third quarter of 2013. The construction work of this utility-scale ground-mounted solar farm project commenced in the first half of 2014, with grid connection commenced in the third quarter of 2014. The Solar Farm Operation Business has been undertaken by members of our Group since 2014.

The PRC is the largest and fastest growing solar power market in the world, and is expected to continue to lead the global market in terms of annual solar power installation and capital investment in solar farm projects between 2018 and 2020. In 2018, the PRC led the world as the largest solar power installation market for the sixth consecutive year, with 44.26 GW of new solar power installation, and accounted for 45% of the solar power capacity installed globally during the year, followed by the U.S. (12%) and India (9%). The cumulative solar power capacity in the PRC grew from 2.1 GW in 2011 to 174.5 GW by the end of 2018, representing a CAGR of 88.03%. In 2014, the NDRC announced a strategic objective to achieve the solar power capacity of 100 GW by the end of 2020. In 2016, as part of the 13th Five-Year Plan, the NEA further increased the targeted solar power capacity to 105GW by the end of 2020.

Our business model is to acquire, own, and manage a portfolio of utility-scale ground-mounted solar farm projects and sell the electricity to local subsidiaries of the State Grid for generating a stable inflow of revenue and cash which will be used for our Distributions. Our primary business objective is to provide our Shareholders with stable Distributions with sustainable long-term growth following the growth of the portfolio of our solar farm projects in terms of size and approved capacity. We intend to adopt a high dividend payout policy and will use a substantial portion of our cash inflows for Distributions. It is our Board's intention to declare and distribute interim and final Distributions in each year of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in respect of each year. During the two years ending December 31, 2020, we intend to declare and distribute interim and final Distributions representing 100% of our Distributable Income. Hence, the interim Distribution to be declared and distributed by our Company for the six months ending June 30, 2019 would represent 100% of our Distributable Income during the period. The amount of our Distributions will be contributed by the revenue generated from our utility-scale ground-mounted solar farm projects and will depend on a number of factors, including, amongst other things, our business and financial condition, operating results, and cash flows generated from our business activities. For details on the policy on our Distributions, see the section headed "Distributions" in this prospectus.

As of December 31, 2016, 2017, and 2018, the total approved capacity of the grid-connected utility-scale ground-mounted solar farm projects under our Initial Portfolio remained unchanged at 954 MW.

Our revenue grew from HK$968.3 million in 2016 to HK$1,116.0 million in 2017 and to HK$1,200.6 million in 2018. The profit attributable to equity holders of our Company amounted to HK$659.0 million, and HK$719.6 million, and HK$745.0 million for the Track Record Period, respectively.

The table below sets forth the revenue, net profit and the Adjusted EBITDA of our Initial Portfolio for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
HKFRS measures			
Revenue	968,291	1,116,044	1,200,556
Net profit	659,005	719,639	745,027
Non-HKFRS measure			
Adjusted EBITDA(1)	922,132	1,053,888	1,105,074

The table below sets forth the revenue, net profit and the Adjusted EBITDA of the Target Portfolio for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
HKFRS measures			
Revenue	86,912	337,472	549,316
Net profit	61,040	242,940	377,837
Non-HKFRS measure			
Adjusted EBITDA(1)	81,531	318,339	530,899

Note:

(1) The Adjusted EBITDA is a non-HKFRS financial measure, which is not audited, not included in the financial information and not presented in accordance with the HKFRS. Although such financial measure is reconcilable to the line items in the financial information set forth in Appendix IA and Appendices 1B to 1F to this prospectus, it should not be considered as measure comparable to, and should not be used as substitutes for, items in income statement or cash flow statement as determined in accordance with the HKFRS. Such measure is not necessarily an indication of whether cash flows will be sufficient to fund our cash requirements. In addition, our definitions of such financial measure may not be comparable to other similarly titled measures used by other companies. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under the HKFRS.

"**Adjusted EBITDA**" is used as the basis of our Distributable Income and is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year.

"**Adjustments**" refer to the adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

— other gain/(loss), net;
— other income;
— unrealized revaluation gains, including impairment provisions or reversal of impairment provisions;
— impairment of goodwill/recognition of negative goodwill;
— material non-cash gains/losses; and
— costs of any offering of Shares that are expensed through the consolidated income statements but are funded by proceeds from the issuance of Shares.

Our solar farm projects consist of utility-scale ground-mounted solar farm projects with long expected asset life and low counterparty risk. All utility-scale ground-mounted solar farm projects under our Initial Portfolio are connected to the State Grid and are constructed under the national quota system in the PRC and they are in principle entitled to receive the tariff adjustment under the Feed-in-Tariff regime at the same applicable rate for an average remaining duration of 17 years as of the Latest Practicable Date. These solar farm projects are enlisted on the Subsidy Catalogue which is a prerequisite for the receipt of the tariff adjustment under the Feed-in-Tariff regime and is administrative in nature given that all the solar farm projects under our Initial Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid. Hence, we recognize the tariff adjustment as revenue at the time of electricity sales. Seven out of nine solar farm projects under our Initial Portfolio have an approved capacity of 100 MW or above, accounting for 90.6% of the aggregate approved capacity of our Initial Portfolio. Solar farm projects under our Initial Portfolio are strategically located in Anhui Province, Tianjin Municipality, Fujian Province, and Hubei Province with low curtailment risk. No curtailment issues have emerged since commercial operation of the solar farm projects under our Initial Portfolio. All electricity generated by the solar farm projects under our Initial Portfolio is sold to the local subsidiaries of the State Grid with low counterparty risk.

Our Directors believe that we have a portfolio of newly completed utility-scale ground-mounted solar farm projects, with all solar farm projects under our Initial Portfolio having achieved COD within the past four years. The solar farm projects under our Initial Portfolio use proven, reliable, and efficient technologies. Solar modules of 600 MW under our Initial Portfolio, and all solar modules under the Target Portfolio, are designed to use double-glass modules, which have a better degradation profile than single-glass module and can generate high system power yield over lifetime according to the K2 Management Report.

One of our growth strategies is to acquire construction completed and grid-connected solar farm assets from Xinyi Solar and Independent Third Parties with long-term power purchase contracts entered for the purpose of increasing our Distributions. We have been granted the Solar Farm Call Option and the Solar Farm ROFR under the Solar Farm Agreement in relation to the construction completed and grid-connected solar farm projects developed or constructed by the Remaining Group. We believe that the Solar Farm Agreement will provide us with ample opportunities to strengthen our portfolio of solar farm projects and support our future business growth. For details on the pipeline solar farm projects, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus. We would first consider using external financing to support our acquisitions and growth in the future. Alternatively, we may meet such funding requirements by raising additional funds through issuance of new equity or equity-linked securities to finance acquisitions and expansion in the future.

Our solar farm operation and management business has benefited from the favorable policies of the PRC Government in respect of the renewable energy sector. Since 2005, the PRC Government has initiated various incentive programs to promote the continuous growth of solar power industry and to provide attractive pricing mechanisms for solar power industry. The Feed-in-Tariff regime has been implemented in the PRC since 2014 for promoting investments in solar farm projects with long-term economic return supported by the PRC Government. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. The utility-scale ground-mounted solar farm projects under our Initial Portfolio are constructed under the national quota system in the PRC and connected to the State Grid and are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years. These solar farm projects are enlisted on the Subsidy Catalogue which is a prerequisite for the receipt of the tariff adjustment. Hence, we recognize the tariff adjustment as our revenue at the time of electricity sales. We have not experienced any retrospective adjustments to the approved Feed-in-Tariff rates applicable to our operating solar farm projects. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, no default and no retrospective adjustment of Feed-in-Tariff rates have ever happened since the introduction of the Feed-in-Tariff regime for the solar power industry in the PRC.

We believe we can capitalize on the rapid growth of the solar power industry in the PRC and are positioned favorably in the further development of our solar farm business in the PRC. There has been a rapid growth of solar power installation globally. The global cumulative installed solar power capacity reached 405 GW by the end of 2017, representing an increase from less than 41 GW as of the end of 2010 and from 5 GW as of the end of 2005. The PRC is the largest and fastest growing solar energy market in the world, and is expected to lead the global demand in terms of annual solar power installation and capital investment in solar farm projects between 2017 and 2020. In 2017, the PRC led the world as the largest solar power installation market for the fifth consecutive year with 53.06 GW of new installation. The accumulated solar power generation capacity in the PRC grew from 2.1 GW in 2011 to 174.5 GW by the end of 2018, representing a CAGR of 88.03%. Pursuant to the K2 Management Report, the cumulative installed solar power capacity in the PRC will increase to 250 GW by the end of 2020. We expect that there will be ample room for further growth of the solar energy market in the PRC as we anticipate that the increase in the use of solar power will provide a solution to an increasing demand for electricity in the PRC in the future. Such rapid growth is largely attributed to favorable regulatory environment and supportive policies, in addition to the continuous improvement in the living standards and the declining cost of solar photovoltaic technologies.

OUR STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors:

We are a leading non-State owned solar farm owner and operator in the PRC, which is the largest and the fastest growing solar energy market in the world.

Our portfolio of utility-scale ground-mounted solar farm projects generate stable revenue. We are a leading non-State owned solar farm owner and operator in the PRC in terms of approved capacity of the utility-scale ground-mounted solar farm projects in operation owned by us and under our management. Unlike other solar farm businesses listed on Hong Kong Stock Exchange, we are not engaged in solar farm development and construction businesses and are not directly affected by any policy regulating new solar farm construction in the PRC. As of December 31, 2016, 2017, and 2018, the approved capacity of the grid-connected solar farm projects under our Initial Portfolio remained unchanged at 954 MW. Our revenue of electricity sales grew from HK$968.3 million in 2016 to HK$1,116.0 million in 2017 and to HK$1,200.6 million in 2018.

Further, we plan to use the net proceeds from the Global Offering to acquire the Target Portfolio with a total approved capacity of 540 MW. Upon completion of the Target Acquisition, the total approved capacity of our solar farm projects will increase to 1,494 MW under our Initial Portfolio and the Target Portfolio. Following completion of the Spin-Off and the Listing, we believe that we will be positioned favorably in the development of our solar farm operation and management business in the PRC.

In addition, Xinyi Solar, our parent company, ranked third amongst non-State owned solar farm owner and operator in the PRC with a total approved capacity of 2,282 MW in terms of accumulated grid-connected utility-scale approved capacity as of December 31, 2018, pursuant to the K2 Management Report. Such high ranking and strong capacity will also facilitate our growth in acquiring new solar farm projects under the Solar Farm Agreement.

Rapid growth of solar power installation globally. We believe we can capitalize on the rapid increase in the solar power installation globally. The global cumulative installed solar power capacity reached 405 GW by the end of 2017, representing an increase from less than 41 GW as of the end of 2010 and an increase from 5 GW as of the end of 2005. The global cumulative solar power installation is expected to reach 874.6 GW in 2021.

The rapid growth of solar power installation is primarily driven by technological advancements which improve the efficiency of solar power generation and reduce the production and installation costs of solar power components. Other key growth factors for the increase in solar power installation includes growing global energy demand, global environmental awareness, environmental concerns over conventional power generation, and cutting of emissions and slowing the adverse climate change.

The PRC is the largest and fastest growing solar power market in the world. The PRC is the largest and fastest growing solar power market in the world, and is expected to continue to lead the global market in terms of annual solar power installation and capital investment in solar farm projects between 2017 and 2020. In 2014, the NDRC announced a strategic objective to achieve the solar power capacity of 100 GW by the end of 2020. In 2016, as part of the 13th Five-Year Plan, the NEA further increased the target to 105GW by the end of 2020. In 2018, the PRC led the world as the largest solar power installation market for the sixth consecutive year, with 44.26 GW of new solar power installation, which accounted for 45% of the solar power capacity installed globally during the year, followed by the U.S. (12%) and India (9%). The cumulative solar power capacity in the PRC grew from 2.1 GW in 2011 to 174.5 GW by the end of 2018, representing a CAGR of 88.03%. Pursuant to the K2 Management Report, the cumulative installed solar power capacity in the PRC will increase to 250 GW by the end of 2020.

With the increasing use of solar power, we believe there will be ample room of growth for us as a solar farm operator. Solar power only supplied 1.8% and 2.5% of the electricity consumption in the PRC during the two years ended December 31, 2018, respectively. Such level of the use of solar power is significantly lower than that of the other developed solar power markets, such as Italy (7.11%), Germany (7.47%), and Japan (5.93%). Globally, in 2018, solar power supplied 2.14% of the electricity consumption.

Since 2005, the PRC Government has initiated various incentive programs to promote the continuous growth of solar power industry and to provide attractive pricing mechanisms for solar power. These incentives or favorable policies include, among others, mandatory grid connection and purchase of electricity generated from renewable energy projects, top priority in grid connection and dispatch, subsidized Feed-in-Tariff (which are higher than the benchmark tariffs for coal-generated electricity) and tax-related incentives for solar farm projects. We anticipate that the continued decline in the cost of solar power generation due to technological advancement will likely result in higher penetration and installation of solar power in the PRC in the future. The cost of solar power system and solar module have decreased significantly during the period from 2011 to 2017 and are expected to continue to decrease in the future, which we believe will further stimulate the increasing use of solar power globally for the purpose of replacing the use of fossil fuels which is not environmental friendly. In the PRC, the average cost of solar power system decreased from RMB17.5/W in 2011 to RMB6.8/W in 2017, according to the K2 Management Report. The cost of solar power system in 2017 fell by 7.5%, as compared to 2016, which was primarily due to the decrease in the production and installation costs of solar farm equipment and modules, such as power cable, electric equipment, inverters, and supporting structures. The cost of solar modules generally accounts for 40% of the cost of solar power system, and the prices of which decreased from RMB9.0/W in 2011 to RMB3/W in 2017. It is estimated that the cost of solar power in the PRC will reach grid-parity with traditional coal-fire power by 2020 pursuant to the K2 Management Report.

As a result of the technological improvement in solar power generation efficiency and reduction in the production and installation cost of solar power components, solar power projects have been more competitive as compared to conventional coal-fired power projects. The NDRC and the NEA issued the 2019 Grid Parity Notice on January 7, 2019, pursuant to which, the PRC Government has formulated various measures on the development of grid-parity renewable energy projects. These measures include: (a) grid-parity renewable energy projects to be developed are not to be limited by the national quota system in the PRC: (b) local provincial authorities will promote the use of grid-parity renewable projects in terms of land use and secure power transmission capacity for the grid-parity renewable energy projects; (c) local provincial authorities will offer local tariff subsidies to investors for grid-parity renewable energy projects for a specified period of time; (d) mandatory grid connection and full purchase of electricity generated from renewable energy projects, with top priority in grid connection and dispatch; and (e) purchase of all electricity generated from grid-parity renewable energy projects by provincial power grid companies with long-term power purchase agreements of not less than 20 years. The measures under (c), (d), and (e) above are expected to provide incentives for the construction of renewable energy projects subsequent to the implementation of the 2019 Grid Parity Notice even though the price for sale of electricity charged by these projects would achieve grid-parity or even lower than the local benchmark price of conventional coal-fired power.

The amount of tariff adjustment currently enjoyed by the solar farm projects under our Initial Portfolio and the Target Portfolio would not be affected by the implementation of the policy under the 2019 Grid Parity Notice.

Our portfolio consists of grid-connected utility-scale ground-mounted solar farm projects using proven and reliable technologies with long expected asset life and low counterparty risk.

Our solar farm portfolio consists of grid-connected utility-scale ground-mounted, and revenue generating solar farm projects using proven and reliable technologies with long expected asset life and low counterparty risk.

Large-scale utility-scale solar farm projects connected to the State Grid, with low counterparty risk. All solar farm projects under our Initial Portfolio and the Target Portfolio are utility-scale ground-mounted solar farm projects which are connected to the State Grid and revenue generating. State Grid Corporation, which has a service area covering 26 provinces, autonomous regions and municipalities, has credit ratings of A1, A+, and A+ by Moody's, S&P, and Fitch, respectively, as of the Latest Practicable Date. China Southern Power Grid's service area covers the remaining five southern provinces and has a credit ratings of A1, A+, and A+ by Moody's, S&P, and Fitch, respectively, as of the Latest Practicable Date. All electricity generated by the solar farm projects under our Initial Portfolio is sold to the State Grid Corporation, and we believe the counterparty risk of which is extremely low as power purchase agreements have been entered into in respect of all solar farm projects under our Initial Portfolio.

Strategic locations with low curtailment risk. The utility-scale ground-mounted solar farm projects under our Initial Portfolio and the Target Portfolio are strategically located in Anhui Province, Tianjin Municipality, Henan Province, Hubei Province, and Fujian Province with low curtailment risk due to the growth in the domestic and industrial electricity demand. We are not aware of any supply and demand imbalance and there is no record of curtailment of solar power output in these provinces. In the future, we intend to continue to focus on acquiring solar farm projects in regions with healthy and balanced electricity supply and demand.

A portfolio of newly constructed solar farm projects with proven and reliable technologies. We have a portfolio of newly constructed solar farm projects, with all solar farm projects under our Initial Portfolio having achieved COD within the past four years.

The utility-scale ground-mounted solar farm projects under our Initial Portfolio use proven, reliable, and efficient technologies. Solar modules of 600MW under our Initial Portfolio use, and all solar modules under the Target Portfolio are designed to use, double-glass technologies. Double-glass module has a better degradation profile than single-glass module and can generate a higher system power yield over lifetime. Solar modules of 156.7 MW under the Target Portfolio are designed to use solar tracking systems comprising both single-axis tracking system and dual-axis tracking system, which will increase the power generation efficiency as compared to conventional stationary mounting system.

Long asset life. All solar farm projects under our Initial Portfolio and the Target Portfolio are constructed under the national quota system in the PRC and are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for an average remaining duration of 17 years as of the Latest Practicable Date. The remaining period for such entitlement for the solar farm projects under the Target Portfolio is expected to be close to 20 years. Solar modules can generally be used for more than 25 years.

According to the K2 Management Report, single-glass module in general has a power output efficiency of 81% of its original rated power in the 25th year of operation and double-glass module retains 82.5% to 83.0% of the efficiency level in the 30th year of operation. As such, solar farm projects generally have long asset life.

Predictable performance of our solar farm projects and investment return certainty supported by the Feed-in-Tariff regime.

Our solar farm projects have predictable performance due to low solar irradiation variation, low operating costs and maintenance expenditures required.

Low solar irradiation variation. In general, solar irradiation has low variation across years. For example, on the national level, the PRC historically has minor variation in the annual solar irradiation level across years. On project site level, solar irradiation variation between two years is typically within a range of 2% to 3% from the average level, according to K2 Management.

Low operating cost, maintenance expenses, and no risk of fuel cost fluctuation. Solar farm operation typically requires lower operational and maintenance expenditures as compared to that of conventional energy sources. Solar module manufacturers typically provide 20 to 30 year power output warranty to solar modules. Solar power generation is also not subject to the risk of fuel cost fluctuation as in conventional energy generation. Fuel cost is typically the largest variable cost component for non-renewable energy generation, such as coal-fired or gas-fired power generation. Our cost of sales (excluding depreciation) consists of primarily employees' benefit expenses, electricity cost, operating lease expenses, and accounted for only 3.16%, 3.69%, and 3.50% of our revenue for the Track Record Period, respectively. Pursuant to the K2 Management Report, solar farm operational and maintenance ("**O&M**") costs changed slightly from 2016 to 2017 in the PRC from 0.05RMB/W to 0.05-0.06RMB/W. Based on the Feed-in-Tariff rates for the two years ended December 31, 2017, the annual O&M costs accounted for less than 5.10% and 5.88-7.06% of the generated revenue, respectively. Maintenance expenditure associated with replacement of parts is expected to increase over time as the solar farm projects operate for a longer period of time. We have a portfolio of relatively newly constructed solar farm projects, with all utility-scale ground-mounted solar farm projects under our Initial Portfolio having achieved COD within the past four years, our maintenance expenditure associated with replacement of parts is not significant.

Highest priority dispatch and utilization hour protection. Our solar power operation and management business has benefited, and we expect will continue to benefit, from regulatory support from the PRC Government. Solar power, along with other renewable energy sources, are entitled to top priority over conventional energy sources in grid electricity dispatch. In view of the curtailment issues in selected provinces, NDRC released a utilization hour protection policy in May 2016 which provides guaranteed level of off-take hours for solar farm projects. Pursuant to such policy, if the utilization of a certain solar project falls below the guaranteed hours, the shortfall would be compensated by the State Grid in the full amount. Eight of the solar farm projects under our Initial Portfolio and all solar farm projects under the Target Portfolio are located in solar resource zone III, where no curtailment issues have emerged, and thus were not affected by this policy. One solar farm project under our Initial Portfolio is located in solar resource zone II and to the knowledge of our Directors, no curtailment issues have emerged since commercial operation of such solar farm project.

Feed-in-Tariff regime to provide investment return certainty. All solar farm projects under our Initial Portfolio and the Target Portfolio, and the solar farm projects that we may acquire in the future pursuant to the Solar Farm Agreement, provide, and are expected to provide, us with a stable and predictable return under the Feed-in-Tariff regime, and relevant supportive measures implemented by the PRC Government to support the development of solar power in the PRC.

The Feed-in-Tariff regime implemented in the PRC since 2014 promotes investments in solar farm projects by providing long-term economic return certainty to solar farm investors. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. Enlisting on the Subsidy Catalogue is a prerequisite for the receipt of the tariff adjustment. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, no default and no retrospective adjustment of Feed-in-Tariff rate have ever happened since the introduction of the Feed-in-Tariff regime for solar power industry in the PRC. A similar Feed-in-Tariff regime has been introduced for other renewable power industry in the PRC since 2009.

The Feed-in-Tariff is composed of two components: the sale of electricity at the base tariff rates and the tariff adjustment. The sale of electricity at the base tariff rates is equivalent to the on-grid benchmark tariff rates of local coal-fired-power plants. The tariff adjustment represents the difference between the Feed-in-Tariff and the sale of electricity at the base tariff rates. Revenue from the sale of electricity at the base tariff rates is settled on a monthly basis by the local subsidiaries of the State Grid. The tariff adjustment is settled by the local subsidiaries of the State Grid with funding provided by the Ministry of Finance utilizing income of the Renewable Energy Fund.

Strong net cash generated from operating activities, and low gearing ratio. We will adopt a well-defined distribution policy following the Listing, which will be supported by the strong net cash generated from our operating activities. It is our Board's intention to declare and distribute interim and final Distributions in each year in an aggregate amount of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in each year. During the Track Record Period, the amount of net cash generated from our operating activities amounted to HK$125.3 million, HK$513.7 million, and HK$1,109.9 million, respectively. The Distributable Income during the Track Record Period amounted to HK$499.8 million, HK$594.4 million, and HK$678.1 million, respectively, and the coverage ratio was 25.1%, 86.4%, and 163.7%, respectively. Our Directors firmly believe that cash generated from our operating activities will continue to be sufficient for us to maintain our distribution policy. Our gearing ratio deceased from 54.3% as of December 31, 2016 to 19.8% as of December 31, 2018, and our Directors consider that this low level of leverage demonstrate the strength of our cash position which will enable us to implement our Distribution policy and provide the funding needs for future expansion generally.

Visible future growth supported by the Solar Farm Call Option and the Solar Farm ROFR over construction completed and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar and the proven track record of Xinyi Solar in solar farm development.

Solar Farm Call Option and Solar Farm ROFR over solar farm projects developed or constructed by Xinyi Solar. We have been granted the Solar Farm Call Option and Solar Farm ROFR under the Solar Farm Agreement to acquire solar farm projects developed or constructed by Xinyi Solar. We believe that the Solar Farm Call Option and Solar Farm ROFR enable us to expand our solar farm portfolio through acquisitions of grid-connected solar farm projects from Xinyi Solar and provide us with additional protection from other competing solar farm investors. For details on the pipeline solar farm projects under development and construction by Xinyi Solar, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus.

Xinyi Solar has a proven track record, and strong capability in solar farm development. Xinyi Solar has a proven track record and reputation in solar farm development. We believe that Xinyi Solar's capability and know-how in solar farm development can benefit and facilitate our development and expansion in the future.

(i) Xinyi Solar has demonstrated a significant track record of solar farm development.

Xinyi Solar has demonstrated a significant track record of solar farm development from project origination, initial development stage, quota bidding, and construction of solar farm projects with its in-house EPC teams. All of Xinyi Solar's utility-scale ground-mounted solar farm projects were developed and constructed by its management teams and in-house EPC teams from project origination to completion of construction. Xinyi Solar commenced the planning and development of the first utility-scale ground-mounted solar farm project in the third quarter of 2013. Xinyi Solar has developed, constructed, and connected to the State Grid utility-scale ground-mounted solar farm projects with an aggregate approved capacity of 1,464 MW, 1,754 MW, and 2,244 MW as of December 31, 2016, 2017, and 2018, respectively. In addition, Xinyi Solar has also constructed 155.50 MW distributed roof-top solar power facilities for generation of electricity for its own production plants, and provided EPC services to third parties. Xinyi Solar has developed, constructed, and connected to the State Grid in Anhui Province 1,340 MW of utility-scale ground-mounted solar farm projects as of December 31, 2018. Xinyi Solar has also demonstrated its capability to replicate its success in other provinces and municipality including Tianjin, Henan, Hubei, and Fujian.

(ii) Xinyi Solar has developed strong in-house EPC capability and cost advantages.

Xinyi Solar has established its own EPC teams as of the Latest Practicable Date. Xinyi Solar believes that having an in-house capability enables it to have a better control of its solar farm design and construction, higher degree of flexibility on the choice of solar power system components, as well as technical know-hows in solar farm development and construction process, including testing and commissioning of the latest technological applications and innovations. Having an in-house EPC capability can reduce the cost of solar farm construction. According to the K2 Management Report, the typical cost of solar power component per watt is in the range between RMB5.6 to RMB6.6 and RMB5.3 to RMB5.7 during the two years ended December 31, 2017, respectively, for solar farm developers with in-house EPC capability. The cost of solar power component per watt for solar farm developers outsourcing to third parties is in the range between RMB6.0 to RMB6.5 and RMB4.1 to RMB6.9 (estimated) during the two years ended December 31, 2018, respectively. Solar farm operational and maintenance costs was RMB0.05 per watt in 2016 and RMB0.05 to RMB0.06 per watt in 2017. We believe that cost advantage is a competitive advantage in the quota bidding process, in particular with competitive bidding process introduced by the NEA since January 2016, which specified that competitive tariff pricing is required to account for not less than 20% weighting of the total score for tender assessment.

(iii) Xinyi Solar has improved project efficiency and has diversified and mixed-use applications in solar farm deployment.

In improving the efficiency of solar power generation, Xinyi Solar has been promoting the adoption and use of double-glass module in the industry. 600 MW of solar modules under our Initial Portfolio, and all solar modules under the Target Portfolio are designed to use, double-glass technologies. Double-glass module has a better degradation profile than single-glass module and can generate higher system power yield over lifetime. 171.9 MW of solar power system under the Target Portfolio are designed to use solar tracking systems involving single-axis tracking system and dual-axis tracking system, which will increase the power generation efficiency as compared to conventional stationary mounting systems.

Utility-scale solar farm projects use large areas of land. Effective site usage is therefore important for long-term sustainable development of solar farm projects. Mixed-use applications in solar farm deployment provide a more efficient land usage and are encouraged by the PRC Government. Our Initial Portfolio and the Target Portfolio include solar farm projects designed to have elevated mounting on land, water surface mounting on fish ponds, and solar powered greenhouses. Some of these land, fish ponds and greenhouses are rented to Independent Third Parties for agricultural operations. Solar farm projects built on abandoned coal mine subsidence sites is one of the emerging site usage in the PRC. The Target Portfolio includes one floating solar farm situated on the water surface of abandoned coal mine subsidence sites with an approved capacity of 20 MW (COD in March 2016). According to Anhui NEA, the 20 MW floating solar farm under the Target Portfolio was the largest floating solar farm in the world at the time it was built.

(iv) Xinyi Solar has proven track record of financing experience, and access to banks and capital markets.

We believe that Xinyi Solar has a proven track record of financing experience and access to capital markets and banks in sourcing capital to fund development and construction of solar farm projects. As of December 31, 2018, Xinyi Solar had arranged 31 onshore bank borrowings in the total amount of HK$8,796.8 million from 13 banks to support its business activities. Xinyi Solar maintains a prudent level of leverage and has unutilized credit lines of HK$300.0 million as of December 31, 2018. Xinyi Solar also had a strong track record of accessing the equity capital markets and have conducted three follow-on equity offerings with gross proceeds of HK$2,480.1 million raised and completed a rights issue with gross proceeds of HK$1,511.7 million after its listing in December 2013. We believe that Xinyi Solar's proven track record of financing experience and continued access to banks and capital markets will continue to be one of its competitive advantages and allows it to continue developing solar farm projects in the future, which we may acquire pursuant to the Solar Farm Call Option granted under the Solar Farm Agreement.

Dedicated management team

We have a dedicated management team with experience in the solar industry in the PRC. See the section headed "Directors, Senior Management, and Employees" in this prospectus for further information. We believe that our management team has the industry experience and expertise, knowledge of the solar power regulatory regime in the PRC and an understanding of the latest development of the solar power industry, which allows us to take advantage of market opportunities that may arise, manage and assess risks and formulate business strategies to increase our overall distributions to Shareholders and maximize our shareholder value. Our management team is supported by experienced and skilled employees with technical know-how, qualification and training. We provide professional and technical training to our technicians and management team to ensure they are equipped with the necessary knowledge in the solar power sector and various aspects of our business.

LANDSCAPE OF CHINA SOLAR FARM INDUSTRY

Favorable PRC Government policies on the renewable energy sector

The PRC Government has in recent years promulgated a series of laws and regulations to support and encourage the development of renewable energy. In 2014, as part of its Strategic Energy Action Plan, the NDRC sets forth with an aim to achieve a total of 100 GW of installed solar capacity by 2020. In December 2016, as part of the 13th Five-Year Plan, the NEA increased the target to 105 GW of newly installed solar capacity by 2020.

Since 2005, the PRC Government has initiated various incentive programs to promote the continuous growth of solar power industry and to provide attractive pricing mechanisms for solar power. These incentives or favorable policies include, among others, mandatory grid connection and purchase of electricity generated from renewable energy projects, top priority in grid connection and dispatch, subsidized Feed-in-Tariff (which are higher than the benchmark tariffs for coal-generated electricity) and tax-related incentives for solar farm projects.

The Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount《可再生能源發電全額保障性收購管理辦法》) promulgated by the NDRC on March 24, 2016 and the Renewable Energy Law of the People's Republic of China (2009 Revision) (《中華人民共和國可再生能源法(2009 修正)》require all grid companies to purchase all electricity generated by renewable energy companies within the coverage of their power grids. Our solar farm projects have benefited and are expected to continue to benefit from such mandatory purchase obligation of the grid companies. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — Mandatory purchase" in this prospectus for further information.

Solar power, along with other renewable energy sources, are entitled to top priority over conventional energy sources in grid connection and dispatch. The NDRC has released a utilization hour protection policy which provides guaranteed level of off-take hours for solar farm projects. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Curtailment and utilization hour protection" in this prospectus for further information.

Commitment to the implementation of Feed-in-Tariff regime

Solar farm operators receive from local grid companies the tariff adjustment, which is funded by the Ministry of Finance utilizing income of the Renewable Energy Fund. The Renewable Energy Fund was established by the Ministry of Finance in 2006 with the main objective of supporting renewable energy development in the PRC. It is primarily funded by the Renewable Energy Surcharge, which is collected from electricity end-customers within the retail tariff. The Renewable Energy Fund in turn provides funding for subsidies to be paid to renewable energy projects in the PRC.

On May 31, 2018, the NDRC, Ministry of Finance, and the NEA jointly issued the 2018 Solar Power Industry Notice in relation to the latest policy on solar farm sector in the PRC. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. Our Directors consider that the 2018 Solar Power Industry Notice does not have a material impact on the business development of our Group as a solar farm operator because of the following reasons:

(1) The 2018 Solar Power Industry Notice is not intended to regulate the business operation of solar farm operators in the PRC. The 2018 Solar Power Industry Notice highlights that the PRC Government would not grant new approval for the construction of new ground-mounted solar farm projects under the national quota system in the PRC in 2018. This follows that no new ground-mounted solar farm projects would be approved for construction under the national quota system in the PRC in the year. With no new approval for construction of solar farm projects under the national quota system in the PRC pursuant to the 2018 Solar Power Industry Notice, our Directors believe that it will ease the deficit of the Renewable Energy Fund.

(2) The new policy under the 2018 Solar Power Industry Notice reflects our strength and capability as a solar farm operator in the PRC that we can generate stable revenue and cash inflows from the Feed-in-Tariff regime. We are primarily focused on the solar farm operation and management business and will not be involved in the development and construction of solar farm projects in the PRC. The new policy in respect of the development and construction of new ground-mounted solar farm projects in the PRC will not affect us as a solar farm operator. Following completion of the Spin-Off and the Listing, we will not be engaged in the planning, development, and construction of solar farm projects which are subject to the risks, uncertainties, and delay of construction and grid connection. We will focus on acquiring from the Remaining Group or Independent Third Parties construction completed and grid-connected utility-scale ground-mounted solar farm projects which are constructed under national quota system in the PRC.

(3) As of December 31, 2018, the cumulative solar power generation capacity in the PRC reached 174.5 GW, which is significantly more than the approved capacity of the solar farm projects owned or expected to be owned and managed by us as of the same date. The 2018 Solar Power Industry Notice does not change the amount of entitlement to the tariff adjustment currently enjoyed by the existing solar farm projects and hence, according to our PRC Legal Advisor, the 2018 Solar Power Industry Notice would have no impact on the solar farm projects currently owned and managed by us and the solar farm projects under the Target Portfolio. All pipeline solar farm projects of Xinyi Solar, which we may acquire, are currently constructed under the national quota system in the PRC and will be entitled to the Feed-in-Tariff at the applicable rates upon grid connection for a period of 20 years. Enlisting on the Subsidy Catalogue is a prerequisite for the receipt of the tariff adjustment and is administrative in nature given that all the solar farm projects under our Initial Portfolio and the Target Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid.

No tariff adjustment regime

On January 7, 2019, the NDRC and the NEA jointly published the 2019 Grid Parity Notice on the subsidy-free pricing arrangement for utility-scale renewal energy power projects constructed in the PRC in the future. See the section headed “Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation” in this prospectus for further information. Further information on the impact of the 2019 Grid Parity Notice is set forth in the section headed “Business of our Group — Our strengths” in this prospectus.

The 2019 Grid Parity Notice has no impact on the amount of entitlement to the tariff adjustment currently enjoyed by the utility-scale ground-mounted solar farm projects under our Initial Portfolio as well as the Target Portfolio and all pipeline utility-scale ground-mounted solar farm projects (other than Chaohu Jindao Solar Farm[(1)]) under development and construction by the Remaining Group as of the Latest Practicable Date. See the section headed “Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of utility-scale ground-mounted solar farm projects from the Remaining Group” on page 371 for further information.

With the implementation of the policy set forth in the 2019 Grid Parity Notice, the construction of new utility-scale ground-mounted solar farm projects in the future would not be subject to the national quota system in the PRC after satisfying certain conditions including the renewable energy rules and regulations on the provincial level and power delivery, transmission and capacity for consumption and purchase of electricity conditions. As there would be no tariff adjustment entitlement for the future solar farm projects to be constructed under the 2019 Grid Parity Notice, our Directors expect that there would be a substantial decrease in revenue generated from solar farm

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

projects which are constructed subsequent to the implementation of the 2019 Grid Parity Notice. The NDRC and NEA encourage the construction of renewable energy projects which charge the same or a lower price as compared with the local benchmark price of conventional coal-fired power with incentives in other aspects that may be provided by the PRC Government. Examples of these incentives include the grant of land use rights at concessionary rates, mandatory grid connection, and secure power purchase. Our Directors expect that the implementation of the 2019 Grid Parity Notice would result in the following:

(1) the price for sale of electricity generated by solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice would decrease to the extent they would be in parity with or lower than the local benchmark price of conventional coal-fired power;

(2) the cashflows generated from such solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice would become more predictable as the revenue generated from the sale of electricity would be settled by the local subsidiaries of the State Grid pursuant to the relevant power purchase agreements; and

(3) the valuation as well as the acquisition prices of such solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice are expected to decrease without the tariff adjustment entitlement.

As such, the implementation of the 2019 Grid Parity Notice may reduce the construction of new utility-scale ground-mounted solar farm projects subsequent to the implementation of the 2019 Grid Parity Notice, which may affect our future growth by way of acquisition of new solar farm projects. However, our Directors consider that there would be no imminent impact on our planned expansion and future growth because of two reasons: First, the Remaining Group has a pipeline of utility-scale ground-mounted solar farm projects with an aggregate power generating capacity of 850MW, which are constructed under the national quota system with tariff adjustment entitlement, except for Chaohu Jindao Solar Farm[(1)]. Second, with the decreasing cost of production and installation of solar power components in recent years, there remains profitability to be generated by the solar farm projects even without tariff adjustment entitlement and with the price for sale of electricity generated by solar farm projects to be in parity or lower than the local benchmark price of conventional coal-fired power.

Our Directors further believe that the current risk on the significant and prolonged delay in receiving the tariff adjustment would be mitigated subsequent to the implementation of the 2019 Grid Parity Notice as the elimination of tariff adjustment would help to improve the funding deficit of the Renewable Energy Fund and reduce the lead time for settlement of the tariff adjustment for the solar farm projects constructed under the national quota system in the PRC.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

Favorable tax rates

Our solar farm projects satisfy the relevant provisions under the *Catalogue of Public Infrastructure Projects Enjoying Preferential Enterprise Income Tax* (《公共基礎設施項目企業所得稅優惠目錄》) and as such, pursuant to the relevant tax regulations in the PRC, each of our PRC subsidiaries, except for Xinyi Technology (Wuhu), are eligible for an exemption from the PRC enterprise income tax for three years starting from the first taxable year when revenue starts to be generated by electricity sales for such subsidiary, followed by a 50% reduction in PRC enterprise income tax for the subsequent three years. Xinyi Technology (Wuhu) is subject to the CIT at the rate of 25.0%. See the section headed "Applicable Laws and Regulations — Tax-related matters in the PRC — Enterprise Income Tax" in this prospectus for further information.

Our competitors

Key participants in solar farm operations in the PRC include the State-owned power companies such as State Power Investment Corporation, China General Nuclear Power Group, CECEP Solar Energy Technology Co., Ltd., and a number of private sector participants, which mainly consist of vertically or partially integrated industry suppliers, such as GCL New Energy Holdings Limited and Jinko Solar.

Key factors affecting the competitive landscape of the solar farm industry in the PRC include in-house EPC capability and construction cost, execution track record with local government and access to low-cost capital, see the section headed "Industry Overview" in this prospectus for further information.

We believe that we have significant competitive advantages because of the scale of our operations, our track record of solar farm operations, our low level of leverage, and the Solar Farm ROFR and Solar Farm Call Option granted to us by Xinyi Solar, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information.

OUR STRATEGIES

We intend to maintain and strengthen our position as a leading non-state owned solar farm owner and operator in the PRC. To achieve this goal, we intend to pursue the following business strategies:

Grow our business and our Distributions by way of acquisition of long-term contracted solar farm projects.

Our growth strategy is to focus on acquiring long-term contracted construction completed and grid-connected utility-scale ground-mounted solar farm assets from Xinyi Solar and Independent Third Parties with an aim to increase distributions to our Shareholders. We have been granted by Xinyi Solar the Solar Farm Call Option and Solar Farm ROFR to acquire construction completed and grid-connected solar farm projects developed or constructed by Xinyi Solar. For details on the pipeline solar farm projects under development and construction by Xinyi Solar, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of solar farm projects from the Remaining Group" in this prospectus. As of the Latest

Practicable Date, pipeline solar farm projects with an approved capacity of 850 MW were under development and construction by the Remaining Group and will be subject to the Solar Farm Call Option and the Solar Farm ROFR, and available for acquisition by us following the Spin-Off and the Listing upon grid connection and completion of construction. In order to have higher returns and to lower the risk profile, we focus on acquiring large-scale solar farm assets that are relatively newly constructed and are entitled to receive the Feed-in-Tariff at the same applicable rate for a long remaining duration under the Feed-in-Tariff regime or with long-term contracted power purchase agreements entered with creditworthy counterparties, using proven technology and with predictable operating performance, low operating risk, and low maintenance cost. Our Directors further believe that there are ample opportunities for acquisition of solar farm projects from Independent Third Parties. See the section headed "Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of solar farm projects from Independent Third Parties" in this prospectus. Our management team will review and analyze the opportunities offered by Xinyi Solar and Independent Third Parties taking into consideration the investment returns and the operational and financial risks involved. With our extensive industry know-how, market experience, operating expertise, we believe we have significant advantages in acquiring high quality solar farm assets that can expand our project portfolio and support our growth opportunities in the future.

We expect we may first consider using external financing source to fund our acquisitions in the future. We have a low gearing ratio, which is based on our net debt divided by our total capital as of the year end. As of December 31, 2016, 2017, and 2018, our gearing ratio was 54.3%, 36.7%, and 19.8%, respectively, as compared to the gearing ratio of Hong Kong listed companies in the renewable energy sector in the range between 132% to 176% during the two years ended December 31, 2017. We believe that our low gearing ratios is one of the key factors allowing us to finance our potential acquisitions through external debt financing at a lower cost. During the Track Record Period, the effective interest rate of our bank borrowings ranged from 2.66% to 3.93% per annum. We believe that we have a competitive position in securing lower financing costs to fund our acquisitions in the future.

Diversification of our project portfolio.

We intend to further diversify our project portfolio in terms of geographic presence. We plan to strengthen our leading position as a non-State-owned solar farm owner and operator in the PRC by expanding our geographic reach to cover more cities in the PRC. Our Initial Portfolio and the Target Portfolio comprise solar farm projects located in eight cities (four provinces) and one municipality directly under the Central Government in the PRC. We intend to focus initially on growing our portfolio footprint in the PRC. We believe that the solar power market in the PRC will continue to develop and a diverse geographic presence can improve our business development opportunities and further enhance the economies of scale in our business operation. We will leverage our track record, expertise and experience in our existing operation to expand into other provinces in the PRC in the future. We will continue to focus on areas with healthy demand and supply conditions and no over-capacity or curtailment issues.

In the medium-term, we may also seek and explore opportunities to expand our solar farm business beyond the PRC in selected developed markets and emerging markets that we may identify in the future by leveraging our solar power experience and expertise. We believe that the expansion of our solar power business into the international markets would help to diversify our revenue base, enhance our brand and increase our growth potential. We will focus on markets with favorable investment attributes, including favorable government policies to encourage renewable energy development, high demand growth for solar energy, low political risks, stable market structures and well-established legal system. We believe that our expertise in solar farm operation, our track record and in-depth knowledge of the solar power market provide us with competitive advantages to capture and exploit new business opportunities.

We intend to initially focus on the solar energy segment. Solar power is currently the fastest growing segment of clean energy industry and generates predictable returns with proven and reliable technologies. In the medium term, we intend to develop our ability on acquisition and operation of renewable energy generation assets utilizing other renewable technologies. We will evaluate partnerships and acquisition opportunities that support our portfolio growth in the future.

Maintain prudent capital structure and financial practices.

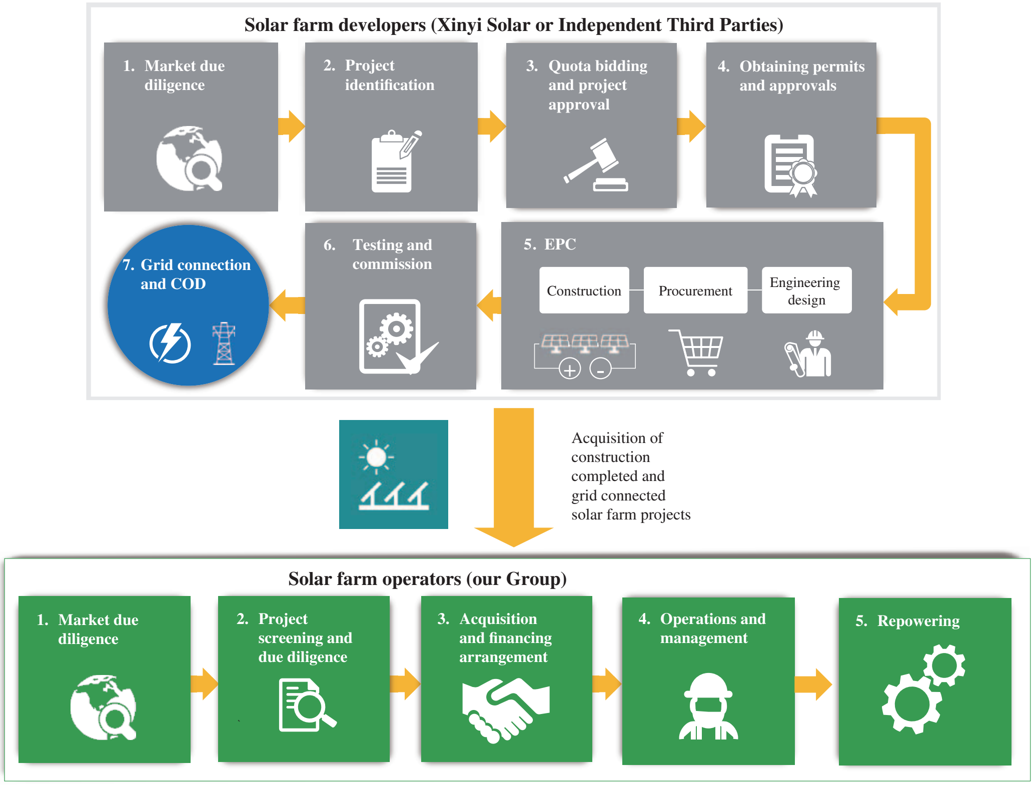
We intend to maintain an optimal capital structure and sound financial practice. We operate in a capital-intensive industry. Future acquisitions will continue to require more capitals. We intend to minimize interest expense and manage re-financing risks. We intend to seek longer-term debt financing and diversify our debt maturity profile. We will maintain a prudent capital structure to ensure we have sufficient financial resources for acquisition opportunities for our future development. We also intend to maintain our distribution policy and provide our Shareholders with stable distributions as well as the potential for the long-term sustainable growth of such distributions, see the section headed "Distributions" in this prospectus for further information.

Closely monitor the development of renewable energy trends and develop relevant capability.

We will closely monitor the development of renewable energy trends in the PRC, including the development of micro-grid/smart grid, promotion of distributed solar power generation to reduce transmission loss, a mix of renewable energy generation with the conventional electricity generation, and energy storage technologies.

We may develop capabilities internally, or we may selectively establish strategic partnerships with different industry players to enhance our competitiveness. As of the Latest Practicable Date, we have not identified any specific target market or project, nor have we entered into any legally binding agreement, in connection with our technological cooperation.

PRINCIPAL PHASES AND LIFE-CYCLE OF SOLAR FARM PROJECT (SOLAR FARM DEVELOPMENT BUSINESS AND SOLAR FARM OPERATION BUSINESS) IN THE PRC



Solar Farm Development Business

Solar farm developers are responsible for project origination, design and construction of solar farm projects. Solar farm development can be divided into seven phases: (1) market due diligence; (2) project identification; (3) quota bidding and project approvals; (4) obtaining permits and approvals; (5) EPC; (6) testing and commission; and (7) grid connection and COD. Following completion of the Spin-Off and the Listing, we will not be engaged in the business of development and construction of solar farm projects. The following information is included in this prospectus for a complete understanding of the development and operation of solar farm projects.

1. Market due diligence

Solar farm developers may conduct market due diligence to assess the proposed undertaking of new solar farm projects, which typically includes assessment on (a) the dynamics of solar power market, (b) the condition of the electricity market, (c) the political, legal and regulatory environment with respect to contract enforcement, compliance risk and overall legal protection to investors, (d) business environment, (e) the availability and legality of land site for solar farm development and (f) the infrastructure and access to transportation. Solar farm developers also perform preliminary assessment of investment returns of solar farm projects, taking into considerations solar resources available (solar irradiation level), tariff rate, and operating cost.

2. Project identification

During the project identification process, solar farm developers seek to understand specific risks such as (a) the underlying implementation and operating risk, (b) the general environmental and social implications of the locations of the project, and (c) the compatibility of the project with the solar farm developers' mid- and long-term strategy and budget. Solar farm developers also make assessment on how such risks can be best mitigated. During this stage, solar farm developers also have initial cost and time estimates for project development.

In assessing the suitability of potential sites for solar farm development, solar farm developers may consider a range of criteria, including solar irradiation conditions, topography, proximity to grid systems, capacity of grid systems, estimated level of installed capacity, availability and ownership of land, environmental conditions and access to transportation. Site survey is carried out to have preliminary assessment of the feasibility of solar farm construction.

3. Quota bidding and project approval

The PRC Government regulates solar power installation and solar farm development with a national quota system in the PRC under which only solar farm projects developed under the national quota system in the PRC are eligible for various tariff subsidy benefits. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. The NEA sets an annual solar installation capacity quota on both national and provincial levels since 2014. Provincial governments and local power authorities are responsible for assigning its allocated quota to solar farm developers. The quota system allows the PRC Government to optimize resource allocation, with a periodic review reflecting latest demand and supply scenarios. In 2015, the approval process for utility-scale solar farm projects was delegated to local government level from central government. Project quota assignments are determined through a competitive tender bidding process, and competitive tariff pricing is an essential criterion for tender assessment. Prior to the bidding process, project feasibility report including those associated with foreign investment, land usage (including slope safety), as well as those related to forestry planning, environmental impact, fire safety, soil and water conservation plan and cultural heritage assessment on the development of the solar farm projects may need to be submitted to the relevant government authorities or preliminary approval may need to be obtained from the relevant government authorities. In June 2016, the NEA released a guideline for the allocation of quotas for solar farm projects, stating that a competitive bidding process must be adopted in order to award investors with quotas in respect of solar farm development and that these quotas will only be allocated to provinces with an established bidding process. The introduction of competitive bidding allows for increased transparency in the award of quotas, in addition to visible standards listed as the selection criteria. The increased price competition is expected to prevent cost-inefficient players from entering the market which benefits technologically advanced and cost-efficient players to win more quotas.

On May 31, 2018, the NDRC, the Ministry of Finance, and the NEA jointly issued the 2018 Solar Power Industry Notice on the latest policy on solar farm sector in the PRC. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. The 2018 Solar Power Industry Notice highlights that the PRC Government would not grant new approval for the construction of new ground-mounted solar farm projects under the national quota system in the PRC in 2018. This follows that no additional ground-mounted solar farm projects would be approved for construction under the national quota system in the PRC in the year.

4. Obtaining permits and approvals

Upon being awarded quota for solar farm development through the competitive bidding process, solar farm developers may proceed to obtain the relevant permits or approvals, and conduct filings with the relevant government authorities (including local delegates of NDRC or provincial Bureau of Energy). Preliminary meetings are also held with the grid companies and various local government authorities to procure interconnection coverage and ensure smooth implementation of different stages of solar farm development. Various permits and approvals are to be obtained from the relevant government authorities relating to matters such as project commencement, construction and environmental protection.

5. EPC

EPC consists of engineering design, procurement, and construction. Solar farm developers may have their own in-house design capability to carry out the engineering design work of solar farm project, or to outsource such work to third-party design institutes.

Procurement and delivery of key components of solar farm projects, detailed project construction design and the actual construction work can be undertaken by either the in-house EPC team of the solar farm developers or third-party contractors. The EPC team oversees the solar farm construction work and a third party supervisory unit is engaged to ensure that the construction works are in compliance with the relevant quality and safety requirements under the relevant laws and regulations and adhering to the relevant construction schedule and control measure on construction cost. The EPC team is also responsible for coordinating with and overseeing works performed by the sub-contractors as applicable.

Construction of solar farm projects typically involves site preparation, erection of mounting structure and solar modules, electrical wiring of solar modules, installation of inverters and transformers, construction of control center and installation of other ancillary equipment and construction of external transmission structure.

If an external EPC contractor is engaged, the EPC contract is typically entered into after the completion of the engineering design on a fixed date and time-certain turnkey basis. Under the terms of the EPC contract, EPC contractor typically bears all the risks in relation to solar farm construction, including in relation to construction, regulatory aspects, insurance costs, licensing and relevant safety, labor and environmental laws and regulations.

6. Testing and commission

Upon completion of construction of a solar farm project, a series of commissioning tests will be undertaken. Commissioning tests will generally be conducted by the off-taker, the local subsidiaries of the grid companies. To the extent that any defects exist and/or the solar farm does not otherwise comply with the stipulated technical requirements, the solar farm developers would rectify such defects or performance shortfalls. If an external EPC contractor is used, it will typically be required under the terms of the EPC contract to rectify any such defects or performance shortfalls.

The availability of interconnection and transmission infrastructure is critical and significant to the feasibility of solar farm project. Initial assessment on interconnection is made during the site selection stage. If existing interconnection infrastructure is available, interconnection agreements are to be entered into with the local grid companies. If such infrastructure does not exist or is not available, the feasibility of developing such infrastructure is to be assessed, transmission lines are to be constructed to connect the solar farm projects to the regional grids. Electricity is sold to the local grid companies pursuant to the power purchase agreements entered into with the subsidiaries of the grid companies.

7. Grid connection and COD

Connection to the grid is done after the off-takers, local subsidiaries of the grid companies, are satisfied with the commissioning test results, the installed capacity and relevant documentations and approvals are provided by the solar farm developers. Solar farm projects begin commercial operation and start supplying electricity to the grid after grid connection is completed. Solar farm developers typically enter into power purchase agreements and power dispatch agreements with local subsidiaries of the grid companies upon COD.

An Electric Power Business Permit from Provincial Bureau of Energy will typically be issued after a solar farm project begins commercial operation.

Solar Farm Operation Business

We are a solar farm owner and operator. We may acquire construction completed and grid-connected solar farm projects from solar farm developers including Xinyi Solar or other Independent Third Parties.

1. Market due diligence

Prior to considering individual project acquisition opportunities, we will perform preliminary assessment of investment returns of solar farm projects, taking into considerations solar resources available (solar irradiation level), tariff rate, and operating cost. Our business development team, finance team and legal team will report the findings to our senior management team, which consists of Mr. TUNG Fong Ngai and Ms. CHENG Shu E, to make preliminary decision on market entry.

2. Project screening and due diligence

Once we have identified any commercially viable acquisition opportunity, we will perform detailed analysis in a disciplined and integrated manner for the purpose of evaluating the solar regime, technology options, site design improvement, electricity demand and supply conditions and regulatory, financial and legal constraints. We will seek to understand thoroughly the tariff, operating cost budget as well as the operational risks and future repowering needs associated with such projects.

We will conduct the relevant technical, financial and legal due diligence to ensure that solar farm projects to be acquired are under good operating conditions and that such projects are established and operated in accordance with the applicable laws and regulations.

Our due diligence for acquisition of solar farm projects covers due diligence on technical, legal, commercial and economic aspects:

— Our technical due diligence includes resource assessment and civil and electrical design assessments. We will also assess the performance of equipment and review the site design and layout, operation and maintenance policy, health and safety and will conduct environmental impact assessment.

— Our legal due diligence involves review of the key project agreements, including grid connection agreements and power purchase agreements. We will examine the terms and conditions of contracts, warranties and guarantees, adequacy of liquidated damages and limits of liability.

— Our commercial due diligence includes review of the applications and grants of quota, approvals and permits in relation to the development, construction and operation of solar farm projects. Further, we will review the list of suppliers and contractors, completeness of costs and risk of cost variations.

— Our economic assessment involves energy yield forecasts and assessments on existing forecasts and operating performance of the solar farm assets. In reviewing the energy yield predictions, we will assess the quality of data and levels of uncertainty. Our assessment also includes assessments on operating expenses and forecast revenue.

At this point, our finance team will also evaluate the available source of funding for pursuing the potential acquisition opportunities. Our investment committee will evaluate findings and make recommendations to our board as to whether we should pursue the relevant acquisition opportunities.

3. Acquisition and financing arrangement

We then proceed to enter into the relevant sale and purchase agreements for the project acquisition opportunities. Prior to closing of the acquisitions, we will also complete further due diligence and arrange financing for such acquisitions. We may use internal funding resources, bank borrowings, or access the capital markets for equity or debt financing.

4. Operations and management

We are responsible for the operations and management of solar farm projects owned by us and other solar farm projects that we may acquire in the future. In addition, we will be responsible for operations and management of connection-ready utility-scale ground-mounted solar farm projects developed or constructed by the Remaining Group under the Solar Farm O&M Agreement. We will receive service fees for the services rendered under the Solar Farm O&M Agreement. For details on the Solar Farm O&M Agreement and continuing connected transactions, see section headed "Connected Transactions — Non-exempt continuing connected transactions — Solar Farm O&M Agreement" in this prospectus.

We strive to enhance our operational efficiency by reducing the overall operation and maintenance costs of our solar farm projects. We place significant emphasis on implementing initiatives to monitor the performance of our solar farm projects, reducing the occurrence of systematic failure and performing repairs and maintenance.

Our management team monitors the day-to-day operations of our solar farm projects through remote online applications. All of our solar farm projects are equipped with remote monitoring systems, which provide remote web-based access to operating and performance data on a real-time basis, and surveillance cameras at the solar farms. All of our solar farms are guarded at all times and have surveillance cameras, which we can monitor remotely.

Operation and maintenance team

We have an experienced operation and maintenance team with significant technical know-how and operational expertise. The local operations of the respective solar farm projects are managed by our dedicated team stationed at the respective project sites, which typically consists of the team head of the respective solar farms overseeing a team of staff including the technicians and security guards. Our management communicates with the management team head of our respective solar farm projects on a regular basis. In addition, we have electrical engineers working in our centralized operation and maintenance control center to perform data analysis and provide technical support, training and guidance on repair and maintenance to our operation and maintenance team and in respect of our solar farm operation.

Proper maintenance is essential to maximize the energy yield and useful life of the solar farms. Solar farm maintenance comprises two major parts, namely, preventive maintenance and corrective maintenance. Preventive maintenance is scheduled and planned maintenance in advance of component failure with an aim to prevent fault and downtime and to ensure that the solar farm is operated at its optimum level. Corrective maintenance is carried out in response to component failures.

Preventive maintenance management

We implement preventive maintenance management to ensure timely and ongoing identification of failure and areas for improvement, and implement corrective measures to ensure potential downtime is kept to a minimum. Our routine operations primarily involve regular inspections, repairs and maintenance, replacement of ancillary equipment and cleaning of solar modules. Equipment inspection is part of the operation and maintenance plan. We inspect for cell browning and discoloration, output voltage and current and assess whether the cells have any potential risks of breakdown. Infrared imaging is used regularly to identify potential defects which can impact solar cell productivity. Our preventive maintenance inspections of transformers involve monitoring transformer oil temperature, pressure, three-phase voltage, current, abnormal sound and smell, oil sample testing and pilot tests of transformers to ensure the transformers are in good condition. Maintenance of the switching station involves changing the transformer oil, insulating parts, high-voltage switches, lightning arresters and defective or worn component of the ancillary equipment for electricity supply and transmission. Inverter maintenance involves maintaining proper temperature, regularly changing the filter mats, and upgrading software and the inverter's components. We check the operation of inverter regularly to identify any potential risks to prevent outages. We also check the operation of safety devices including emergency stop devices and ground fault detectors. We regularly clean all the equipment in the power station to enhance operating efficiency of equipment, reduce power consumption of equipment and optimize productivity of our solar farm operation.

Based on data collected from operation and pilot tests, we monitor the operation of equipment and have preventive maintenance measures in place to prevent equipment breakdown. Interruption prevention measures, contingency plans and restart procedures are key to minimizing downtime. We provide preventive maintenance training to our staff to help address and resolve unscheduled outages and emergencies which involve procedures for identification of system failure. Proper training is provided to our staff to manage the situation in a coordinated manner with the grid companies, our operation and management teams, any subcontractors in operation and management service, substation workers, and local government authorities. We carry out risk assessments, design mitigation measures, and response plan to emergencies and repair procedures. Regular checkings of the operating data collected by the remote monitoring system and physical attendance of the meter readings are conducted to monitor, track, and maintain the optimal system and solar farm performance and for regulatory reportings to the grid companies to monitor the energy output. We conduct system performance data review to obtain data to derive the expected system output and to compare such data to the actual performance of the solar farm. We also conduct risk assessment of the possible impacts of solar farm operation as a result of climate change and, in particular, extreme weather events.

Corrective maintenance

Our corrective solar system maintenance covers repairs and replacements of components and equipment and restoration of energy production and performance. Corrective solar farm maintenance may include (i) non-critical corrective repair which addresses performance degradation issues; (ii) critical corrective repairs and replacements of components and equipment, which addresses energy production losses issues; and (iii) warranty enforcement if such failures are covered by the warranties provided by the manufacturers. Solar module manufacturers typically provide 20 to 30 year power output warranty to solar modules. Other key ancillary part manufacturers typically provide one to two year warranty. We have an experienced operation and maintenance team with technical know-how and operational expertise in solar farm operation and maintenance. In case of eventual warranty coverage expiration or cessation of operation of system component manufacturers leading to their failure to honor the warranties, our operation and management team will be able to provide corrective repairs to faulty components. If the relevant supplier fails to perform its obligation under the warranty provisions, we would be entitled to seek contractual remedy. Our Directors confirm that we may source the replacing components from alternative suppliers in the PRC because of the decreasing construction cost of solar farm projects and the decreasing cost of solar farm components and solar panels. Hence, our Directors do not consider that the risk on suppliers' default is imminent or that any additional immediate steps or insurance would be required as a matter of business practice. Our Directors also consider that there are also alternative component suppliers in the market to provide replacement of the faulty components in the event of cessation of operation of such system components manufacturers.

5. Repowering

Solar technology is still undergoing rapid development with continuous improvement in efficiency and system cost. In the future, replacement of existing solar power systems with the latest technology may result in incremental investment returns. We will evaluate the repowering potential of our solar farm projects from time to time. We will utilize a combination of internal and external resources to conduct repowering.

OUR SOLAR FARM PROJECTS — INITIAL PORTFOLIO

Overview

We own and manage utility-scale ground-mounted solar farm projects, and sell electricity generated to the State Grid. As of December 31, 2016, 2017, and 2018, the approved capacity of the grid-connected solar farm projects under our Initial Portfolio remained unchanged at 954 MW. Revenue from our solar farm business amounted to HK$968.3 million, HK$1,116.0 million, and HK$1,200.6 million for the Track Record Period, respectively.

The table below sets forth certain information of the solar farm projects under our Initial Portfolio:-

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Project name	**Jinzhai Solar Farm**	**Sanshan Solar Farm**	**Nanping Solar Farm**	**Lixin Solar Farm**	**Wuwei Solar Farm**	**Hong'an Solar Farm**	**Fanchang Solar Farm**	**Shouxian Solar Farm**	**Binhai Solar Farm**
Operating entities	Xinyi Lu'an	Xinyi Wuhu	Xinyi Nanping	Xinyi Bozhou	Xinyi Solar (Wuhu)	Xinyi Hong'an	Xinyi Solar (Fanchang)	Xinyi Solar (Shouxian)	Xinyi Solar (Tianjin)
Type of solar farm projects	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted
Approved capacity (MW)	150	100	30	140	100	100	60	100	174
Construction completion date	August 2015	September 2015	September 2015	June 2016	October 2016	July 2016	November 2016	December 2016	December 2016
Utilization of double-glass modules (MW)[(2)]	21.9[(2)]	28.7[(2)]	11.5[(2)]	140	30.0[(2)]	46.4[(2)]	60	100	161.5
Utilization of solar tracking system (MW)[(3)]	0.55	0.11	—	5.03	—	—	2.99	—	4.57
Date of grid connection	September 2014	November 2014	March 2015	September 2015 (Phase 1/2 of 40 MW) January 2016 (Phase 3 of 100 MW)	October 2015	October 2015 (Phase 1 of 50 MW) January 2016 (Phase 2 of 50 MW)	December 2015 (Phase 1 of 40 MW) January 2016 (Phase 2 of 20 MW)	December 2015	March 2016
Estimated maximum number of utilization hours[(1)]	1,100	1,100	1,050	1,150	1,100	1,150	1,100	1,150	1,250
Feed-in-Tariff (RMB/kWh)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.95
Solar Resource Zone	III	III	III	III	III	III	III	III	II
Quota/Year	Quota announced in March 2014	Quota announced in February 2014	Quota announced in August 2014	Quota announced in October 2014 (Phase 1 of 20 MW) April 2015 (Phase 2 of 20 MW) June 2015 (Phase 3of 100 MW)	Quota announced in May 2015	Quota announced in November 2014 (Phase 1 of 50 MW) April 2015 (Phase 2 of 50 MW)	Quota announced in May 2015 (Phase 1 of 40 MW) September 2015 (Phase 2 of 20 MW)	Quota announced in March 2015	Quota announced in March 2015
Enlisting on the Subsidy Catalogue and started to receive the tariff adjustment	Yes (Sixth batch of the Subsidy Catalogue)	Yes (Sixth batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)	Yes (Seventh batch of the Subsidy Catalogue)
Percentage of ownership	100%	100%	100%	100%	100%	100%	100%	100%	100%

Notes:

(1) The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the solar farm projects.

(2) We did not use double-glass modules in a large scale in certain of the utility-scale ground-mounted solar farm projects under our Initial Portfolio which were completed at the early stage (including Jinzhai Solar Farm, Sanshan Solar Farm, Nanping Solar Farm, Wuwei Solar Farm, Phase 1 of Hong'an Solar Farm) because double-glass modules were not commonly used by solar farm projects in the PRC then. We use double-glass modules in a larger scale in our recent solar farm projects primarily because of the decreasing cost of double-glass modules and the increase in output efficiency. As of the Latest Practicable Date, we have installed 600MW double-glass modules at the utility-scale ground-mounted solar farm projects under our Initial Portfolio. Double-glass module has a better degradation profile than single-glass module and can generate a higher system power yield over lifetime. Single-glass module in general can achieve power output efficiency of 81% of its original rated power in the 25th year of operation and double-glass module can achieve power output efficiency of 82.5% to 83.0% in the 30th year of operation.

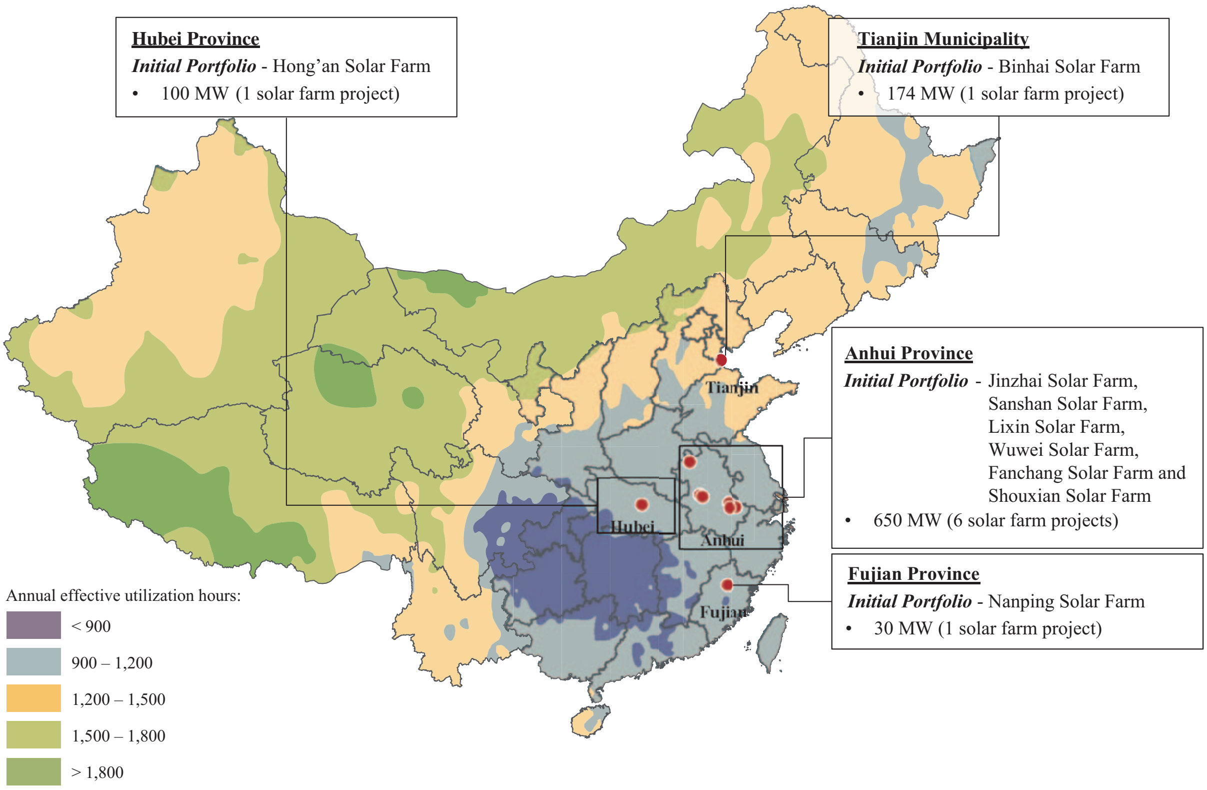
(3) The solar tracking system is designed to increase the power output efficiency as compared to the conventional stationary mounting system. The initial cost of solar tracking system was not commercially attractive and as such, we did not install such system for most of the utility-scale ground-mounted solar farm projects under our Initial Portfolio. As of the Latest Practicable Date, we have installed solar-tracking system for 13.25MW solar power system at the utility-scale ground-mounted solar farm projects under our Initial Portfolio comprising both single-axis tracking system and dual-axis tracking system.

Location of the solar farm projects under our Initial Portfolio

As of the Latest Practicable Date, we operated and managed nine utility-scale ground-mounted solar farm projects under our Initial Portfolio with a total approved capacity of 954 MW.

The map below illustrates the locations of the utility-scale ground-mounted solar farm projects under our Initial Portfolio as of the Latest Practicable Date:

Geographical locations and approved capacity (MW) of our Initial Portfolio



Approved capacity and sale of electricity

The table below sets forth the total approved capacity of each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2016	2017	2018	
Total approved capacity (MW).	954	954	954	954
Number of solar farm projects	9	9	9	9

Solar farm projects under our Initial Portfolio are located in Anhui Province, Tianjin Municipality, Hubei Province, and Fujian Province. The table below sets forth the total approved capacity of the utility-scale ground-mounted solar farm projects under our Initial Portfolio in these regions as of December 31, 2018:

	Anhui Province	Tianjin Municipality	Hubei Province	Fujian Province	Total
Total approved capacity (MW). . .	650	174	100	30	954
Number of solar farm projects . . .	6	1	1	1	9

Solar modules of 600 MW under our Initial Portfolio use double-glass technologies. Double-glass module has a better degradation profile than single-glass module and can generate higher system power yield over lifetime.

Utility-scale ground-mounted solar farm projects use large areas of land. Effective site usage is therefore important for long-term sustainable development of solar farm projects. Mixed-use applications in solar farm deployment provide more efficient land usage and are encouraged by the PRC Government. Our Initial Portfolio includes solar farm projects designed to have elevated mounting on land, water surface mounting on fish ponds, and solar powered greenhouses. Some of these land, fish ponds and greenhouses are rented to Independent Third Parties for agricultural operations.

Each of Jinzhai Solar Farm, Sanshan Solar Farm, Hong'an Solar Farm, Shouxian Solar Farm, and Binhai Solar Farm includes a solar powered greenhouse under the rooftop for agricultural purpose.

The solar modules at each of Fanchang Solar Farm and Shouxian Solar Farm are mounted on the water surface over fish pond. The supporting structures are mounted at the bottom of the pond, enabling solar power generation and fish farming to be carried out at the same site area. According to the K2 Management Report, water can act as a natural coolant to prevent over-heating and enables solar cells to operate at optimal temperature, and thus improves the power output efficiencies and prolongs the asset life of solar modules.

The table below sets forth the units of electricity sold by each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(GWh)(1)(2)	*(GWh)*(1)(2)	*(GWh)*(1)(2)
Jinzhai Solar Farm	163.51	170.65	166.15
Sanshan Solar Farm	109.40	110.90	108.69
Nanping Solar Farm	31.28	35.23	35.49
Lixin Solar Farm	143.32	176.23	173.37
Wuwei Solar Farm	100.77	108.38	111.16
Hong'an Solar Farm(3)	83.76	80.87	108.65
Fanchang Solar Farm	55.77	86.03	77.54
Shouxian Solar Farm	133.44	143.37	139.65
Binhai Solar Farm(4)	155.01	236.69	235.55
Total	976.26	1,148.35	1,156.25

Notes:

(1) The unit of electricity sale is based on the operating data of the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the statements provided by the State Grid.

(2) As construction of solar farm projects took place phase by phase, solar farm projects would generate electricity and have electricity sales to the State Grid prior to full completion of construction of such solar farm projects.

(3) The solar farm panels installed at Hong'an Solar Farm undertook technical improvements which were completed in 2017. As a result, the units of electricity generated by Hong'an Solar Farm increased during the year ended 31 December 2018.

(4) The level of solar irradiation in the location where Binhai Solar Farm is situated increased during the two years ended 31 December 2018.

The continuous increases in the units of electricity sold by the utility-scale ground-mounted solar farm projects under our Initial Portfolio during the Track Record Period were due to (i) the grid connection might not commence from the beginning of the relevant year, (ii) increase in the electricity output following commencement of full operation of the solar farm projects, and (iii) different levels of solar irradiation in different regions in the PRC from year to year.

Utilization rates

The utilization rates of the utility-scale ground-mounted solar farm projects under our Initial Portfolio vary with the location of the solar farm projects, the solar irradiation levels, and the weather in the relevant year as well as the date of commencement of grid connection of the solar farm project. The solar irradiation level was relatively high in 2017 and 2018. In addition, all utility-scale ground-mounted solar farm projects were in full operation during the year ended 31 December 2018. These factors resulted in the increase in the average utilization rates of the utility-scale ground-mounted solar farm projects under our Initial Portfolio, and the utilization rates of certain solar farm projects, exceeding 100.0% in 2017 and 2018.

The table below sets forth the utilization rate of each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(%)	(%)	(%)
Jinzhai Solar Farm	99.1	103.4	100.7
Sanshan Solar Farm	99.5	100.8	98.8
Nanping Solar Farm	99.3	111.8	112.7
Lixin Solar Farm	89.0	109.5	107.7
Wuwei Solar Farm	91.6	98.5	101.1
Hong'an Solar Farm	72.8	70.3	94.5
Fanchang Solar Farm	84.5	130.3	117.5
Shouxian Solar Farm	116.0	124.7	121.4
Binhai Solar Farm	89.0	108.8	108.3
Average utilization rates	93.0	106.7	107.5

Note:

The utilization rate of each solar farm project is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year. The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the relevant solar farm project.

SALE OF ELECTRICITY

We derive all our revenue from the sale of electricity (at the base tariff rates which are equivalent to the on-grid benchmark tariff rates of local coal-fired power plants) generated from our solar farm projects and the tariff adjustment. The price for electricity generated is determined by the pricing authority based on the applicable Feed-in-Tariff rate for each of the solar farm projects when the solar farm projects are approved for construction under the national quota system in the PRC. Our solar farm projects need to connect to local power grids and we rely on local grid companies to provide power dispatch services and purchase of the electricity generated by our solar farm projects. Grid companies provide grid-connection services and related technical support to solar farm projects in their grid coverage. All solar farm projects under our Initial Portfolio were connected to local power grids as of the Latest Practicable Date.

We enter into power purchase agreements for the sale of electricity and grid connection agreements with the grid companies in respect of the sale of electricity generated from our solar farm projects.

The table below sets forth the components of the Feed-in-Tariff rate (comprising sale of electricity at the base tariff rates and tariff adjustment) for each of the utility-scale ground-mounted solar farm projects under our Initial Portfolio as of the Latest Practicable Date:

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Jinzhai Solar Farm	**Sanshan Solar Farm**	**Nanping Solar Farm**	**Lixin Solar Farm**	**Wuwei Solar Farm**	**Hong'an Solar Farm**	**Fanchang Solar Farm**	**Shouxian Solar Farm**	**Binhai Solar Farm**
	(RMB/kWh)	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*
Sale of electricity(1)	0.3844	0.3844	0.3932	0.3844	0.3844	0.4161	0.3844	0.3844	0.3655
Tariff adjustment(2) .	0.6156	0.6156	0.6068	0.6156	0.6156	0.5839	0.6156	0.6156	0.5845
Feed-in-Tariff	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.95

Notes:

(1) Sale of electricity is charged at the base tariff rates equivalent to the on-grid benchmark tariff rates of local coal-fired power plants, which vary across PRC provinces and can be adjusted by the local government. For details on the on-grid benchmark tariff rates of local coal-fired power plants, see the section headed 'Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund' in this prospectus.

(2) Tariff adjustment is the difference between Feed-in-Tariff and the sale of electricity at the base tariff rates.

Power purchase agreements and grid connection arrangements

We sell all the electricity generated from our solar farm projects to the local subsidiaries of the State Grid. The State Grid Corporation covers 26 PRC provinces, including all areas where all our existing solar farm projects are located. The electricity sales of the solar farm projects under our Initial Portfolio are subject to the terms and conditions of (a) the power purchase agreements entered into with the local subsidiaries of the State Grid and (b) the grid connection and dispatch agreement entered into with the grid operators of the State Grid.

Power purchase agreement

The salient terms of the power purchase agreement include:

Obligations of the power vendor:

— supply and sale of electricity

— adhere to the grid connection and dispatch agreement entered into with the grid companies

— ensure power generation meets the relevant national and industrial standard and comply with the applicable laws and regulations in the PRC

	— shall not supply electricity to end user customers unless with prior government approval
	— provide monthly reports in respect of the operation and maintenance of the solar farm projects and maintenance/ inspection plans to the power purchaser
Obligations of power purchaser (the State Grid):	— purchase all electricity generated from the solar farm projects operated by the power vendor
	— ensure proper functioning and maintenance of power transmission system
Applicable on-grid tariff:	— pursuant to the applicable Feed-in-Tariff rates
Breach of contract:	— if a party fails to perform its obligations under the agreement, it will be liable for breach of contract and the other party has the right to seek damages from the party in breach for losses and damages arising from such breach
Termination:	either party may terminate the agreement upon the occurrence of any of the below events:
	— bankruptcy, liquidation or revocation of business license or electric power business permit;
	— merge of any party with another entity or transfers of all or a majority of its assets to another entity, and the subsisting corporation is unable or cannot perform fully its obligations under the agreement;
	— the power vendor fails to supply power to the power purchaser for a consecutive 30 days or above for reasons attributable to the power vendor;
	— the power purchaser does not receive power pursuant to the agreement for a consecutive 30 days or above for reasons attributable to the power purchaser; or
	— termination of the relevant grid connection and dispatch agreement.
Validity and renewal:	— the agreement is valid for a term of two to five years (automatic renewal).
	— both parties shall negotiate for renewal within one to three months prior to the expiration of the agreement.

On-grid power determination:	—	the on-grid power data shall be recorded monthly at the end of each calendar month.
Payment terms:	—	the calculation of the price payable is set forth as follows: (On-grid power) x (on-grid Feed-in-Tariff (including value-added tax))
	—	the Feed-in-Tariff is composed of two components: the sale of electricity and the tariff adjustment. Sale of electricity at the base tariff rates are equivalent to the on-grid benchmark tariff rates of local coal-fired power plants. The tariff adjustment is the difference between Feed-in-Tariff and the sale of electricity.
	—	the power vendor shall report the recorded on-grid power data to the power purchaser, who shall prepare monthly invoice to be issued to the power purchaser.
	—	the power purchaser shall settle 50% of the amount within five business days and the remaining 50% within 15 business days upon receipt of the invoice.
	—	delay in settlement of payment by the power purchaser shall result in a penalty equal to 0.03% to 0.05% of the outstanding sum calculated daily from the date the invoice becomes payable.

Note:

(1) The power purchase agreements in respect of our Initial Portfolio are valid until 2018 to 2021. Most of the power purchase agreements contain an automatic renewal clause. In light of this clause and the peculiar nature of electricity transmission that requires uninterrupted connection and regular maintenance, our Directors are not aware of any indication or circumstances that we may not be able to renew the power purchase agreements upon expiry. The power purchase agreement for Binhai Solar Farm expired on December 31, 2018, and is in the process of being renewed. The parties to the agreement have continued to carry on their mutual obligations under the original agreement. Our PRC Legal Advisor has opined that there was no legal impediment to the renewal of the relevant agreement, and our Directors expect that it will be renewed before the end of June 2019. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years from the date of grid connection. Further, pursuant to the "Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount"《可再生能源發電全額保障性收購管理辦法》, the State Grid shall purchase all the electricity generated by renewable energy companies (including our solar farm projects) within the coverage of their power grids. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — Mandatory Purchase" in this prospectus for further information.

Eight of the solar farm projects under our Initial Portfolio are located in solar resource zone III, where no curtailment issues have emerged and thus are not affected by the policy. One solar farm project under our Initial Portfolio is located in solar resource zone II and to the knowledge of our Directors, no curtailment issues have emerged since commercial operation of such solar farm project. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Top priority dispatch" and "Industry Overview — Solar installation — Supportive policies in China — Curtailment and utilization hour protection" in this prospectus for further information.

Grid connection and dispatch agreement

We rely on the local grid companies to provide grid connection, electricity transmission, and power dispatch services and to purchase the electricity generated by our solar farm projects. We have entered into grid connection and dispatch agreements with the grid operators of the State Grid. The salient terms of the grid connection and dispatch agreement include:

Obligation of grid operator:	— provide grid connection management, operation and maintenance of grid facilities
	— provide technical support in respect of grid operations
	— allocate and coordinate power supply
	— set the daily and monthly target for power supplier pursuant to estimation of power requirement
Obligation of power supplier:	— provide estimation of output of power generation to grid operator
	— ensure safety and proper maintenance of power generation and solar farm operation
Power planning:	— power supplier shall submit an annual power supply forecast to the grid operator
Validity and renewal:	— the agreement is valid for a term of two to three years, which shall be renewed within one to six months prior to the expiry of the agreement
Termination:	— either party may terminate the agreement upon the occurrence of any of the below events: — bankruptcy, liquidation or revocation of business license or electric power business permit — merge of any party with another entity or transfers of the majority or all of its assets to another entity, and the subsisting corporation is unable or cannot perform fully its obligations under the agreement

Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years for grid-connected electricity generation. Since 2014, the NDRC has divided China into three different solar resource zones with standardized on-grid Feed-in-Tariff rates, reflecting different solar irradiance levels across different geographical areas. The NDRC has been periodically adjusting the Feed-in-Tariff rate as the cost of solar photovoltaic technologies continually become more competitive. Payments of the sale of electricity are settled by the grid companies on a monthly basis. Based on the 20-year Feed-in-Tariff regime, the utility-scale ground mounted solar farm projects under our Initial Portfolio, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for an average remaining duration of 17 years as of the Latest Practicable Date. These solar farm projects are enlisted on the Subsidy Catalogue which is a prerequisite for the receipt of the tariff adjustment.

Pursuant to the power purchase agreements, the State Grid shall purchase all electricity generated from our solar farms projects. The Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount (《可再生能源發電全額保障性收購管理辦法》) promulgated by the NDRC on March 24, 2016 and Renewable Energy Law of the People's Republic of China (2009 Revision) (《中華人民共和國可再生能源法(2009 修正)》) require all grid companies to purchase all electricity generated by renewable energy companies within the coverage of their power grids. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — Mandatory purchase" in this prospectus for further information. In certain provinces with curtailment and supply and demand imbalance issue, the quantity of electricity to be sold to the State Grid is generally determined based on targets set by provincial government, as adjusted in accordance with the demand of the relevant power grids and the actual operational situation. Such targets have no impact on our business operations as we have never been required to reduce the quantity of electricity sold as solar power is prioritized for on-grid transmission.

In view of the curtailment issues in certain PRC provinces, the NDRC released a utilization hour protection policy in May 2016 which provides guaranteed level of off-take hours for solar farm projects. Pursuant to such policy, if the utilization of a certain solar farm project falls below the guaranteed hours, the shortfall would be compensated by the State Grid in the full amount. Eight of the solar farm projects under our Initial Portfolio and all solar farm projects under the Target Portfolio are located in solar resource zone III, where no curtailment issues have emerged, and thus were not affected by this policy. One solar farm project under our Initial Portfolio is located in solar resource zone II and to the knowledge of our Directors, no curtailment issues have emerged since commercial operation of such solar farm project.

Settlement of the tariff adjustment

The Feed-in-Tariff for utility-scale solar farm projects is composed of two components: the sale of electricity at the base tariff rates and the tariff adjustment. Sale of electricity at the base tariff rates are equivalent to the on-grid benchmark tariff rates of local coal-fired power plants. Tariff adjustment is the difference between the Feed-in-Tariff and the sale of electricity at the base tariff rates. Solar farm operators receive the revenue of the sale of electricity at the base tariff rates from the local subsidiaries of the State Grid. The sale of electricity are settled on a monthly basis. Solar farm operators receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance utilizing income of the Renewable Energy Fund.

For solar farm operators to receive the tariff adjustment, the utility-scale ground-mounted solar farm projects must be enlisted on the Subsidy Catalogue in the PRC. Following the enlisting, the solar farm operators will receive the tariff adjustment due prior to the enlisting and thereafter. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus for further information.

As of the Latest Practicable Date, two and seven solar farm projects under our Initial Portfolio have been enlisted on the sixth batch and the seventh batch of the Subsidy Catalogue, respectively. The seventh batch of the Subsidy Catalogue covers solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue. We have received the first batch of the tariff adjustment of RMB61.4 million (equivalent to HK$68.9 million) incurred up to April 30, 2015, the second batch of the tariff adjustment of RMB39.7 million (equivalent to HK$45.3 million) incurred from May 1, 2015 to July 31, 2015, the third batch of the tariff adjustment of RMB232.6 million (equivalent to HK$272.8 million) incurred from August 1, 2015 to December 31, 2016, and the fourth batch of the tariff adjustment of RMB670.6 million (equivalent to HK$758.7 million) incurred up to March 31, 2017. During the Track Record Period, the aggregate amount of the tariff adjustment received amounted to RMB1,004.3 million (equivalent to HK$1,145.7 million).

We have not experienced any retrospective adjustments to the approved Feed-in-Tariff rates applicable to our operating solar farm projects. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, no default and no retrospective adjustment of Feed-in-Tariff rate have ever taken place since the introduction of the Feed-in-Tariff regime in the PRC.

Nevertheless, we may not be able to assure that we would receive full and timely payments for the tariff adjustment under the Feed-in-Tariff regime for the utility-scale ground-mounted solar farm projects under our Initial Portfolio. Any non-payment of the tariff adjustment in a significant amount by the local subsidiaries of the State Grid or any delay in enlisting of our solar farm projects on the Subsidy Catalogue or any delay in receipt of tariff adjustment (subsidy payment) for our solar farm projects that have been enlisted on the Subsidy Catalogue could have a material adverse effect on our business, financial condition and operating results. In any of these events, we may not have sufficient cash inflows from our operating activities to make our Distributions or repay the Outstanding Amount and may need to incur external debts or dispose of certain of our solar farm projects for additional financial resources. This could increase our leverage and could further affect our financial position. See the section headed "Risk Factors — Risks relating to our business — Any significant and prolonged delay in receiving the tariff adjustment under the Feed-in-Tariff regime could materially and adversely affect our business and financial condition, operating results, and cash flows" in this prospectus for further information.

Recoverability of the tariff adjustment receivables

We have received the first batch of the tariff adjustment of RMB61.4 million (equivalent to HK$68.9 million) incurred up to April 30, 2015, the second batch of the tariff adjustment of RMB39.7 million (equivalent to HK$45.3 million) incurred from May 1, 2015 to July 31, 2015, the third batch of the tariff adjustment of RMB232.6 million (equivalent to HK$272.8 million) incurred from August 1, 2015 to December 31, 2016, and the fourth batch of the tariff adjustment of RMB670.6 million (equivalent to HK$758.7 million) incurred up to March 31, 2017. During the Track Record Period, the aggregate amount of the tariff adjustment received amounted to RMB1,004.3 million (equivalent to HK$1,145.7 million). As of the Latest Practicable Date, all utility-scale ground-mounted solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue. In light of the foregoing and for the following reasons, our Directors consider that the tariff adjustment receivables under our Initial Portfolio (and the Target Portfolio) should be recoverable:

(a) All utility-scale ground-mounted solar farm projects under our Initial Portfolio and the Target Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid, and power purchase agreements have been entered into in respect of the solar farm projects. We have not experienced any retrospective adjustments to the approved Feed-in-Tariff rates. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment receivables, no default and no retrospective adjustment of the approved Feed-in-Tariff rates have ever taken place since the introduction of the Feed-in-Tariff regime for solar power industry in the PRC.

(b) The 2018 Solar Power Industry Notice does not change the amount of entitlement to the Feed-in-Tariff currently enjoyed by the existing utility-scale ground-mounted solar farm projects and hence, according to the PRC Legal Advisor, the 2018 Solar Power Industry Notice would have no impact on the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the Target Portfolio. All pipeline utility-scale ground-mounted solar farm projects of the Xinyi Solar Group (other than Chaohu Jindao Solar Farm[(1)]) are constructed under the national quota system in the PRC and will in principle be entitled to the Feed-in-Tariff at the applicable rates upon grid connection for a period of 20 years.

(c) The 2018 Solar Power Industry Notice highlights that the PRC Government would not grant new approval for the construction of new ground-mounted solar farm projects under the Feed-in-Tariff regime in 2018. Our Directors believe that this will help to reduce the deficit of the Renewable Energy Fund and is expected to expedite the settlement of the tariff adjustment receivables.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

(d) We have received all tariff adjustment receivables accrued up to the end of March 2017 under the sixth and seventh batches of the Subsidy Catalogue. Hence, the time period required for the settlement of the tariff adjustment, based on the prevailing payment trends, is around two years, which is consistent with the expectation of our Directors.

PROCUREMENT

During the Track Record Period, our primary procurement consists of solar modules, inverters, support structures, trackers and transformers for solar farm construction and installation and our major suppliers include suppliers and manufacturers of such materials and components and parts, third party contractors who provide design service and construction and installation services during the construction phase of our solar farm projects, technical services providers and spare parts providers. Most of our suppliers during the Track Record Period for the construction of solar farm projects will no longer be the principal suppliers of our Group following the Spin-Off and the Listing because of the business delineation between the Remaining Group and the Xinyi Energy Group.

Following the Spin-Off and the Listing, we will focus on operation and maintenance of solar farm projects and will primarily source spare parts, components, tools and equipment for repairs and maintenance purpose, electricity supply for our solar farm operations and third party maintenance service for maintenance of external transmission structure.

We generally select our suppliers based on various factors such as product quality, price, production capabilities and logistics management. Our raw materials are generally available from a number of suppliers. We minimize our reliance on any single source of supply for our raw materials by maintaining multiple suppliers for our major raw materials.

Solar module manufacturers typically provide 20 to 30 year power output warranty to solar modules. Other key ancillary part manufacturers typically provide one to two year warranty.

Our Directors confirm that during the Track Record Period, we did not experience any material difficulties, shortage or delay in the supply of major raw materials and do not anticipate any difficulties, shortage or delay in this regard in the foreseeable future.

CUSTOMERS AND SUPPLIERS

Customers

We derive all our revenue from the sale of electricity generated by the solar farm projects we own and operate. Our solar farm projects sell all electricity generated to the grid companies pursuant to the power purchase agreements we entered into with the local subsidiaries of the State Grid. Hence, all our customers during the Track Record Period are local subsidiaries of the State Grid. During the Track Record Period, our five largest customers contributed to 83.3%, 85.3%, and 75.3% of our revenue, respectively and our largest customer contributed to 28.2%, 24.8%, and 20.8% of our total revenue, respectively, during the corresponding periods. As a result, our business relies heavily and will continue to rely heavily on the local subsidiaries of the State Grid.

The table below sets forth our customers for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*	*HK$'000*	*% of revenue*
State Grid Anhui Electric Power Company[(1)]	273,014	28.2	276,377	24.8	141,808	11.8
State Grid Fujian Electric Power Company[(2)]	31,241	3.2	34,718	3.1	36,049	3.0
State Grid Anhui Electric Power Company, Lixin County Electricity Supply Company[(3)]	47,677	4.8	49,762	4.5	50,641	4.2
State Grid Anhui Electric Power Company, Bozhou Electricity Supply Company	95,616	9.9	123,290	11.0	126,838	10.6
State Grid Hubei Electric Power Company[(4)]	83,822	8.7	79,481	7.1	137,456	11.4
State Grid Anhui Electric Power Company, Wuhu Electricity Supply Company [(5)]	156,508	16.2	190,870	17.1	249,537	20.8
State Grid Anhui Electric Power Company, Huainan Electricity Supply Company[(6)]	133,354	13.8	140,790	12.6	143,001	11.9
State Grid Tianjin Electric Power Company[(7)]	147,059	15.2	220,756	19.8	232,325	19.4
State Grid Anhui Electric Power Company, Luan Electricity Supply Company[(8)]	—	—	—	—	82,901	6.9
Total	968,291	100.0	1,116,044	100.0	1,200,556	100.0

Notes:

(1) Our relationship with the State Grid Anhui Electric Power Company started in 2014. The obligations of the State Grid Anhui Electric Power Company under the power purchase agreements in relation to Jinzhai Solar Farm and Sanshan Solar Farm have been novated to its local subsidiaries, namely State Grid Anhui Electric Power Company, Wuhu Electricity Supply Company and Luan Electricity Supply Company, respectively.

(2) Our relationship with the State Grid Fujian Electric Power Company started in 2015.

(3) Our relationship with the State Grid Anhui Electric Power Company, Lixin County Electricity Supply Company started in 2015.

(4) Our relationship with the State Grid Hubei Electric Power Company started in 2015.

(5) Our relationship with the State Grid Anhui Electric Power Company, Wuhu Electricity Supply Company started in 2015.

(6) Our relationship with the State Grid Anhui Electric Power Company, Huainan Electricity Supply Company started in 2015.

(7) Our relationship with the State Grid Tianjin Electric Power Company started in 2016.

(8) Our relationship with the State Grid Anhui Electric Power Company, Luan Electricity Supply Company started in the second half of 2018.

The subsidiaries of the State Grid are the principal operators of the electricity network in the PRC, and are responsible for the transmission and distribution of electric power in China. China Southern Power Grid is in charge of the operation and maintenance of the grid network and power supply in Guangdong, Guangxi, Yunnan, Guizhou and Hainan provinces. State Grid Corporation supplies power to over 1.1 billion people in 26 provinces, autonomous regions and municipalities in China, covering 88% of the national territory. State Grid Corporation, which has a service area covering 26 provinces, autonomous regions and municipalities, has credit ratings of A1, A+, and A+ by Moody's, S&P, and Fitch, respectively, as of the Latest Practicable Date. China Southern Power Grid's service area covers the remaining five southern provinces and has a credit ratings of A1, A+, and A+ by Moody's, S&P, and Fitch, respectively, as of the Latest Practicable Date.

None of our Directors, their respective associates or any of shareholders holding more than 5% of our issued capital, to the knowledge of our Directors, held any interest in any of the above five largest customers as of the Latest Practicable Date.

Customer concentration

During the Track Record Period, our five largest customers contributed to 83.3%, 85.3%, and 75.3% of our revenue, respectively. The percentage of our total revenue attributable to the largest customer amounted to 28.2%, 24.8%, and 20.8%, respectively, during the Track Record Period. A significant portion of our revenue was generated from a limited number of customers, albeit that we have entered into power purchase agreements with all customers.

Our Directors consider that we are not materially reliant on any single customer and our business is sustainable despite such customer concentration during the Track Record Period due to the following:

(a) All electricity generated by the solar farm projects under our Initial Portfolio is sold to the State Grid Corporation, and we believe that the counterparty risk is extremely low as power purchase agreements have been entered into in respect of all solar farm projects under our Initial Portfolio. All utility-scale ground-mounted solar farm projects under our Initial Portfolio were constructed under the national quota system in the PRC and connected to the State Grid and are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years and will in principle be entitled to the tariff adjustment following enlisting on the Subsidy Catalogue, according to our PRC Legal Advisor. We have not experienced any retrospective adjustments to the approved Feed-in-Tariff rates applicable to our operating solar farm projects. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, no default and no retrospective adjustment of Feed-in-Tariff rates have ever happened since the introduction of the Feed-in-Tariff regime for the solar power industry in the PRC.

(b) It is the prevailing nationwide government policies on renewable energy to require all grid companies to purchase all electricity generated by renewable energy companies within the coverage of their power grids. Our utility-scale ground-mounted solar farm projects have benefited and are expected to continue to benefit from such mandatory purchase obligation of the grid companies. The amount of purchases from our customers depend on the local electricity consumption of the respective state and the approved capacity of our utility-scale ground-mounted solar farm projects.

Taking into consideration the nature of the solar power industry in the PRC, the low counterparty risk of the State Grid, the prevailing nationwide government policies on renewable energy, the terms of the power purchase agreements, and the previous track record of payment of subsidies by the local subsidiaries of the State-Grid, our Directors are of the view that the apparent risk of customer concentration can be justified in light of the current landscape of the solar farm industry in the PRC. Our Directors are also of the view that it would be less likely that the business relationship between the State Grid and us will materially change or terminate.

External contractors and suppliers

We engage external contractors to perform maintenance works on the high-voltage cables and equipment installed at our solar farm projects. During the Track Record Period, we paid HK$0.3 million, HK$0.2 million, and nil, respectively, to the external contractors for such maintenance works. We chose our external contractors based on several factors, including quality, safety, and the cost estimates. The term of service would be around one year, and the contracts may be renewed as and when required. In addition, during the two years ended December 31, 2017, we also engaged external contractors for the construction of the utility-scale ground-mounted solar farm projects under our Initial Portfolio. The construction cost incurred by us during the two years ended December 31, 2017 amounted to HK$2,107.4 million and HK$249.6 million, respectively. As the construction of all utility-scale ground-mounted solar farm projects under our Initial Portfolio has been completed, we did not engage any external contractor for solar farm construction works during the year ended December 31, 2018 and up to the Latest Practicable Date. We only retained one external contractor for the maintenance works on the high-voltage cables and equipment. Following completion of the Spin-Off and the Listing, we will focus on the operation and management of solar farm projects and will not engage contractors for construction works. We will continue to engage external contractors for maintenance works as and when required on the high-voltage cables and equipment and repowering. During the Track Record Period and as of the Latest Practicable Date, we had not incurred any material liabilities as a result of any accident involving the work and the engagement of external contractors.

During the Track Record Period, solar modules, inverters, support structure, trackers, and transformers procured for the construction of solar farm projects represented the largest portion of our total purchase. During the two years ended December 31, 2017, our five largest suppliers accounted for 50.4% and 46.2% of our total purchase, respectively, and our largest supplier accounted for 12.3% and 23.8% of our total purchase, respectively. During the year ended December 31, 2018, we did not incur any amount for purchase from our suppliers as all construction works of the solar farm projects under our Initial Portfolio have been completed.

The table below sets forth our suppliers during the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*% of total purchase*	*HK$'000*	*% of total purchase*	*HK$'000*	*% of total purchase*
Xinyi Solar	—	—	—	—	—	—
Supplier A	225,628	10.71	—	—	—	—
Supplier B	173,121	8.21	—	—	—	—
Supplier C	—	—	—	—	—	—
Supplier D	258,908	12.29	—	—	—	—
Supplier E	246,641	11.70	59,470	23.82	—	—
Supplier F	158,472	7.52	—	—	—	—
Supplier G	—	—	19,249	7.71	—	—
Supplier H	—	—	13,236	5.30	—	—
Supplier I	—	—	11,963	4.79	—	—
Supplier J	—	—	11,447	4.59	—	—
Others	1,044,633	49.57	134,258	53.79	—	—
Total	2,107,403	100.00	249,623	100.00	—	—

Notes:

(1) Our relationship with Supplier A started in 2015. Supplier A is a manufacturer of solar cells and solar modules.

(2) Our relationship with Supplier B started in 2015. Supplier B is a manufacturer of solar power system.

(3) Our relationship with Supplier C started in 2015. Supplier C is a manufacturer of solar cells, solar modules, transformers and other components of solar power system.

(4) Our relationship with Supplier D started in 2015. Supplier D is a designer of solar power system.

(5) Our relationship with Supplier E started in 2015. Supplier E is a manufacturer of solar power products and components.

(6) Our relationship with Supplier F started in 2015. Supplier F is a manufacturer of solar cells and solar modules.

(7) Our relationship with Supplier G started in 2015. Supplier G is a manufacturer of solar products and transformers.

(8) Our relationship with Supplier H started in 2015. Supplier H is a manufacturer of support structure.

(9) Our relationship with Supplier I started in 2014. Supplier I is a manufacturer of cables.

(10) Our relationship with Supplier J started in 2015. Supplier J is a manufacturer of support structure.

Save for the interests held by our Directors as disclosed in the section headed "Relationship with our Controlling Shareholders" in this prospectus, none of our Directors, their respective associates or any of shareholders holding more than 5% of our issued capital, to the knowledge of our Directors, held any interest in any of the above five largest suppliers as of the Latest Practicable Date.

As we will not undertake construction work of solar farm projects following completion of the Spin-Off and the Listing, we will not engage the above external contractors and suppliers for construction purpose. We will undertake maintenance works in relation to the solar farm projects managed by us and will engage component suppliers or contractors as and when appropriate.

EMPLOYEES

Overview

As of December 31, 2018, we had 163 full-time employees, amongst which, 160 full-time employees were based in the PRC and three full-time employees were based in Hong Kong. As of December 31, 2018, 26 of our employees had bachelors' degrees or above. The table below sets forth an analysis of our employees by function as of December 31, 2018:

Business functions	Number of employees
Management, finance, and administration	11
Quality control	11
Operation and technical	141
Total	163

We invest in continuing education and training programs for our management and other employees to update periodically their skills and knowledge. We implement various training programs for our employees, based on their responsibilities, to improve their professional knowledge, technical skills, operations and management and other areas of knowledge and skill. We also have third-party consultants to provide training to our employees.

Compensation for our full-time employees typically consists of base salary and performance-based salary. We may award year-end bonuses to our employees solely at our discretion based on our results of operations and staff performance. We conduct performance appraisals on a yearly basis for administrative and technical staff to provide our employees with feedback on their performance.

Our full-time employees in PRC participate in various employee benefit plans including medical benefit plans, unemployment insurance, work-related injury benefits, and pension. We also make contributions to social security funds and housing funds for our employees in accordance with the applicable PRC regulations. The employment contracts generally specify the employees' remuneration, responsibilities, and grounds for termination.

PRC

Under the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of housing provident fund, pension, medical insurance, employment injury insurance, maternity insurance and unemployment insurance. According to the relevant PRC laws and regulations, the amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level in the previous year, and will be subject to a minimum and maximum level as from time to time prescribed by the local authorities.

Hong Kong

In Hong Kong, we participate in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Employees contribute 5.0% of their relevant income to the mandatory provident fund scheme and we contribute 5.0% of the each employee's monthly base salary.

During the Track Record Period, we have not had any labor disturbance and strike that have materially disrupted our business operations, and we believe that we have maintained a good working relationship with our employees.

INSURANCE

Our assets are covered by various types of insurance, such as property all risks insurance and machinery breakdown insurance. We carry third-party liability insurance to cover claims in respect of personal injury, property or environmental damages arising from accidents that take place in our solar farms or relating to the business operation of our solar farm projects. We maintained business interruption insurance for all of our operating solar farm projects as of the Latest Practicable Date. We review the term of the insurance policies periodically.

Save for the insurance compensation of HK$3.2 million received in 2015 for damages to equipment and electrical parts caused by rainstorm and flooding at Jinzhai Solar Farm; HK$0.5 million received in 2017 for damages to solar module caused by lightning at four solar farm projects in 2017; and HK$6.8 million received in 2018 for the damaged solar panels caused by a winter storm, we have not received any insurance compensation which is material to us during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, the insurance premium paid by us for our insurance were HK$3.0 million, HK$3.7 million, and HK$4.7 million, respectively.

We believe that the insurance coverage of our solar farm projects is adequate in the context of our business and in line with the industry practice in the PRC. We will review and procure the necessary additional insurance coverage as and when the need arises. For details on this risk, see the section headed "Risk Factors — Risks relating to our business — We may not have adequate insurance to cover all potential liabilities or losses" in this prospectus for further information.

ENVIRONMENTAL MATTERS

Our operations are subject to certain laws and regulations relating to environmental protection. See the section headed "Applicable Laws and Regulations — Environmental protection in the PRC" in this prospectus for further information. We are committed to conducting our business operations to comply with all applicable environmental laws and regulations, and endeavor to mitigate any negative effects of our operations on the environment.

As the clean energy industry in which we operate is not a major source of environmental pollution, we believe that the impact of our business operations on the environment is insignificant. Solar power is a renewable energy source that generally causes no pollution. Environmental requirements relating to emissions, waste management and hazardous substances are not applicable to our business operations.

Our PRC Legal Advisor confirms that we are in compliance in all material respects with the applicable environmental laws and regulations in the PRC. We have not incurred any material costs to comply with the applicable environmental rules and regulations during the Track Record Period and do not expect to incur material costs with respect to such rules and regulations in the future. We are currently not involved in any material environmental claims, lawsuits, penalties or administrative sanctions.

The PRC Government may have more rigorous enforcement of applicable environmental laws and regulations and the adoption of more stringent environmental standards in the future. Our Directors believe that this development will facilitate the rapid development of solar power in the PRC. Our costs in this regard may increase if there is any change in the applicable environmental laws and regulations.

QUALITY CONTROL

We strive to ensure quality control and have developed procedures and protocols for our operations and management and component sourcing.

Our quality control team is responsible for ensuring on-going compliance with our operation and maintenance procedures and quality control protocols. We source components from the suppliers who have passed our qualification and quality control process. According to our procurement contracts with our suppliers, we are entitled to return any defective components to our suppliers and they will be responsible for the costs incurred. We implemented measures to ensure that our business operation and maintenance adhere to the industry standards and quality control protocols. Details on our preventive maintenance measures are set forth in the paragraphs under "Solar Farm Operation Business — 4. Operations and management" above.

As of the Latest Practicable Date, we had a quality control team of 11 employees with appropriate qualifications and experience in solar farm operation and maintenance. A majority of the staff in our quality control team have over two years of experience in the quality control in the renewable energy and solar energy sector and possess relevant experience in quality control of solar farm projects.

HEALTH AND SAFETY COMPLIANCE

We are subject to the PRC laws and regulations on labor, safety and work-related incidents. Our operations involve risks and hazards inherent in such activities. These risks and hazards could result in damage to, or destruction of, property or solar-farm equipment and facilities, personal injury, environmental damage, business interruption and possible legal liability. Our solar farm projects have put in place safety guidelines and have adopted various internal policies and taken protective measures designed to prevent the health and safety risks and hazards. We have safety procedures and policies in place pursuant to which our employees and contractors must follow in order to prevent accident or injury. Major safety requirement during operation and maintenance include the proper use of lockout/tagout procedures whenever systems are de-energized prior to servicing, the use of personal protective equipment, procedures for disconnecting live circuits safely, and observation and compliance with signage and warning specific to the solar power system. We have taken steps to ensure that occupational safety at the solar farms we operate and manage meets the high standards on occupational safety. We also provide our employees with training programs on work safety to ensure that all of our employees are aware of our safety procedures and policies, which includes guidelines for safety management, proper operation and usage of equipment and machinery, emergency situations and accident reporting rules. As of the Latest Practicable Date, our solar farm projects have not encountered any material unplanned outages due to health and safety issues.

As of the Latest Practicable Date, our PRC Legal Advisor is of the opinion that we are in compliance with the applicable PRC laws and regulations on health and safety and safety production requirements. The opinion of our PRC Legal Advisor is based on their due diligence as well as the confirmations issued by the competent government authorities in the PRC. As of the Latest Practicable Date, we did not experience any material industrial accidents in the course of our business operation and we were not subject to any fines or administrative actions involving material non-compliance with any applicable laws and regulations, or otherwise have a material impact on our business operations, that we are required to take any specific compliance rectification steps.

PROPERTY

Owned land in the PRC

We use certain properties in the PRC for our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. By virtue of Chapter 5 of the Listing Rules and Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinances which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

As of the Latest Practicable Date, we owned three parcels of land in Jinzhai County, one parcel of land in Fanchang County, and one parcel of land in Wuwei County, and all are in Anhui Province, the PRC, with a total site area of 11,467.2 sq. m. As advised by our PRC Legal Advisor, we have obtained the relevant certificates and permits for, and legally own the land use rights of five parcels of land. We use these parcels of land for our solar farm projects and related facilities.

Leased land in the PRC

As of the Latest Practicable Date, we leased 11 parcels of land with a total site area of approximately 23,391 mu for the operation of our solar farm projects.

A summary of our leased land in the PRC as of the Latest Practicable Date is set forth below:

Solar Farm	Location	Contracting parties	Approximate area (Mu)	Lease term
Jinzhai Solar Farm	Jinzhai County, Anhui Province, the PRC	Villagers' Committee of Xiaonanjing Village, Meishan Town	3,762	March 15, 2014 to March 14, 2044
Sanshan Solar Farm	Wuhu City, Anhui Province, the PRC	The People's Government of Sanshan District, Wuhu City	2,600	November 2014 to November 2044
Nanping Solar Farm	Songxi County, Fujian Province, the PRC	Villagers' Committee of Lower Jiuxian Township	684	July 1, 2014 to June 30, 2044
Lixin Solar Farm(1)	Lixin County, Anhui Province, the PRC	Management Office of Cihuai New River, Lixin County, Bozhou City	925	December 15, 2014 to December 14, 2034
Lixin Solar Farm(1)	Lixin County, Anhui Province, the PRC	Management Office of Cihuai New River, Lixin County, Bozhou City	2,658	May 30, 2015 to May 30, 2035
Binhai Solar Farm(2)(3)	Tianjin Municipality, the PRC	Tianjin Binhai New Area Construction Investment Group Co., Ltd.	3,803	March 31, 2015 to March 30, 2040
Hong'an Solar Farm	Hong'an County, Hubei Province, the PRC	The People's Government of Qiliping Town, Hong'an County	1,414	December 18, 2014 to December 18, 2044
Hong'an Solar Farm	Hong'an County, Hubei Province, the PRC	The People's Government of Qiliping Town, Hong'an County	1,005	February 8, 2015 to February 8, 2045
Wuwei Solar Farm	Wuhu City, Anhui Province, the PRC	The People's Government of Yanqiao Town	2,440	February 1, 2015 to January 31, 2045
Shouxian Solar Farm	Shouxian County, Anhui Province, the PRC	The People's Government of Anfeng Town	2,500	April 1, 2015 to March 31, 2044
Fanchang Solar Farm	Fanchang County, Anhui Province, the PRC	The People's Government of Pingpu Town	1,600	March 1, 2015 to February 28, 2045(4)

Notes:

(1) The lease agreement can be renewed for a term of 10 years upon expiration.

(2) As of the Latest Practicable Date, we were in the course of applying for change of land use to "electricity supply" for part of the land parcel with a site area of 4,214 sq. m. for construction of the converter station.

(3) Our PRC Legal Advisor advises that the relevant lease period may not exceed 20 years for lease of State-owned land and any lease period in excess of the 20-year period is not valid under the applicable laws and regulations in the PRC. Our Directors consider that even though the lease period in excess of 20 years is not valid under the applicable laws and regulations in the PRC, it would not have any material impact on the operation of Binhai Solar Farm. Based on the prevailing circumstances and the scale of operation at Binhai Solar Farm, our Directors do not anticipate that such lease agreement could not be renewed upon expiry.

(4) Our PRC Legal Advisor advises that out of the 1,600 mu at the leased premises, 1,300 mu is State-owned land and the lease period of which may not exceed 20 years and any lease period in excess of the 20-year period is not valid under the applicable laws and regulations in the PRC. Our Directors consider that even though the lease period in excess of 20 years is not valid under the applicable laws and regulations in the PRC, it would not have any material impact on the operation of Fanchang Solar Farm. Based on the prevailing circumstances and the scale of operation at Fanchang Solar Farm, our Directors do not anticipate that such lease agreement could not be renewed upon expiry.

During the Track Record Period, our aggregate rental expenses for the above leased properties were HK$20.5 million, HK$21.6 million, and HK$23.7 million, respectively.

Immaterial non-compliance matters relating to leased land in the PRC

Our PRC Legal Advisor advises us that pursuant to the "Opinions on Supporting the Development of New Industries, New Formats, and Promoting Popular Innovation of the People's Land of Innovation Policy" (National Land and Resources Regulations [2015] No. 5)《關於支持新產業新業態發展促進大眾創業萬眾創新用地的意見》(國土資規 [2015]5號) jointly issued by the MLR, the NDRC, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development, and the MOFCOM, the construction of converter stations, which are permanent buildings, on land not designated for construction purpose requires the approval from the relevant land and resources bureau to change the permitted land usage. It is our Directors' understanding that the lessor (being a department of the PRC Government or state-owned enterprise) will make application with the relevant government authorities to convert the land use for certain parts of the leased premises for construction of converter stations at the time we enter into the land lease agreements.

Hong'an Solar Farm

Xinyi Hong'an was fined in the amount of RMB32,660 by Hong'an County Land and Resources Bureau (紅安縣國土資源管理局) on January 6, 2017 for constructing a converter station of 4.9 mu on the leased premises at Hong'an Solar Farm. A written confirmation letter has been obtained from Hong'an County Land and Resources Bureau confirming that (i) the above fine was fully settled; and (ii) the local government of Hong'an County is in the process of converting the permitted usage of the relevant land for the construction of the converter station; and (iii) the above fine was not a material administrative penalty. Based on the above, our PRC Legal Advisor is of the view that the incident will not have a material adverse impact on our business operations. Our PRC Legal Advisor also confirms that Hong'an County Land and Resources Bureau (紅安縣國土資源管理局) is a competent authority to issue the above confirmation letter.

Wuwei Solar Farm

Xinyi Solar (Wuhu) was fined in the amount of RMB11,400 by Wuwei County Land and Resources Bureau (無為縣國土資源管理局) on January 23, 2017 for occupying a site area of 1.7 mu beyond the boundary of the leased premises at Wuwei Solar Farm and constructing buildings and ancillary facilities on such land. A written confirmation letter has been obtained from Wuwei County Land and Resources Bureau (無為縣國土資源管理局) confirming that (i) the above fine was fully settled; (ii) the occupied land of 1.7 mu was vacated; and (iii) the relevant buildings and ancillary facilities were demolished pursuant to the order. Based on the above, our PRC Legal Advisor is of the view that the non-compliance incident will not have a material adverse impact on us and Wuwei County Land and Resources Bureau (無為縣國土資源管理局) is a competent authority to issue the above confirmation letter.

Binhai Solar Farm

Xinyi Solar (Tianjin) has constructed a converter station with a site area of 4,214 sq. m. at the leased premises at Binhai Solar Farm. An approval has been obtained from Tianjin Shi Binhai New District Planning and Land and Resources Bureau (天津市濱海新區規劃和國土資源管理局) confirming its approval for construction of the converter station on the site. Pursuant to our PRC Legal Advisor, (i) the construction of Binhai Solar Farm at the leased premises is in compliance with the land use policy under the PRC Laws and regulations and (ii) approval has been obtained for the construction of converter station on the said premises and its location. Based on the above, our PRC Legal Advisor is of the view that (i) converting the relevant land use for the construction of converter station would not involve material legal impediment and (ii) the incident will not have a material adverse impact on us. Our PRC Legal Advisor also confirms that Tianjin Shi Binhai New District Planning and Land and Resources Bureau (天津市濱海新區規劃和國土資源管理局) is a competent authority to issue the above approval.

Shouxian Solar Farm

Xinyi Solar (Shouxian) has constructed a converter station of 0.4053 hectare and a restaurant in certain parts of the leased premises of Shouxian Solar Farm. A written confirmation letter has been obtained from Shouxian County Land and Resources Bureau (壽縣國土資源管理局) confirming that (i) the use of the leased premises for solar farm project is consistent with and in compliance with the land use policy for solar farm industry and development in the PRC; and (ii) despite the fact that the construction of the converter station and the restaurant is contrary to the designated land use, the incident is not a material and serious non-compliance. A permit has been issued by The People's Government of Anhui Province confirming its approval for the construction of converter station by Xinyi Solar (Shouxian) on the said premises, its location and relevant land use. Based on the above, our PRC Legal Advisor is of the view that (i) the local government of Shouxian County is in the process of converting the permitted usage of the relevant land; and (ii) the incident will not have a material adverse impact on us. Our PRC Legal Advisor also confirms that Shouxian County Land and Resources Bureau (壽縣國土資源管理局) is a competent authority to issue the above confirmation letter.

As advised by our PRC Legal Advisor, save as disclosed above, the land lease agreements underlying the relevant leased properties that we entered into are in compliance with the applicable PRC laws and regulations and the use of the leased properties are in compliance with the industrial policy and land supply policy or the relevant town planning requirement in the PRC.

Leased properties in Hong Kong

As of the Latest Practicable Date, we leased from Cheer Wise Investments Limited, a non-wholly owned subsidiary of Xinyi Glass, from May 1, 2018 to April 30, 2020 part of an office space with the gross floor area of 30 sq. m. The office is situated at Unit 2118-2120, 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. We use the leased space as our administrative office in Hong Kong.

LICENSES AND PERMITS

Regulatory approvals

The table below sets forth the information with respect to the current Electric Power Business License of our subsidiaries in the PRC, which our Directors consider as crucial to our business operations:

Name of subsidiary	Solar farm projects under our Initial Portfolio	Current Term
Xinyi Lu'an	Jinzhai Solar Farm	April 10, 2015 to April 9, 2035
Xinyi Wuhu	Sanshan Solar Farm	June 16, 2015 to June 15, 2035
Xinyi Nanping	Nanping Solar Farm	August 24, 2016 to August 23, 2036
Xinyi Bozhou	Lixin Solar Farm	October 11, 2016 to October 10, 2036
Xinyi Solar (Wuhu)	Wuwei Solar Farm	October 11, 2016 to October 10, 2036
Xinyi Hong'an	Hong'an Solar Farm	December 22, 2015 to December 21, 2035
Xinyi Solar (Fanchang)	Fanchang Solar Farm	October 11, 2016 to October 10, 2036
Xinyi Solar (Shouxian)	Shouxian Solar Farm	October 11, 2016 to October 10, 2036
Xinyi Solar (Tianjin)	Binhai Solar Farm	May 2, 2017 to May 1, 2037

Our operations are subject to certain laws and regulations in the PRC in relation to solar farm operation. See the section headed "Applicable Laws and Regulations" in this prospectus for further information. We are not aware of any governmental proceedings or investigations to which we might become a party and which may have a material adverse effect on our operations. During the Track Record Period, we did not experience any delay in the approval, maintenance or renewal of our licenses that resulted in a material adverse effect to our operations. We are in compliance with the applicable laws and regulations in the PRC in all material aspects and have obtained all material licenses, approvals and permits for our business operations.

INTELLECTUAL PROPERTY, RESEARCH AND DEVELOPMENT

As of the Latest Practicable Date, we had one trademark registered in Hong Kong. As of the Latest Practicable Date, we had submitted two trademark applications in Hong Kong in different classes which are appropriate to our business. We had one patent registered in the PRC, one copyright registered in the PRC, and one domain name, "www.xinyienergy.com", the domain name of our corporate website. As of the Latest Practicable Date, subsidiaries of Xinyi Solar and Xinyi Glass had eight registered trademarks and certain trademark applications in the PRC for trademarks that are used by our Group. We have made arrangements for the ownership in these trademarks to be transferred to us for free, see the section headed "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus.

We also rely on a combination of trade secrets, as well as confidentiality and non-competition agreements and provisions with our employees and other business partners, to safeguard our intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, as a solar farm operator, we were not engaged in any research and development activities.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claim or litigation, and we believe we had complied with all the applicable intellectual property laws and regulations in all material respects. We are not aware of any incidents of intellectual property rights infringement, or restrictions with respect to our use of intellectual property rights, which would have a material adverse effect on our operations. To the knowledge of our Directors, none of our intellectual property rights were infringed by third parties during the Track Record Period and up to the Latest Practicable Date.

For details on our intellectual property, see the section headed "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus.

GOVERNMENT INCENTIVES FOR SOLAR FARM PROJECTS

The PRC Government has in recent years announced a series of laws and regulations to support and encourage the development of renewable energy. In 2014, the NDRC announced a strategic objective to achieve 100 GW of solar power capacity by the end of 2020. In 2016, as part of the 13th Five-Year Plan, the NEA increased the targeted solar power capacity to 105 GW by the end of 2020. The PRC Government has initiated multiple incentive programs to promote sustainable growth in the solar photovoltaic industry and to provide attractive pricing mechanisms for the solar power industry.

The PRC Government has implemented certain measures to support and encourage the development of solar power. These incentives or favorable policies include, among others, mandatory grid connection and purchase of electricity generated from renewable energy projects, top priority in grid connection and dispatch, subsidized Feed-in-Tariff (which are higher than the benchmark tariffs for coal-generated electricity) and tax-related incentives for solar farm projects.

Mandatory grid connection and purchase of electricity generated from renewable energy projects

The Administrative Measures for Protective Purchase of Renewable Energy-Generated Power in Full Amount «可再生能源發電全額保障性收購管理辦法» promulgated by the NDRC on March 24, 2016 and the Renewable Energy Law of the People's Republic of China (2009 Revision) (《中華人民共和國可再生能源法(2009 修正)》) require all grid companies (including the local subsidiaries of the State Grid) to purchase all electricity generated by renewable energy companies within the coverage of their power grids. Our solar farm projects have benefited and are expected to continue to benefit from such mandatory purchase obligation of the grid companies (including the local subsidiaries of the State Grid). See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — Mandatory purchase" in this prospectus for further information.

Highest priority dispatch, curtailment, and utilization hour protection

Solar power, along with other renewable power, is entitled to top priority over conventional energy sources in grid connection and dispatch. In order to address the grid curtailment issue as a result of the solar power supply and demand imbalance in certain areas, such as Northwest China, the NDRC released a 'utilization hour protection policy' in May 2016, which listed the guaranteed utilization hours for solar electricity generated to be purchased by the grid. The policy states that electricity generated within the guaranteed utilization hours will enjoy the highest priority dispatch. If a solar project's utilization falls below the guaranteed hours, the shortfall would be compensated by the grid in the full amount (i.e. takes into account curtailed amount of electricity and benchmark Feed-in-Tariff). Eight of the solar farm projects under our Initial Portfolio are located in solar resource zone III, where no curtailment issues have emerged and thus are not affected by the policy. One solar farm project under our Initial Portfolio is located in solar resource zone II and to the knowledge of our Directors, no curtailment issues have emerged since commercial operation of such solar farm project. See the sections headed "Industry Overview — Solar installation — Supportive policies in China — Top priority dispatch" and "Industry Overview — Solar installation — Supportive policies in China — Curtailment and utilization hour protection" in this prospectus for further information.

Feed-in-Tariff regime

Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. The Feed-in-Tariff regime promotes investment in solar farm projects by providing the certainty of long-term economic benefits to solar farm investors.

The Feed-in-Tariff for utility-scale ground-mounted solar farm projects is composed of two components: the sale of electricity at the base tariff and the tariff adjustment. The base tariff is equivalent to the on-grid benchmark tariff rates of local coal-fired power plants. The tariff adjustment represents the difference between the Feed-in-Tariff and the sale of electricity at the base tariff. Solar farm operators receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance utilizing income of the Renewable Energy Fund. The Renewable Energy Fund was established by the Ministry of Finance in 2006 with the main objective of supporting renewable energy development in China. It is primarily funded by the Renewable Energy Surcharge, which is collected from electricity end-customers within the retail tariff. The Renewable Energy Fund in turn provides funding for subsidies to be paid to renewable power projects in China. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Feed-in-Tariff (FiT) regime" in this prospectus for further information.

Since 2014, the NDRC has divided China into three different solar resource zones with standardized on-grid FiT rates, reflecting different solar irradiation levels across different geographical areas. The NDRC has been periodically adjusting the FiT rates as the cost of solar power technologies continually becomes more competitive.

Feed-in-Tariff Rate (RMB/kWh) and Solar Resource Zones

		Benchmark Feed-in-Tariff Rate (RMB/kWh)					
Resource Zone	**Geographical Areas**	**Jan 2014 – Dec 2015[(i)]**	**Jan 2016 – Dec 2016[(j)]**	**Jan 2017 – Dec 2017[(k)]**	**Jan 2018 – Jun 2018[(l)]**	**Jul 2018 – Jun 2019[(m)]**	**Beyond Jul 1, 2019[(n)]**
I	Ningxia, Qinghai Haixi, Gansu[(a)], Xinjiang[(b)], Inner Mongolia[(c)]	0.90	0.80	0.65	0.55	0.50	0.40
II	Beijing, Tianjin, Heilongjiang, Jilin, Liaoning, Sichuan, Yunnan, Inner Mongolia[(d)], Hebei[(e)], Shanxi[(f)], Shaanxi[(g)], Qinghai[(h)], Gansu[(h)], Xinjiang[(h)]	0.95	0.88	0.75	0.65	0.60	0.45
III	All other areas not listed under solar resource zones I and II	1.00	0.98	0.85	0.75	0.70	0.55

Notes:

(a) Gansu includes Jiayuguan, Wuwei, Zhangye, Jiuquan, Duanhuang, and Jinchang

(b) Xinjiang includes Hami, Tacheng, Aletai, and Kelamayi

(c) Inner Mongolia includes all areas except for Chifeng, Tongliao, Xinganmeng, and Hulunbeier

(d) Inner Mongolia includes Chifeng, Tongliao, Xinganmeng, and Hulunbeier

(e) Hebei includes Chengde, Zhangjiakou, Tangshan, and Qinhuangdao

(f) Shanxi includes Datong, Shuozhou, and Xinzhou

(g) Shaanxi includes Yulin, and Yanan

(h) All areas except for those under solar resource zone I above

(i) Effective from January 1, 2014, and inclusive of solar farm projects approved after September 2013 or previously approved but grid-connected after January 1, 2014

(j) Effective from January 1, 2016, and inclusive of solar farm projects approved in 2016 or previously approved but grid-connected after June 30, 2016

(k) Effective from January 1, 2017, and inclusive of solar farm projects approved in 2017 or previously approved but grid-connected after June 30, 2017

(l) Effective from January 1, 2018 and inclusive of solar farm projects starting construction prior to May 31, 2018 and completed grid connection before June 30, 2018.

(m) Effective from May 31, 2018 and inclusive of solar farm projects grid connected after June 30, 2018.

(n) Effective from July 1, 2019 and inclusive of solar farm projects grid connected after June 30, 2019.

Source: K2 Management

On May 31, 2018, the NDRC, the Ministry of Finance, and NEA released the 2018 Solar Power Industry Notice, pursuant to which the national quota for construction of solar farm projects in 2018 has not been arranged due to the status of the solar industry at the time of the notice. The construction of solar farm projects requiring governmental subsidies cannot commence, unless the PRC Government issues other policy initiatives to allow the construction work to commence.

Since 2012, the NDRC, the Ministry of Finance, and NEA have jointly announced seven batches of Subsidy Catalogues. Each batch announcement contains a number of solar farm projects which will receive subsidies from a preceding period of time up to the announcement date. For example, the sixth batch of the Subsidy Catalogue includes solar farm projects constructed under the national quota system in the PRC that were connected to the grid from September 2013 to February 2015. The seventh batch of the Subsidy Catalogue includes solar farm projects constructed under the national quota system in the PRC that were grid connected prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue.

Subsidy Catalogue - Announcement Dates

Batch	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Announcement date	June 2012	October 2012	December 2012	February 2013	August 2014	August 2016	June 2018

Source: K2 Management

Solar farm operators receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance using income of the Renewable Energy Fund. The Renewable Energy Fund was established by the Ministry of Finance in 2006 with the main objective of supporting renewable energy development in China. It is primarily funded by the Renewable Energy Surcharge, which is collected from electricity end-customers within the retail tariff. Since 2009, however, the Renewable Energy Fund started to record a funding shortfall due to the rapid development of the solar power installation in the PRC and the insufficient amount of the Renewable Energy Surcharge. The NDRC has raised the rate of the Renewable Energy Surcharge several times to increase income for the Renewable Energy Fund. Despite the Ministry of Finance increasing renewable energy surcharge rate and the injection of RMB 8.6 billion and RMB 14.8 billion in 2012 and 2013 respectively, the Renewable Energy Fund has continued to experience funding deficit. Although there are no record of default or retrospective adjustment on the subsidy for existing qualified projects, the funding deficit has contributed to the delay of settlement of tariff adjustment (subsidy portion) by the Ministry of Finance.

For solar farm operators to receive the tariff adjustment, the utility-scale ground-mounted solar farm projects must be enlisted on the Subsidy Catalogue. The application for the enlisting of solar farm projects on the Subsidy Catalogue requires the submission of relevant documents, in both electronic form and paper form, to provincial government authorities in charge of energy, commodity price and finance related matters for initial review. After the initial review, the documents will be submitted to NDRC, the Ministry of Finance, and NEA for further review. Such documents include (1) completed application form for being enlisted on the Subsidy Catalogue, (2) project approval or filing documents, (3) on-grid tariff approval documents, and (4) other supporting documents such as opinion on grid connection. Following the enlisting, the solar farm operators will receive the tariff adjustment due from the commencement of grid connection. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, there have been no default and no retrospective adjustment to the applicable Feed-in-Tariff rate since the introduction of the Feed-in-Tariff regime for the PRC solar power industry.

Preferential tax treatment

All solar farm projects under our Initial Portfolio are exempted from CIT for the first three years commencing from the first year of revenue generation, and will be entitled to 50% reduction of the CIT payable for the next three years of business operations. See the section headed "Applicable Laws and Regulations — Tax-related matters in the PRC — Enterprise income tax" in this prospectus for further information. If all utility-scale ground-mounted solar farm projects under our Initial Portfolio were not entitled to the preferential tax treatment, our subsidiaries in the PRC would have been subject to the CIT at the rate of 25%. On a hypothetical basis and assuming that all utility-scale ground-mounted solar farm projects under our Initial Portfolio were subject to the CIT at the rate of 25%, the CIT payable during the Track Record Period would have amounted to HK$164.8 million, HK$183.7 million, and HK$198.2 million, respectively, as compared with the actual payment during the same period of HK$0.1 million, HK$15.2 million, and HK$47.6 million, respectively. These hypothetical amounts of CIT would have reduced our profit after income tax during the Track Record Period to HK$494.3 million, HK$551.1 million, and HK$594.5 million, respectively. Without the preferential tax treatment, the PRC income tax rates of our Group during the Track Record Period would have been 25.0%.

NON-COMPLIANCES IN MAKING CONTRIBUTIONS TO PRC SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

During the Track Record Period, we had made contributions to the social insurance plan and housing provident fund for our employees based on a standard rate instead of the actual salary level of the employees as prescribed by the relevant PRC laws and regulations. In addition, an insignificant number of our employees are not willing to participate in the social welfare schemes of the city where they temporarily reside in as such contributions are hard to be transferrable to other cities in the PRC.

Our PRC Legal Advisor advises us that for overdue social insurance contributions, the relevant authorities may require us to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if we fail to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed.

Our PRC Legal Advisor further advises us that pursuant to the "Regulations on the Management of Provident Fund", an employer shall make full contribution to the housing provident fund on a timely manner and shall not make overdue or inadequate contribution. If an employer does not make such contribution when it is due or makes inadequate contribution to the housing provident fund, the relevant housing provident management center shall order such employer to make supplemental contributions within the stipulated period. If such employer does not make contributions within the stipulated period, an enforcement application can be made to the people's court.

As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities on our non-compliance with the required amount contributions to the social insurance plans and housing provident funds. We have not received any demand for any additional payment (of fine and penalty) or additional contributions. We were also not aware of any complaints from our employees or demands for additional payment of social insurance plans or housing provident fund contributions. We have not received any legal documentation from labor arbitration tribunals or the PRC courts regarding any complaint or disputes in this regard.

Written confirmations from competent local authorities have been obtained. These confirmations state, in respect of the relevant periods stated therein, that no administrative penalties had been imposed and the relevant member of our Group was in compliance with the relevant laws and regulations and the number of employees participating in the social insurance contributions and housing provident funds.

Our PRC Legal Advisor is of the view that the written confirmations were issued by the competent authority, and the risk of the social insurance management center and the housing provident fund management center in the PRC initiating any actions to compel us to make additional contributions to the social insurance plan and housing provident fund and imposing any fine on us is remote.

As of the Latest Practicable Date, we have made social insurance contribution and housing provident fund for all our employees in the PRC. The aggregate amount of social insurance and housing provident fund contributions that we had not made for our employees based on their actual wages and salaries amounted to RMB0.8 million, RMB1.4 million, and RMB1.5 million, respectively, during the Track Record Period. No provision was made in respect of the social insurance and housing provident fund contributions that we had not made for our employees in the PRC during the Track Record Period.

We undertake in the event that competent social insurance and housing provident fund authorities require us to make contributions within a stipulated time period or make additional contributions and overdue fine, we will duly comply on a timely manner.

For the purpose of adhering to good corporate governance principles and complying with the applicable laws and regulations in the PRC, we will implement enhanced internal control measures as follows:

(a) additional trainings will be provided by our PRC Legal Advisor on a regular basis to the relevant staff on full compliance with the applicable laws and regulations in the PRC taking into consideration the views of the local competent authorities;

(b) our financial controller and dedicated personnel will be responsible for monitoring the compliance with the payment of social insurance and housing provident fund in accordance with the applicable laws and regulations or the guidance from time to time issued by the local competent authorities;

(c) implement enhanced internal control measures to review our compliance status on a quarterly basis and ensure that no future non-compliance would be committed by us in relation to making contributions to social insurance and housing provident funds; and

(d) our financial controller and dedicated personnel will perform regular reviews and reconciliations on the amount of contributions made or to be made by us, the number of employees in the PRC and their compensation levels for the purpose of ensuring due compliance with the applicable laws and regulations in the PRC taking into consideration the views of the local competent authorities.

RISK MANAGEMENT AND INTERNAL CONTROL

General information

Our risk management and internal control system and procedures are designed to meet our specific business needs and to minimize our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and reduce the impact of risks which are relevant to our business, control our daily business operations, improve our Group's corporate governance and ensure compliance with the applicable laws and regulations. Our Board and senior management are responsible for identifying and analyzing the risks associated with our operations, preparing risk mitigation plans, assessing and reporting their effectiveness. In order to ensure sound implementation of our risk management and internal control policies, we have also adopted various on-going measures as set forth below:

— we have improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operations and legal matters;

— we have appointed Lego Corporate Finance Limited as our compliance advisor with effect from the date of the Listing, see the section headed "Directors, Senior Management, and Employees — Compliance Advisor" in this prospectus for further information;

— the appointment of Mr. TUEN Ling as our financial controller and company secretary to ensure due compliance of our business operation in Hong Kong with the applicable laws and regulations. Mr. TUEN's biographical information is set forth in the section headed "Directors, Senior Management, and Employees" in this prospectus;

— the appointment of qualified lawyer in the PRC to ensure due compliance of our business operation in the PRC with the applicable laws and regulations;

— the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary

— we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections; and

— we will provide internal training to staff as appropriate in order to enable them to follow the internal control and corporate governance procedures.

In preparation for the Listing, we have engaged an independent consultant (the "**Internal Control Consultant**") to perform a review of selected areas of our internal controls over financial reporting systems (the "**Internal Control Review**"). The Internal Control Review included two phases: the first phase was conducted during the period between February and March 2018 and the second phase, which was intended to follow-up on the findings from the first phase, was completed in April 2018. The scope of Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor, and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases, procurements and payables, treasury, financial reporting, property, plant and equipment, taxation, payroll, insurance, and general controls of information technology. Our Directors confirm that there is no material internal control deficiency identified in the Internal Control Review.

The Internal Control Review was based on the information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Bill endorsement transactions

In 2016 and up to the end of April 2017, there were certain bank issued bills received by members of the Xinyi Solar Group and endorsed to members of our Group without trade transactions. Our Directors consider that these transactions were part of the treasury policy of the Xinyi Solar Group (in which our Group forms part) for the effective use of the available financial resources. Our PRC Legal Advisor has conducted due diligence on the relevant bill endorsement transactions of our Group, with an aggregate amount of approximately RMB750 million during the period from January 1, 2015 to April 30, 2017, and has reviewed the relevant documents underlying the transactions. Our PRC Legal Advisor is of the opinion that the bill endorsement transactions by Xinyi PV Products to members of our Group was not in breach of the Negotiable Instruments Law of PRC (中華人民共和國票據法) and related laws on the basis that the bill endorsement transactions were supported by contractual payment obligations with all amounts duly settled by us.

We confirm that (i) the bill endorsement transactions conducted by us as set forth above were part of the treasury policy of the Xinyi Solar Group (of which our Group was a part); (ii) the factual information, on which our PRC Legal Advisor based its opinion on, is true and accurate; (iii) there has been no bill endorsement transaction or any other bill financing arrangement between the Xinyi Solar Group and our Group since May 1, 2017; and (iv) our business and financial performance did not rely on the bill endorsement transactions or any other form of bill financing arrangement with the Xinyi Solar Group.

See "Note 27 Related party transactions - (b) Related party transactions — Discontinued transactions — Note (iv)" to Appendix IA of prospectus for the interest savings recognized through endorsement and transfer of financial instruments between members of our Group and Xinyi PV Products.

We have not entered into any bill endorsement transaction since April 2017. Following completion of the Spin-Off and the Listing, our Company, as a separately listed company on the Main Board, will not enter into such transaction with any member of the Remaining Group. Our financial controller and dedicated personnel will perform regular reviews and checking on the monthly payment records and the monthly reconciliation statements to ensure that there will be no bill endorsement transactions entered into between members of the Remaining Group and us.

LEGAL COMPLIANCE AND PROCEEDINGS

There are no pending or threatened litigation matters or other proceedings, and we are not involved in litigation or other proceedings, that we believe would materially adversely affect on our business, financial condition or results of operations as of the Latest Practicable Date. As of the Latest Practicable Date, save as disclosed in the paragraphs under "Property — Immaterial non-compliance matters relating to leased land in the PRC" above, our Directors confirm and our PRC Legal Advisor is of the opinion that we have complied with the applicable PRC laws and regulations in all material respects during the Track Record Period and that we have obtained the relevant permits, licenses, qualifications, approvals and authorizations that are material to our business operations.

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section. While our Directors consider such assumptions to be reasonable, whether actual results will meet our expectations will depend on a number of risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, our Directors, and any of the Relevant Persons or that these results will be achieved or are likely to be achieved. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this prospectus. See the sections headed "Risk Factors" and "Forward-looking Statements" for further information.

None of our Company, our Directors, and any of the Relevant Persons guarantees the performance of our Group, the payment of any distributions or any particular return on our Shares.

OVERVIEW

Our objective is to provide to our Shareholders stable Distributions with sustainable and long-term growth following the growth of our portfolio of solar farm projects in terms of size and the approved capacity. Following completion of the Spin-Off and the Listing, we will use our operating cash inflows and the available financial resources to maintain our Distributions. The amount of our Distributions will depend on a number of factors, including, amongst other things, our operating results and the cash flows generated from our business activities.

Our BVI Legal Advisor, has confirmed that, subject to the BVI BC Act and the Articles, our Directors may by resolution authorize a distribution (which includes a dividend) by our Company to our Shareholders if our Directors are satisfied on reasonable grounds that immediately after the distribution, our Company will satisfy the solvency test, i.e. (a) our Company will be able to pay our debts as they fall due and (b) the value of our assets will exceed our liabilities. See the section headed "Applicable Laws and Regulations — BVI law on distribution" in this prospectus. Subject to compliance with all applicable laws of BVI and the Articles, our Board may declare and distribute such additional amounts as our Board at their discretion determines.

Our Board may declare and make Distributions out of our available funds and not only out of accounting profits. Our subsidiaries may upstream amounts to our Company by a combination of (a) distributions from reserves of relevant subsidiaries and (b) extending inter-Group loans, principal repayment or interest payment of inter-Group loans to fund Distributions. Nevertheless, we cannot assure you that our Company will be able to pay or maintain Distributions pursuant to the policy set forth in this prospectus. The amount of our Distributions will be subject to certain key factors relating to our business operations and the industry environment. These key factors include the solar irradiation levels, operating results of the solar power systems, terms of off-take of the electricity generated by our solar farm projects, and the period of settlement of the tariff adjustment by the PRC Government. See the section headed "Risk Factors — Risks relating to our business — We may not be able to pay or maintain our Distributions, and such amount may not be stable as they are dependent on a number of factors, including our operating results and our ability to generate sufficient cash inflows from our operating activities" in this prospectus for further information.

DISTRIBUTION POLICY

We will adopt a well-defined policy on our Distributions following the Listing. It is our Board's intention to declare and distribute interim and final Distributions in each year in an aggregate amount of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in each year. During the two years ending December 31, 2020, we intend to declare and distribute interim and final Distributions representing 100% of our Distributable Income. Hence, the interim Distribution to be declared and distributed by our Company for the six months ending June 30, 2019, would represent 100% of our Distributable Income during the period. The respective percentages of the interim and final Distributions will be determined by our Board at its discretion, and the amount of the interim Distribution need not be in proportion to our Distributable Income in respect of the first six months of the relevant year (or other period in respect of the Distribution is made) or in proportion to our Distributable Income for the relevant year.

The above distribution policy is a statement of our Board's intention only. It is not a legally binding obligation of our Company, our Board or any of the Relevant Persons and is subject to change. Any declaration of distributions may or may not reflect our prior declarations of distributions and any distribution recommendation will be at the sole discretion of our Board.

Calculation of the Distributable Income

Our Distributable Income is determined with reference to the Adjusted EBITDA, as we intend to distribute a substantial amount of available cash comprising the Distributable Income. Depreciation and amortization are non-cash expenses. **The Adjusted EBITDA is not a HKFRS measure and should not be compared to or considered as a substitute for items in our financial statements prepared in accordance with the HKFRS.**

"**Distributable Income**" means the Adjusted EBITDA of our Group for the relevant year or period (as the case may be) after:

— deducting corporate income tax at notional rate[1]

— deducting dividend withholding tax at notional rate[2]

— deducting Notional Long-term Debt Repayment Principal Amount;

— deducting actual finance costs[3] incurred;

— deducting actual profit attributable to non-controlling interests in that financial year or period;

— deducting the actual amounts of capital expenditure incurred; and

Notes:

(1) Corporate income tax calculated at notional PRC corporate income tax rate of 25% (or otherwise prevailing rate) for the year.

(2) Dividend withholding tax calculated at notional dividend withholding tax at 5.0% (or otherwise prevailing rate) for dividend distribution from PRC subsidiaries to intermediate holding companies incorporated in Hong Kong for the year.

(3) The amount of which will be determined with inclusion of interest expense on lease liabilities in accordance with HKFRS16 "Leases" adopted by us from January 1, 2019.

— at the discretion of our Directors, deducting a sum equal to the aggregate of any amounts to be set aside for (i) the working capital requirements of our Group; (ii) the future capital expenditure of our Group, including any budget for repowering of the existing solar farm projects, or acquisition of, or further investment in, new solar farm projects; and (iii) the purpose of future debt service or compliance with covenants in any credit facility or loan agreement.

We expect that we will first consider using external financing sources, including commercial bank borrowings and issuances of debt and equity securities, to fund any capital expenditure, including any acquisition of solar farm projects under the Solar Farm Agreement and from Independent Third Parties.

"**Adjusted EBITDA**" is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year.

"**Adjustments**" refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

— other gain/(loss), net;

— other income;

— unrealized revaluation gains, including impairment provisions or reversal of impairment provisions;

— impairment of goodwill/recognition of negative goodwill;

— material non-cash gains/losses; and

— costs of any offering of Shares that are expensed through the consolidated income statements but are funded by proceeds from the issuance of Shares.

"**Notional Long-term Debt Repayment Principal Amount**" is defined as the total interest bearing debt as of the relevant year end divided by the weighted average of the remaining notional long-term debt tenor of our solar farm portfolio, i.e. the weighted average will be based on the approved capacity of each solar farm project. Under the Feed-in-Tariff regime, our utility-scale ground-mounted solar farm projects, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years for electricity generated after the solar farm projects are grid-connected. We monitor our overall debt repayment target that translates, at the level of each solar farm project, to a notional debt tenor of 20 years.

If we sell any fixed assets, properties or solar farm projects, our Directors may retain all or any part of the proceeds from such sale, after deducting the associated taxes and expenses and debt repayments, including any amounts retained for the purpose of servicing future debt repayments and/or for the purpose of complying with covenants in any credit facility agreement (such amounts retained for debt repayment and covenant compliance being "**Excluded Amounts**"), for up to five years following such sale. We may use the retained proceeds (other than the Excluded Amounts) for acquisition of other fixed assets, properties, and/or projects. To the extent that all or any part of the retained proceeds (other than the Excluded Amounts) are not used for the purpose described above within five years following such sale, we will distribute such retained proceeds (other than the Excluded Amounts) to our Shareholders.

Non-HKFRS financial measures

We have presented a number of non-HKFRS financial measures, i.e. the Adjusted EBITDA, the Adjusted Cash Flow Prior to Debt Servicing, the Notional Long-term Debt Repayment Target, and the Adjusted Notional Long-term Debt Service Coverage Ratio, in this prospectus. These financial measures are not audited and not included in our financial statements which are prepared in accordance with the HKFRS. Although some of these financial measures are reconcilable to the line items in the financial information set forth in Appendix IA to this prospectus, they should not be considered as measures comparable to, and should not be used as substitutes for, items in income statement or cash flow statement as determined in accordance with the HKFRS. These measures are not necessarily an indication of whether cash flows will be sufficient to fund our cash requirements. In addition, our definitions of these financial measures may not be comparable to other similarly titled measures used by other companies. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under the HKFRS.

PAYMENT OF DISTRIBUTIONS

The form, frequency, and the amount of future Distributions will depend on the business, financial condition, operating results, and cash flow of our Group and will be subject to the applicable laws and regulations, contractual restrictions, and many other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, overall stability of distributions, and prevailing industry practice. If our distribution policy will need to change in the future, our Company will issue an announcement on such change.

AUTHORIZED AND ISSUED SHARES

The following is a description of the number of authorized shares and the number of issued share prior to and immediately following completion of the Global Offering:

Authorized number of Shares to be issued:

Number of Shares		HK$
800,000,000,000	Shares	8,000,000,000

Issued and to be issued, fully paid or credited as fully paid:

Number of Shares		HK$
5,422,560	Shares in issue as of the date of this prospectus	54,225.60
4,739,317,440	Shares to be issued pursuant to the Capitalization Issue	47,393,174.40
1,882,609,471	Shares to be issued pursuant to the Global Offering	18,826,094.71
6,627,349,471		66,273,494.71
282,391,000	Shares to be issued upon full exercise of the Over-allotment Option	2,823,910.00
6,909,740,471	**Total**	69,097,404.71

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and that our Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued pursuant to the exercise of any option that may be granted the Post-IPO Share Option Scheme and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all Distributions declared, made or paid on our Shares, except for the entitlement under the Capitalization Issue.

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed at the EGM, subject to the conditions set forth therein, our Directors are authorized to allot and issue a total of 4,739,317,440 new Shares credited as fully paid at par value of HK$0.01 each to our Shareholders whose names appear on the register of members of our Company at the close of business on May 10, 2019 (or such other date as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued a fraction of a Share) by way of capitalization of the sum of HK$47,393,174.40 and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued Shares.

GENERAL MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares, provided that the aggregate nominal value of Shares allotted issued or dealt with or agreed to be allotted issued or dealt with by our Directors, other than pursuant to:

(a) a rights issue;

(b) the exercise of any subscription rights which may be granted under any scrip distribution scheme or similar arrangement;

(c) any adjustment of rights to subscribe for Shares under options and warrants; or

(d) a special authority granted by the Shareholders,

shall not exceed the aggregate of:

(i) 20% of the total number of Shares in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme); and

(ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the paragraphs under "Buy-back Mandate" below.

This general mandate to issue Shares will expire upon the earliest of:

(1) the conclusion of our Company's next annual general meeting, unless the authority is renewed by ordinary resolution of our Shareholders passed at that meeting, either unconditionally or subject to conditions; or

(2) the end of the period within which our Company is required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting.

For details on this general mandate are set forth in the paragraphs under "A. Further information about our Group — 4. Resolutions passed by our Shareholders" in Appendix V to this prospectus.

BUY-BACK MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all of our Company's powers to repurchase Shares with a total number not exceeding 10% of the total number of Shares in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set forth in the paragraphs under "A. Further information about our Group — 5. Buy-back of our own securities" in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire upon the earliest of:

(i) the conclusion of our Company's next annual general meeting, unless the authority is renewed by ordinary resolution of our Shareholders passed at that meeting, either unconditionally or subject to conditions; or

(ii) the end of the period within which our Company is required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting.

For details of this general mandate, see the paragraphs under "A. Further information about our Group — 4. Resolutions passed by our Shareholders" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The holding of general meeting or class meeting is prescribed for under the articles of association of a BVI company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set forth in the section headed "Summary of the Constitution of our Company and the BVI Company Law — 2. Articles of Association" in Appendix IV to this prospectus.

BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director, and three independent non-executive Directors. The functions and duties of our Board include convening Shareholders' meetings and reporting at these meetings, implementing the resolutions passed at these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and investments. In addition, our Board is responsible for exercising other powers, functions, and duties in accordance with the Articles.

The table below sets forth certain information on members of our Board:

Name	Age	Current position	Date of appointment as a Director	Date of joining us	Roles and responsibilities	Relationship among senior management and Directors
Dr. LEE Yin Yee, B.B.S. (李賢義)	66	Non-executive Director and Chairman	May 23, 2018	December 2013	Responsible for formulating our overall business strategies and the chairman of the Nomination Committee	Dr. LEE Yin Yee, B.B.S. is a brother-in-law of Mr. TUNG Ching Sai and an uncle of Mr. LEE Yau Ching and Mr. TUNG Fong Ngai
Mr. TUNG Ching Sai (董清世)	54	Executive Director and Vice Chairman	May 23, 2018	December 2013	Responsible for formulating our overall business strategies and overseeing the implementation of the business strategies and a member of the Nomination Committee	Mr. TUNG Ching Sai is a brother-in-law of Dr. LEE Yin Yee, B.B.S. and an uncle of Mr. TUNG Fong Ngai
Mr. TUNG Fong Ngai (董貺漄)	31	Executive Director and Chief Executive Officer	March 15, 2016	March 2016	Responsible for overseeing the daily business operations of our Group and evaluating potential solar farm acquisition and divestment opportunities and a member of the Acquisition Committee	Mr. TUNG Fong Ngai is a nephew of Dr. LEE Yin Yee, B.B.S. and Mr. TUNG Ching Sai
Mr. LEE Yau Ching (李友情)	43	Executive Director	June 26, 2015	December 2013	Responsible for formulating our overall business strategies and planning and identifying suitable acquisition opportunities of solar farm projects	Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, B.B.S.
Ms. CHENG Shu E (程樹娥)	60	Executive director and General Manager	May 23, 2018	January 2016	Responsible for overseeing the operations of our solar farm projects and a member of the Acquisition Committee	Nil

Name	Age	Current position	Date of appointment as a Director	Date of joining us	Roles and responsibilities	Relationship among senior management and Directors
Mr. LEUNG Ting Yuk (梁廷育)	44	Independent non-executive Director	November 22, 2018	November 22, 2018	The chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee	Nil
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. (葉國謙)	67	Independent non-executive Director	November 22, 2018	November 22, 2018	The chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee	Nil
Ms. LYU Fang (吕芳)	40	Independent non-executive Director	November 22, 2018	November 22, 2018	A member of the Audit Committee, the Remuneration Committee and the Nomination Committee	Nil

Non-executive Director

Dr. LEE Yin Yee, B.B.S. (李賢義), aged 66, is our non-executive Director and our Chairman. Dr. LEE is responsible for formulating the overall business strategies of our Group. Dr. LEE has been leading the business development of our Group since December 2013. Dr. LEE Yin Yee, B.B.S. has over eight years of experience in the power industry and over 29 years of experience in the glass industry. Dr. LEE Yin Yee, B.B.S. is the founder of Xinyi Glass and is currently an executive director and the chairman of Xinyi Glass. Also, Dr. LEE is currently a non-executive director and the chairman of Xinyi Solar and will be re-designated as an executive director and remain as the chairman of Xinyi Solar upon the Spin-Off and the Listing, so that he will not simultaneously hold executive positions in both our Company and Xinyi Solar. Dr. LEE obtained a honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018.

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

Dr. LEE is the brother-in-law of Mr. TUNG Ching Sai, our vice chairman and executive Director, and an uncle of Mr. LEE Yau Ching, our executive Director, and Mr. TUNG Fong Ngai, our executive Director.

Executive Directors

Mr. TUNG Ching Sai (董清世), aged 54, is our executive Director and our Vice Chairman. Mr. TUNG has been responsible for the formulation and implementation of the business strategies of our Group since the commencement of construction of the first utility-scale ground-mounted solar farm project at the beginning of 2014. Mr. TUNG joined our Group in December 2013. Mr. TUNG Ching Sai has over eight years of experience in the power industry and more than 29 years of experience in glass manufacturing industry and is currently an executive director and the chief executive officer of Xinyi Glass. Also, Mr. TUNG is currently an executive director and the vice chairman of Xinyi Solar and will be re-designated as a non-executive director and remain as the vice chairman of Xinyi Solar following completion of the Spin-Off and the Listing, so that he will not hold executive positions simultaneously in both our Company and Xinyi Solar.

Mr. TUNG is a standing committee member of the 12th Session of The Chinese People's Political Consultative Conference of Guangxi Zhuang Autonomous Region (中國人民政治協商會議廣西壯族自治區委員會常委), the Vice Chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), and a member of the Executive Committee of the 12th Session of the All-China Federation of Industry and Commerce (中華全國工商聯合會第十二屆執行委員會). Mr. TUNG obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in 2001 and was awarded the Young Industrialist Awards of Hong Kong in 2006. Mr. TUNG obtained from the Sun Yat-Sen University a Senior Executive Master's Degree in Business Administration (高級管理人員工商管理碩士學位) in 2007.

Since November 2015, Mr. TUNG has been the chairman and a non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited, a company listed on the GEM of the Hong Kong Stock Exchange (stock code: 8328).

Mr. TUNG is the brother-in-law of Dr. LEE Yin Yee, B.B.S., our non-executive Director and our Chairman, and an uncle of Mr. TUNG Fong Ngai, our executive Director.

Mr. TUNG Fong Ngai (董貺漄), aged 31, is our executive Director and our Chief Executive Officer. Mr. TUNG Fong Ngai is a member of the Acquisition Committee and is principally responsible for overseeing the daily business operations of our Group and evaluating potential solar farm acquisition and investment opportunities. Mr. TUNG Fong Ngai joined our Group in March 2016. Since then, Mr. TUNG Fong Ngai has been overseeing the Solar Farm Operation Business. Mr. TUNG Fong Ngai joined Xinyi Glass in September 2012 as an executive assistant and was mainly responsible for project-related supervision and coordination. During the period between November 2012 and March 2016, Mr. TUNG Fong Ngai was the chief operating officer of Xinyi Electronic Glass Company Limited, a subsidiary of Xinyi Glass.

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

Mr. TUNG Fong Ngai is a nephew of Dr. LEE Yin Yee, B.B.S., our non-executive Director and the chairman of the Board, and Mr. TUNG Ching Sai, our executive Director and the vice chairman of our Board.

Mr. LEE Yau Ching (李友情), aged 43, is our executive Director. Mr. LEE is mainly responsible for formulating the overall business strategies of our Group and planning and identifying suitable acquisition opportunities of solar farm projects. Mr. LEE joined our Group in December 2013 and has over five years of experience in the power industry. Mr. LEE is currently an executive director and the chief executive officer of Xinyi Solar.

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

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

Ms. CHENG Shu E (程樹娥), aged 60, is our executive Director and our general manager. Ms. CHENG is mainly responsible for overseeing the operations of our solar farm projects and is a member of the Acquisition Committee. She joined our Group in January 2016 and is responsible for the operation and maintenance of solar farm projects of our Group.

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

Independent non-executive Directors

Mr. LEUNG Ting Yuk (梁廷育), aged 44, is our independent non-executive Director. Mr. LEUNG obtained a bachelor's degree of Commerce with major in accounting from University of Wollongong, Australia. Mr. LEUNG is a member of the Certified Practicing Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. Mr. LEUNG has over 17 years of experience in financial management, accounting and auditing. From May 2010 to October 2012, Mr. LEUNG was the chief financial officer and company secretary of China 33 Media Group Limited (stock code: 08087). He then worked as the chief financial officer and company secretary of ZMFY Automobile Glass Services Limited (stock code: 08135). Mr. LEUNG joined ASD International Holdings Limited as the chief financial officer and company secretary from September 2015 to September 2016. Mr. LEUNG has currently joined S&R Group as the chief financial officer since March 2017.

Mr. LEUNG has been an independent non-executive director of Yanchang Petroleum International Limited (stock code: 00346) since December 2009. Mr. LEUNG has been appointed as an independent non-executive director of Interactive Entertainment China Cultural Technology Investments Limited (stock code: 08081) since May 2016 and of Most Kwai Chung Limited (Stock Code: 1716) since March 2018.

The Hon. IP Kwok Him, G.B.M., G.B.S., J.P., (葉國謙), aged 67, is our independent non-executive Director. The Hon. IP is currently a Hong Kong SAR Deputy to the 13th National People's Congress of People's Republic of China, a Non-official member of the Executive Council of Hong Kong, the Chairman of Hon Wah Educational Organization, and the Party Affairs Advisor to the Democratic Alliance for Betterment and Progress of Hong Kong. The Hon. IP was awarded the Grand Bauhinia Medal in 2017 and the Gold Bauhinia Star in 2004.

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

The Hon. IP is an independent non-executive director of Vantage International (Holdings) Limited, a company listed on the Main Board (stock code: 00015).

Ms. LYU Fang (吕芳), aged 40, is our independent non-executive Director. Ms. LYU has been the head of the Strategy Development Department of Renewal Energy Generation Research and Development Center at the Institute of Electrical Engineering, Chinese Academy of Sciences, mainly responsible for advising national solar power rules and policies, and carrying out technical training in solar industry. Ms. LYU has 18 years of experience in strategy and policy study on large-scale use of photovoltaic power. Over the years, Ms. LYU has been responsible for numerous solar energy-related researches and projects conducted by the Ministry of Science and Technology of the People's Republic of China and the National Energy Administration of China. Ms. LYU is currently the Secretary General of Solar Photovoltaic Committee of China Renewable Energy Society. Ms. LYU is also acting as the Chinese Representative of a photovoltaic power research project, Task 1, at the International Energy Agency Photovoltaic Power Systems Program and the representative of the Chinese Secretariat of Paris Agreement-based "Mission Innovation" League of Nations. Ms. LYU obtained a bachelor's degree in economics from Beijing Wuzi University in 1999.

Save as disclosed in the section headed "Controlling Shareholders and Substantial Shareholders" and Appendix V to this prospectus, each of our Directors confirms with respect to himself or herself that (i) he/she has no interests in our Shares within the meaning of Part XV of SFO; (ii) he/she is independent from, and is not related to, any other Directors, members of our senior management, substantial Shareholders or Controlling Shareholders; (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and paragraph 41(3) of Appendix 1A to the Listing Rules nor are there any matters which need to be brought to the attention of our Shareholders in connection with his/her appointment pursuant to Rule 13.51(2) of the Listing Rules, as of the Latest Practicable Date.

Each of our Directors confirms with respect to himself or herself that he/she does not have any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business.

SENIOR MANAGEMENT

In addition to our executive Directors, the table below sets forth certain information on members of our senior management team:

Name	Age	Current position	Date of joining us	Roles and responsibilities	Relationship among senior management and Directors
Mr. SHE Qifa (佘起發)	33	Senior Electrical engineer	January 2017	Responsible for supervising the solar farm operation and maintenance teams for the daily operations and maintenance of the solar farm projects	Nil
Ms. ZHENG Lili (鄭莉莉)	31	Administrative officer	January 2017	Responsible for the daily business operations and other administrative matters of our Group	Nil
Mr. TUEN Ling (段寧)	38	Financial controller and company secretary	January 2017	Responsible for monitoring the financial operation of our Group	Nil

Mr. SHE Qifa (佘起發), aged 33, is our senior electrical engineer. Mr. SHE joined us in January 2017 and has been responsible for supervising the solar farm operation and maintenance teams for the daily operations and maintenance of our solar farm projects since January 2017. With over five years of experience in formulating and implementing repairs and maintenance and repowering schedules of solar farm projects of different technical specifications, Mr. SHE is familiar with the construction process of solar farm projects and is well-equipped to provide technical support to our solar farm projects and monitor solar farm projects assets. Mr. SHE graduated from West Anhui University with a bachelor's degree in electronic information science and technology in 2007.

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

Mr. TUEN Ling (段寧), aged 38, joined us as financial controller in January 2017 and has been mainly responsible for monitoring the financial operation of our Group since January 2017. Mr. TUEN worked for the Xinyi Solar Group from September 2016 to December 2016 and was responsible for monitoring its financial operation. Mr. TUEN has over 12 years of experience in management accounting and financial management. Upon graduating from Macquarie University in 2005 with a bachelor's degree in business administration majoring in accounting, Mr. TUEN worked as an auditor at two multinational accounting firms in Hong Kong, respectively, from July 2006 to September 2008 and September 2008 to April 2010. From January 2011 to January 2015 and July 2015 to June 2016, Mr. TUEN worked at the financial department of two companies that are listed on the Hong Kong Stock Exchange, respectively. Mr. TUEN is a member of the Hong Kong Institute of Certified Public Accountants since July 2013.

COMPANY SECRETARY

Mr. TUEN Ling (段寧) is our company secretary. Details on Mr. TUEN's background are set forth in the paragraphs under "Senior management" above.

BOARD COMMITTEES

Audit Committee

We established the Audit Committee on November 22, 2018 with effect from the Listing, with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee include, among others, (i) assisting our Board in providing an independent review and supervision of financial reporting; (ii) overseeing our Group's financial reporting, risk management and internal control systems; (iii) monitoring the external audit process; and (iv) performing other duties and responsibilities as our Board determines from time to time.

The Audit Committee currently comprises 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.

Remuneration Committee

We established the Remuneration Committee on November 22, 2018 with effect from the Listing, with written terms of reference in compliance with the Listing Rules. The primary duties of the Remuneration Committee include, among others, (i) making recommendations to our Board on our Group's policy and structure for remuneration of all Directors and senior management of our Company and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iii) making recommendations to our Board on the remuneration packages of individual executive Directors and senior management of our Company.

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

Nomination Committee

We established the Nomination Committee on November 22, 2018 with effect from the Listing, with written terms of reference in compliance with the Listing Rules. The primary duties of the Nomination Committee include, among others, (i) reviewing the structure, size, composition and diversity of our Board at least annually and making recommendations on any proposed changes to our Board to complement the corporate strategy of our Group; (ii) making recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for our Directors; and (iii) assessing the independence of independent non-executive Directors.

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

Acquisition Committee

We established the Acquisition Committee on November 22, 2018 with effect from the Listing, with written terms of reference. The primary responsibilities of the Acquisition Committee include, among others, (i) considering, and if appropriate, approving acquisitions of the utility-scale ground-mounted solar farm projects under the Solar Farm Agreement or otherwise and (ii) evaluating potential acquisition and divestment opportunities.

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

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, our Board has adopted a diversity policy which sets forth the objective and the approach to achieve and maintain an appropriate balance of diversity of perspectives of our Board. Pursuant to the diversity policy of our Board, selection of Directors will be based on a number of factors, including but not limitation to, gender, skills, age, industry experience, knowledge, cultural, education background, ethnicity, and length of service. The final decision of the appointment will be based on the suitability of the candidates and the value or expertise that he or she may contribute to our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our executive Directors according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits-in-kind granted to our Directors (in a capacity as directors or employees of any subsidiary of our Group) for the Track Record Period were nil, HK$1.5 million, and HK$3.8 million, respectively. During the Track Record Period, Xinyi Solar paid HK$4.0 million, HK$2.4 million, and HK$2.8 million, respectively, to our executive Directors.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits-in-kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals for the Track Record Period were HK$0.5 million, HK$3.8 million, and HK$5.8 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period. No Director has waived or has agreed to waive any emoluments during the Track Record Period.

Under the arrangements presently in force, the aggregate remuneration of our Directors for the year ending December 31, 2019, excluding discretionary bonus, is expected to be HK$3.3 million.

For details on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Appendix IA and Appendix V to this prospectus.

COMPLIANCE ADVISOR

Our Company has appointed Lego Corporate Finance Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance advisor on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from the detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment of our Compliance Advisor will commence on the Listing Date and end on the date on which our Company distributes its annual report of its financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

Corporate Governance Code

As of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors are not aware of any deviation from or any breach of the provisions in the Corporate Governance Code.

Model Code

In February 2011, Dr. LEE Yin Yee, B.B.S. admitted that he had breached Rule A3 of the Model Code pursuant to which a director of listed issuer must not, inter alia, deal in any securities of the listed issuer on any day on which its financial results are published. Dr. LEE Yin Yee, B.B.S., through a company in which he had interest, inadvertently acquired shares of Xinyi Glass on the day on which the annual results announcement of Xinyi Glass for 2009 was published and uploaded. Dr. LEE Yin Yee, B.B.S. received a private letter from the Stock Exchange in March 2011 to remind him on the seriousness of the breach. The letter also contained a warning that if there is any further breach of the Listing Rules, the Stock Exchange may bring formal disciplinary action against Dr. LEE Yin Yee, B.B.S.. Save as the above inadvertent breach, Dr. LEE Yin Yee, B.B.S. has not breached any rules and regulations in his capacity as a director of listed company.

In February 2011, Mr. TUNG Ching Sai admitted that he had breached Rule A3 of the Model Code pursuant to which a director of listed issuer must not, inter alia, deal in any securities of the listed issuer on any day on which its financial results are published. Mr. TUNG Ching Sai, through a company in which he had interest, inadvertently acquired shares of Xinyi Glass on the day on which the annual results announcement of Xinyi Glass for 2009 was published and uploaded. Mr. TUNG Ching Sai received a private letter from the Stock Exchange in March 2011 to remind him on the seriousness of the breach. The letter also contained a warning that if there is any further breach of the Listing Rules, the Stock Exchange may bring formal disciplinary action against Mr. TUNG Ching Sai. Save as the above inadvertent breach, Mr. TUNG Ching Sai has not breached any rules and regulations in his capacity as a director of listed company.

We have implemented measures to ensure that our Directors will be in full compliance with the Model Code following the Listing. Our Directors who would like to deal with our Shares (or securities underlying our Shares) will be required to inform our company secretary and the executive Director responsible for the matter, namely Mr. TUNG Fong Ngai. None of our Directors will be allowed to deal with our Shares (or any securities underlying our Shares) unless with the written approval of our company secretary and the relevant executive Director, namely Mr. TUNG Fong Ngai, confirming that there is no insider information that may prohibit him or her from such dealing or such dealing would not be in breach of the Listing Rules, the Model Code, and other applicable laws and regulations to such dealing.

You should read the following discussion and analysis in conjunction with the Accountant's Report of the Group for the Track Record Period, including the notes thereto, as set forth in Appendix IA to this prospectus. The Accountant's Report of the Group set forth in Appendix IA is prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements concerning events that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the sections headed "Forward-looking Statements" and "Risk Factors" in this prospectus. We undertake no obligation to update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this prospectus, except as required by applicable law.

OVERVIEW

We are a leading non-State owned solar farm owner and operator in the PRC in terms of the approved capacity of the utility-scale ground-mounted solar farm projects in operation owned by us and under our management. Established and spun-off from Xinyi Solar, we own and operate utility-scale ground-mounted solar farm projects initially developed and constructed by Xinyi Solar. As of the date of this prospectus, the aggregate approved capacity of our Initial Portfolio is 954 MW. Pursuant to the Target Sale and Purchase Agreement, we will acquire the utility-scale ground-mounted solar farm projects under the Target Portfolio with an approved capacity of 540 MW upon the Listing. All solar farm projects owned and managed by us are situated in the PRC.

Our business model is to acquire, own, and manage a portfolio of utility-scale ground-mounted solar farm projects and sell the electricity to local subsidiaries of the State Grid for generating a stable inflow of revenue and cash which will be used for our Distributions. Our primary business objective is to provide our Shareholders with stable Distributions with sustainable long-term growth following the growth of the portfolio of our solar farm projects in terms of size and approved capacity. We intend to adopt a high dividend payout policy and will use a substantial portion of our cash inflows for Distributions. It is our Board's intention to declare and distribute interim and final Distributions in each year of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in respect of each year. Hence, we intend to declare and distribute interim Distribution for the six months ending June 30, 2019, which is expected to be not less than 90% of our Distributable Income during the period. During the two years ending December 31, 2020, we intend to declare and distribute interim and final Distributions representing 100% of our Distributable Income. The amount of our Distributions will be contributed by the revenue generated from our utility-scale ground-mounted solar farm projects and will depend on a number of factors, including, amongst other things, our business and financial condition, operating results, and cash flows generated from our business activities. For details on the policy on our Distributions, see the section headed "Distributions" in this prospectus.

As of December 31, 2016, 2017, and 2018, the total approved capacity of the grid-connected utility-scale ground-mounted solar farm projects under our Initial Portfolio remained unchanged at 954 MW. Our revenue generated from the sale of electricity grew from HK$968.3 million in 2016 to HK$1,116.0 million in 2017 and further to HK$1,200.6 million in 2018. We intend to use the net proceeds from the Global Offering to acquire the Target Portfolio. For details on the Target Portfolio, see the sections headed "Corporate Structure and Business of the Target Companies" and "Financial Information of the Target Companies" in this prospectus.

Our solar farm projects consists of utility-scale ground-mounted solar farm projects with long expected asset life and low counterparty risk. All utility-scale ground-mounted solar farm projects under our Initial Portfolio are connected to the State Grid and are constructed under the national quota system in the PRC and they are in principle entitled to receive the tariff adjustment under the Feed-in-Tariff regime at the same applicable rate for an average remaining duration as of the Latest Practicable Date. These solar farm projects are enlisted on the Subsidy Catalogue, which is the prerequisite for the receipt of the tariff adjustment under the Feed-in-Tariff regime and is administrative in nature given that all the solar farm projects under our Initial Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid. Hence, we recognize the tariff adjustment as revenue at the time of electricity sales. Seven out of nine solar farm projects under our Initial Portfolio have an approved capacity of 100 MW or above, accounting for 90.6% of the aggregate approved capacity of our Initial Portfolio. Solar farm projects under our Initial Portfolio are strategically located in Anhui Province, Tianjin Municipality, Fujian Province, and Hubei Province with low curtailment risk. No curtailment issues have emerged since commercial operation of the solar farm projects under our Initial Portfolio. All electricity generated by the solar farm projects under our Initial Portfolio is sold to the local subsidiaries of the State Grid with low counterparty risk.

IMPLICATIONS OF THE 2018 SOLAR POWER INDUSTRY NOTICE

On May 31, 2018, the NDRC, Ministry of Finance, and the NEA jointly issued the 2018 Solar Power Industry Notice on the latest policy in relation to the solar farm sector in the PRC. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. Further information on the impact of the 2018 Solar Power Industry Notice is set forth in the section headed "Business of our Group — Our strengths" in this prospectus.

The 2018 Solar Power Industry Notice does not change the amount of entitlement to the tariff adjustment currently enjoyed by the existing solar farm projects and hence, according to our PRC Legal Advisor, the 2018 Solar Power Industry Notice would have no impact on the solar farm projects currently owned and managed by us and the solar farm projects under the Target Portfolio. All pipeline solar farm projects currently constructed under the national quota system in the PRC by the Remaining Group will continue to be entitled to the Feed-in-Tariff at the applicable rates upon grid connection for a period of 20 years. Enlisting on the Subsidy Catalogue is the prerequisite for the receipt of the tariff adjustment under the Feed-in-Tariff regime.

According to the 2018 Solar Power Industry Notice, the national quota for construction of solar farm projects in 2018 has not been arranged due to the status of the solar industry in the PRC at the time of the notice. The construction of solar farm projects requiring governmental subsidies cannot commence, unless the PRC Government issues other policy initiatives to allow the construction work to commence. The 2018 Solar Power Industry Notice highlights that the PRC Government would not grant new approval for the construction of new ground-mounted solar farm projects under the national quota system in the PRC in 2018. This could limit the growth of the solar industry in the PRC as no new solar farm projects under the national quota system in the PRC could be constructed in the year. Following completion of the Spin-Off and the Listing and for the purpose of our business growth, we would acquire utility-scale ground-mounted solar farm projects from time to time developed or constructed by the Remaining Group. As of the Latest Practicable Date, pipeline solar farm projects with an approved capacity of 850 MW were under development and construction by the Remaining Group and will be available for acquisition by us following the Spin-Off and the Listing upon grid connection and completion of construction. We believe that the pipeline solar farm projects of the Remaining Group will provide ample business opportunities for our future business growth.

The 2018 Solar Power Industry Notice has no direct impact on our business operations and financial performance, but it may affect our growth in the future through acquisition of new utility-scale ground-mounted solar farm projects constructed by Xinyi Solar and the Independent Third Parties under the Feed-in-Tariff regime. Yet according to the NEA, there were 112.6 GW of utility-scale ground-mounted solar farm projects in the PRC as of June 30, 2018. Excluding the regions with reported curtailment issues (17.0 GW), which was released by the NDRC in the PRC in August 2018 with the objective of addressing potential curtailment issues, there were 95.6 GW of utility-scale ground-mounted solar farm projects, of which 16.5 GW were located in regions where our Initial Portfolio and the Target Portfolio are located, as of June 30, 2018. If we have to acquire the existing solar farm projects from Xinyi Solar and Independent Third Parties, the Feed-in-Tariff rates may be different from the new solar farm projects.

We will look into other acquisition opportunities offered by the Independent Third Parties in the PRC and overseas. There are a large number of solar farm projects in the PRC that can meet and satisfy our geographical and capacity requirements, and qualify for the Feed-in-Tariff regime, and we believe that we can acquire them at comparable terms, conditions and prices to the pipeline solar farm projects of the Remaining Group. There is an active trading market for solar farm projects in the PRC. See the section headed “Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of solar farm projects from Independent Third Parties” in this prospectus.

With the policy under the 2018 Solar Power Industry Notice, our Directors believe that it will help to improve the funding deficit of the Renewable Energy Fund and reduce the lead time between the grid connection of solar farm projects under the national quota system in the PRC and the settlement of the tariff adjustment by the Ministry of Finance. Our Directors also believe that the downward trend of the Feed-in-Tariff rates would affect our business operations from three perspectives.

First, the downward trend would not affect the entitlement to the Feed-in-Tariff and the Feed-in-Tariff rates currently enjoyed by the solar farm projects under our Initial Portfolio and the Target Portfolio and the pipeline solar farm projects currently under development and construction by the Remaining Group.

Second, the costs on the production and installation of solar power components have been rapidly declining in recent years due to technological advancement. Such decrease is more than the decrease in the Feed-in-Tariff rates and as a result, the downward trend of the Feed-in-Tariff rates would not have any significant impact on our profitability.

Third, the downward trend of the Feed-in-Tariff rates, together with the temporary suspension on granting of new approval for the construction of solar farm projects under the national quota system in the PRC, could adversely affect the availability and the valuation of solar farm projects in the PRC for sale in the future. This could affect our business growth by way of acquisition.

Nevertheless, our Directors do not consider that the temporary suspension under the 2018 Solar Power Industry Notice would result in any significant decrease in the number of solar farm projects that may be acquired by us. We may acquire the existing pipelines of solar farm projects which are constructed under the national quota system in the PRC from the Remaining Group and Independent Third Parties. There is also an active trading market for solar farm projects in the PRC and a number of companies listed on the Stock Exchange are involved in the solar farm business.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Implications of the 2019 Grid Parity Notice

On January 7, 2019, the NDRC and the NEA jointly published the 2019 Grid Parity Notice on the subsidy-free pricing arrangement for the electricity generated from utility-scale renewal energy power projects constructed in the PRC in the future. See the section headed "Applicable Laws and Regulations — Laws and regulations applicable to solar power stations in the PRC — The tariff of electricity inter-connected to power grid and compensation" in this prospectus for further information. The effective date of the 2019 Grid Parity Notice is January 7, 2019. Further information on the impact of the 2019 Grid Parity Notice is set forth in the section headed "Business of our Group — Our strengths" in this prospectus.

The 2019 Grid Parity Notice has no impact on the amount of the tariff adjustment currently enjoyed by the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the Target Portfolio and all pipeline utility-scale ground-mounted solar farm projects (other than Chaohu Jindao Solar Farm[(1)]) under development and construction by the Remaining Group as of the Latest Practicable Date. See the section headed "Business of our Group — Landscape of China solar farm Industry — No tariff adjustment regime" on page 131 for further information. See also the section headed "Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of utility-scale ground-mounted solar farm projects from the Remaining Group" on page 371 for further information.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

With the implementation of the policy set forth in the 2019 Grid Parity Notice, the construction of new utility-scale ground-mounted solar farm projects in the future would not be subject to the national quota system in the PRC after satisfying certain conditions including the renewable energy rules and regulations on the provincial level and power delivery, transmission and capacity for consumption and purchase of electricity conditions. As there would be no tariff adjustment entitlement for the future solar farm projects to be constructed under the 2019 Grid Parity Notice, our Directors expect that there would be a substantial decrease in revenue generated from solar farm projects which are constructed subsequent to the implementation of the 2019 Grid Parity Notice. The NDRC and NEA encourage the construction of renewable energy projects which charge the same or a lower price as compared with the local benchmark price of conventional coal-fired power with incentives in other aspects that may be provided by the PRC Government. Examples of these incentives include the grant of land use rights at concessionary rates, mandatory grid connection, and secure power purchase. Our Directors expect that the implementation of the 2019 Grid Parity Notice would result in the following:

(1) the price for sale of electricity generated by solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice would decrease to the extent that they would be in parity with or lower than the local benchmark price of conventional coal-fired power;

(2) the cashflows generated from such solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice would become more predictable as the revenue generated from the sale of electricity would be settled by the local subsidiaries of the State Grid pursuant to the relevant power purchase agreements; and

(3) the valuation as well as the acquisition prices of such solar farm projects to be constructed subsequent to the implementation of the 2019 Grid Parity Notice are expected to decrease without the tariff adjustment entitlement.

As such, the implementation of the 2019 Grid Parity Notice may reduce the construction of new utility-scale ground-mounted solar farm projects subsequent to the implementation of the 2019 Grid Parity Notice, which may affect our future growth by way of acquisition of new solar farm projects. However, our Directors consider that there would be no imminent impact on our planned expansion and future growth because of two reasons: First, the Remaining Group has a pipeline of utility-scale ground-mounted solar farm projects with an aggregate power generating capacity of 850MW, which are constructed under the national quota system with tariff adjustment entitlement, except for Chaohu Jindao Solar Farm[(1)]. Second, with the decreasing cost of production and installation of solar power components in recent years, there remains profitability to be generated by the solar farms even without tariff adjustment entitlement and with the price for sale of electricity generated by solar farm projects to be in parity or lower than the local benchmark price of conventional coal-fired power.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

Our Directors further believe that the current risk on the significant and prolonged delay in receiving the tariff adjustment would be mitigated subsequent to the implementation of the 2019 Grid Parity Notice as the elimination of tariff adjustment would help to improve the funding deficit of the Renewable Energy Fund and reduce the lead time for settlement of the tariff adjustment for the solar farm projects constructed under the national quota system in the PRC.

On April 8, 2019, the NEA commenced the consultation on a work plan for the implementation of the 2019 Grid Parity Notice『國家能源局綜合司關於徵求《關於推進風電、光伏發電無補貼平價上網項目建設的工 作方案(徵求意見稿)》意見的函』. The consultation paper proposes to identify new renewable energy projects that will achieve grid-parity under the 2019 Grid Parity Notice. In addition, the consultation paper also proposes a voluntary conversion of renewable energy projects with tariff adjustment into renewable energy projects with grid-parity with incentives in other aspects that may be offered by the PRC Government for such conversion. As of the Latest Practicable Date, the consultation was in progress and there was no conclusion made for the purpose. The consultation also proposes that prior to the identification of the first batch of grid parity projects in 2019, the regions will not organize competition allocation (競爭配置) of wind power and photovoltaic power generation projects that require State subsidies. Our Directors expect that with the initiatives and incentives that may be offered by the PRC Government under the 2019 Grid Parity Notice, a number of grid-parity renewable energy projects would be constructed.

As of the date of this prospectus, except for Chaohu Jindao Solar Farm(1), a pipeline solar farms project of the Remaining Group, all solar farm projects under our Initial Portfolio, the Target Portfolio and the pipeline utility-scale ground-mounted solar farm projects under development and construction by the Remaining Group are constructed under the national quota system in the PRC. On this basis, our Directors consider that the consultation has no imminent impact on our business operations and the Target Acquisition as well as the possible acquisitions under the Solar Farm Agreement.

Dividend declared after the Track Record Period

On January 21, 2019, we declared final cash dividend of HK$315,949,120 out of our Distributable Income, representing 93.2% of our Distributable Income for the six months ended December 31, 2018. Such dividend was settled in full on January 29, 2019.

No material adverse change

During the period from January 1, 2019 to the Latest Practicable Date, we have received an amount of RMB77.1 million (equivalent to HK$89.6 million) out of the trade receivables (including receivables from the sale of electricity and tariff adjustment receivables) as of December 31, 2018.

The approved capacity of the grid-connected utility-scale ground-mounted solar farm projects under our Initial Portfolio remained unchanged since December 31, 2017, and our Directors confirm that the units of electricity sold and our performance has remained stable from January 1, 2019 up to the Latest Practicable Date. As a result of the above, our Directors believe that our cash position has been further strengthened.

Note:

(1) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid-parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

Our operating results for the year ending December 31, 2019 would be adversely affected by the expenses incurred by us for the purpose of the Listing, finance cost, and any reduction in other income.

Our Directors also believe that trade war between the U.S. and the PRC will have no impact on our operating results and prospects as our business operations are in the PRC and all of our revenue is generated in the PRC with no business connection with the U.S.

Our Directors confirm that, save as disclosed above, since December 31, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this prospectus, there has been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial information included in the Accountant's Report of the Group set forth in Appendix IA to this prospectus.

PRINCIPAL FACTORS AFFECTING OUR OPERATING RESULTS

Our operating results as well as our ability to grow our business and revenue from electricity sales over time could be impacted by a number of factors, including those affecting our industry generally and those that could specifically affect our existing solar farm projects and our ability to grow.

Completion of the Target Acquisition

We will use part of the net proceeds from the Global Offering for the upfront payment of 50.0% of the Agreed Purchase Price. The total approved capacity of the Target Portfolio is 540 MW. For details on the Target Portfolio, see the section headed "Corporate Structure and Business of the Target Companies" in this prospectus. The Target Acquisition is important to our future business growth.

The primary factors that affect the operating results of the Target Companies include (a) the volume of the electricity generated by the utility-scale ground-mounted solar farm projects under the Target Portfolio; (b) the terms of the power purchase agreements for such solar farm projects; and (c) the achievement of efficient operations of such utility-scale ground-mounted solar farm projects. Our Directors confirm that we have conducted appropriate due diligence and are satisfied that the utility-scale ground-mounted solar farm projects under the Target Portfolio will be in full operation following completion of the Target Acquisition. Nevertheless, the operations of such solar farm projects will involve the same uncertainties as the utility-scale ground-mounted solar farm projects under our Initial Portfolio. Any unexpected disruption to the business operations of any of these solar farm projects could have a material and adverse impact on the operating results of the Enlarged Group.

Timing of receipt of the tariff adjustment

We receive the tariff adjustment from the subsidiaries of the State Grid under the Feed-in-Tariff regime for solar farm projects which is funded by the Ministry of Finance utilizing income of the Renewable Energy Fund. Since 2009, the Renewable Energy Fund started to record a funding shortfall and has continued to experience funding deficit, which has led to the delay of the receipt of tariff adjustment (subsidy settlement). The NDRC, the Ministry of Finance, and the NEA have jointly announced a total of seven batches of solar farm projects under the Subsidy Catalogue since 2012. The sixth batch covers the solar farm projects that were connected to the State Grid during the period between September 2013 and February 2015. In the fourth quarter of 2016, the solar farm projects enlisted on the sixth batch of the Subsidy Catalogue started to receive the first batch of the tariff adjustment incurred up to April 2015. As of the Latest Practicable Date, two solar farm projects under our Initial Portfolio have been enlisted on the sixth batch of the Subsidy Catalogue. The seventh batch covers the solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue. As of the Latest Practicable Date, the remaining seven solar farm projects under our Initial Portfolio have been enlisted on the seventh batch of the Subsidy Catalogue. We have received the first batch of the tariff adjustment of RMB61.4 million (equivalent to HK$68.9 million) incurred up to April 30, 2015, the second batch of the tariff adjustment of RMB39.7 million (equivalent to HK$45.3 million) incurred from May 1, 2015 to July 31, 2015, the third batch of the tariff adjustment of RMB232.6 million (equivalent to HK$272.8 million) incurred from August 1, 2015 to December 31, 2016, and the fourth batch of the tariff adjustment of RMB670.6 million (equivalent to HK$758.7 million) incurred up to March 31, 2017. During the Track Record Period, the aggregate amount of the tariff adjustment received amounted to RMB1,004.3 million (equivalent to HK$1,145.7 million).

One of our business objectives is to provide our Shareholders with stable distributions with the potential for sustainable long-term growth of such distributions. In this connection, we rely on the receipt of revenue generated from sale of electricity and the tariff adjustment under the Feed-in-Tariff regime to make distributions to our Shareholders. We will also rely on the net proceeds from the Global Offering to maintain stable distributions and to reduce the possible impact arising from or in connection with the prolonged settlement of the tariff adjustment to our Shareholders.

Any unexpected and further delay in the payment of the tariff adjustment by the PRC Government would affect our cash flows as well as the level of our Distributions in the long term.

Acquisition of new solar farm projects

Our ability to execute our strategy, see the section headed "Business of our Group — Our strategies" in this prospectus for further information, is dependent on our ability to acquire new solar farm projects from Xinyi Solar pursuant to the Solar Farm Agreement and from Independent Third Parties. We focus on acquiring long-term contracted solar farm projects with proven technologies, low operating risks and stable cash flows in geographically diverse locations with growing demand for electricity. We expect to have the opportunity to increase our distribution by acquiring additional solar farm projects from Xinyi Solar, including those available to us under the Solar Farm Agreement, and from Independent Third Parties. The opportunities to acquire additional solar farm projects will be dependent in part on the sustainable growth of solar power and renewable power generation industries in the PRC and globally.

Acquisitions in the PRC may have unknown or contingent liabilities, including liabilities or failure to comply with the applicable laws and regulations, tax implications or undisclosed obligations towards regulatory agencies, creditors, current or former employees or the creditworthiness of the off-takers. We would generally seek warranties and indemnities from prospective sellers of such acquired businesses to cover such contingencies or liabilities. We could nevertheless become liable for past acts and omissions of, or claims in respect of, any such acquired businesses. Any such factors could adversely affect our operating results.

Fluctuations in exchange rates between RMB and foreign currencies

Our profitability and financial condition are and will continue to be affected by changes in foreign exchange rates due to the translation effect of reporting our consolidated financial information in Hong Kong dollars. All our revenue is collected in RMB. While fluctuations in RMB against Hong Kong dollars did not materially affect our business operations and financial condition within the PRC, our operating results in Hong Kong dollars have been affected by the fluctuations in exchange rates during the Track Record Period.

In presenting the consolidated financial information, we present our assets and liabilities in Hong Kong dollars at the exchange rate prevailing at the end of the reporting year, and their income and expenses at the average exchange rates for the year, unless there are significant exchange rate fluctuations during the year, in which case the exchange rates prevailing at the dates of transactions would be used.

RMB generally depreciated against Hong Kong dollar in 2016. As a result, we recorded exchange losses of HK$417.6 million during the year ended December 31, 2016, in our statement of comprehensive income. During the year ended December 31, 2017, we recorded an exchange gain of HK$595.7 million in translating our financial position as of December 31, 2017 primarily because of the appreciation of RMB against Hong Kong dollars. During the year ended December 31, 2018, we recorded an exchange loss of HK$446.0 million primarily due to the depreciation of RMB against the Hong Kong dollars. Any further fluctuation in the value of RMB relative to other currencies, including Hong Kong dollar could affect our reported profitability and our financial condition and could obscure the trends of our operating results in a particular year. If we acquire solar farm projects in countries other than the PRC in the future, our reported profitability and financial condition will also be affected by the fluctuations in the local currencies against Hong Kong dollar in the future.

Project operation and power generation

Our revenue is primarily a function of the volume of electricity generated and sold by our solar farm projects. Our Initial Portfolio is fully contracted under power purchase agreements with the local subsidiaries of the State Grid Corporation. As of December 31, 2017, pursuant to the Feed-in-Tariff regime, the solar farm projects under our Initial Portfolio and the Target Portfolio, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for an average remaining duration of 17 years. For details on this regime, see the section headed "Industry Overview — Solar installation — Supportive policies in China — Feed-in-Tariff (FiT) regime" in this prospectus.

We use reliable and proven solar panels, inverters and other equipment for each of our solar farm projects. We believe this significantly reduces the probability of unexpected equipment failures. Our ability to generate electricity in an efficient and cost-effective manner is impacted by our ability to maintain and utilize the electrical generation capacity of our solar farm projects. The volume of electricity generated and sold by our solar projects during a particular period is also impacted by the number of projects that have commenced business operation, construction progress, as well as both scheduled and unexpected repairs and maintenance required to keep our solar farm projects operational. Equipment performance affects our operating results because equipment downtime affects the volume of electricity generated from our solar farm projects. The volume of electricity generated and sold by our solar farm projects will also be negatively affected if any solar farm projects experience higher than normal downtime as a result of equipment failure, electrical grid disruption or curtailment, extreme weather condition or other events or natural disaster beyond our control or anticipation.

Generally, over a longer time period, we expect our solar farm projects will exhibit less variability in power generation as compared to shorter periods. It is likely that we will experience more generation variability on a monthly or quarterly basis than we do for annual production.

Our ability to access capital and financing costs

Our financial performance is affected by our ability to access capital at acceptable level of financing costs. During the Track Record Period, most of our bank borrowings were supported by the corporate guarantee of Xinyi Solar. During the Track Record Period, we funded our capital requirement primarily through a combination of bank borrowings secured by the corporate guarantee of Xinyi Solar and the cash inflows from the solar farm projects under our Initial Portfolio. We have received confirmed offers from four licensed banks in Hong Kong of unsecured banking facilities in the total amount of HK$2,040 million and had unutilized banking facilities in the amount of HK$200.0 million at acceptable market rates as of the Latest Practicable Date. None of these banking facilities requires corporate guarantee of Xinyi Solar. Our Directors expect that the unsecured banking facilities in the amount of HK$2,040 million will not be used by any member of our Group. We would use these banking facilities only where we have not received any of the tariff adjustment on the electricity generated by the solar farm projects under the Target Portfolio on or before the fourth anniversary of the Listing Date and that our cash flows from operations would not be sufficient to settle the Outstanding Amount. At that time, we may use part of the banking facilities for the payment of the Outstanding Amount.

In addition, with our continuous development, we will need to refinance our existing term bank borrowings upon maturity and require additional financing to support our future growth, particularly for investments in acquiring new solar farm projects. As such, our ability to access capital, fluctuations in interest rates and general availability of credit may significantly impact our operating results and business and financial positions.

Solar irradiation levels and seasonality

The amount of electricity generated by our solar farm projects is dependent in part on the amount of sunlight, or solar irradiation, at the location of the solar farm projects. In addition, the electricity generation of any particular solar farm project varies in different seasons due to changes in the level of solar irradiation.

We expect that the volume of electricity generation of our solar farm projects to be at its highest during the summer and lowest during the winter.

Demand for electricity, economic growth, and change of economic condition in the PRC provinces and localities where our solar farm projects are located

The electricity generated by our solar farm projects is transmitted through the State Grid to the end users. Our revenue has been, and all or substantially all of our revenue in future is expected to be, derived from the PRC. The supply and demand balance for electricity, economic growth and other economic trends and factors in the PRC in general as well as in the provinces and localities where our solar farm projects are situated have a direct impact on our operations. During the Track Record Period, none of our solar farm projects experienced curtailment. If there is any significant decrease in the electricity demand, or any significant electricity demand and supply imbalance for whatever reasons, our solar farm projects may suffer from curtailment and our revenue could be adversely affected.

Renewable power policies of the PRC Government

The PRC market has established various incentives to accelerate the use of renewable energy, including solar energy. These incentives help catalyze private sector investments in renewable energy and are set forth in further details in the sections headed "Industry Overview — Solar installation — Supportive policies in China" and "Business of our Group — Government incentives for solar farm projects" in this prospectus. Such incentives are generally in the form of Feed-in-Tariff and other programs designed to facilitate the development, financing and operation of renewable energy projects. Our operations benefit from these incentives provided by the PRC Government, and any adverse change or termination of these incentives would have a material adverse effect on our business, financial condition, operating results and cash flows.

Our operating results are sensitive to changes in the renewable power policies of the PRC Government. Our revenue is based on the Feed-in-Tariff regime which includes two components, i.e. the sale of electricity and the tariff adjustment, the relative percentages may change from time to time which would generally have no retrospective impact. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. The Feed-in-Tariff rate will also change according to renewable power policies of the PRC Government. During the Track Record Period, the Feed-in-Tariff rates in the provinces in which our solar farm projects are situated decreased by 10.0% on average. This has resulted in the decrease in the amount of our revenue generated from the sale of electricity. Any further decrease in the sale of electricity, which will be settled on a monthly basis, could have a significant impact on our cash inflows as this would increase the balance of the tariff adjustment, the settlement of which has been delayed by the PRC Government.

The Feed-in-Tariff rates for our Initial Portfolio are in the range between RMB 0.95/kWh and RMB1.0/kWh, which will not change for a period of 20 years following grid connection. However, competitive bidding has been recently introduced by the PRC Government, See the section headed "Industry Overview — Solar installation — Supportive policy in China — Feed-in-Tariff (FiT) regime" in this prospectus for further information. A result of the competitive bidding is that the Feed-in-Tariff will decrease in the future, which will affect the amount of revenue generated from new solar farm projects that may be acquired by us in the future.

BASIS OF PRESENTATION OF THE ACCOUNTANT'S REPORT OF THE GROUP

Prior to completion of the Equity Investment, the Solar Farm Operation Business was wholly-owned by Xinyi Solar. For the purpose of the Equity Investment, we undertook the steps comprising the Reorganization, see the section headed "History, Development, and Corporate Structure — Equity Investment" in this prospectus for further information, has been completed. There are no additional steps undertaken by us, other than the Capitalization Issue, for the purpose of the Listing. The steps comprising the Reorganization were merely a recapitalization of the Solar Farm Operation Business with no change in management of the Solar Farm Operation Business. The financial information includes the consolidated balance sheets, income statements and statements of cash flows of the companies now comprising our Group as if the existing group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment or acquisition of the relevant companies, whichever is the shorter period. The audited consolidated financial information of our Group is set forth in Appendix IA to this prospectus.

The steps comprising the Reorganization were completed before the commencement of the Track Record Period. During the Track Record Period prior to completion of the steps comprising the Reorganization, the consolidated financial information includes the financial information of the relevant members of the Xinyi Solar Group conducting the Solar Farm Operation Business.

CRITICAL ACCOUNTING POLICIES

The following sets forth a summary of the most critical accounting policies, see note 2 to the Accountant's Report of the Group in Appendix IA to this prospectus for further information.

Revenue recognition

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

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

— provides all benefits received and consumed simultaneously by the customer;

— creates and enhances an asset that the customer controls as we perform; or

— does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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

We base our estimates of return on historical results, taking into consideration the type of customers, the type of transactions, and the specifics of each arrangement. Revenue is recognized as follows:

Sale of electricity

Revenue arising from the sale of electricity is recognized in the accounting period when electricity is generated and transmitted.

Tariff adjustment

Tariff adjustment represents the subsidy received and receivable from the PRC Government on the sale of electricity to the customer pursuant to the government policy on subsidies of solar energy in the PRC. Tariff adjustment is recognized at its fair value when the electricity has been transmitted and that there is no indication that the amount of such tariff adjustment would be disputed by our customers, i.e. the local subsidiaries of the State Grid. Tariff adjustment receivables were all due from customers which are local subsidiaries of the State Grid. Since August 2016, we have two ground-mounted solar farm projects, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250 MW, successfully enlisted on the sixth batch of the Subsidy Catalogue. As of the date of this prospectus, the remaining seven ground-mounted solar farm projects with an aggregate capacity of 704 MW have been enlisted on the seventh batch of the Subsidy Catalogue. Under the Feed-in-Tariff regime, our utility-scale ground-mounted solar farm projects constructed under the national quota are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years for electricity generated after the solar farm projects are grid-connected. As of December 31, 2018 and the date of this prospectus, all solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue and hence, the prerequisite for receiving the tariff adjustment under the Feed-in-Tariff regime has been satisfied.

Given the track record of repayment of monthly receivables from sale of electricity and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors believe that all trade receivables would be recoverable. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid.

Property, plant and equipment, and depreciation

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

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

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

Completed solar farm projects and other property, plant, and equipment are stated in the consolidated balance sheet at historical cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Solar farm projects under construction are stated in the consolidated balance sheet at cost less subsequent impairment losses, if any. Depreciation of solar farm projects commences when the solar farm projects are successfully connected to grids and completed the trial operation. Depreciation of completed other property, plant, and equipment commences when the assets are ready for use.

Depreciation of property, plant, and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

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

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

Borrowings

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

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

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

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

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

All other borrowing costs are recognized in consolidated income statements in the period in which they are incurred.

Government grants

Grants from the PRC Government are recognized at their fair value where there is a reasonable assurance that the grant will be received and that we will be able to comply with all attached conditions.

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

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

Income tax expense

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

Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

Early adoption of HKFRS 9 and HKFRS 15

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. We have elected to early adopt HKFRS 9 for the years ended December 31, 2016 and 2017 retrospectively in accordance with the transitional provisions in HKFRS 9.

The new standard replaces the provisions of HKAS 39 "Financial instruments: Recognition and measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial instruments: Disclosures". The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses.

There is no impact on our accounting policies and financial information upon the adoption of HKFRS 9, which addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. We have elected to early adopt HKFRS 15 for the two years ended December 31 2017 using full retrospective approach.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and related interpretations.

There is no impact on our accounting policies and financial information upon the adoption of HKFRS 15 relate to the recognition, classification, and measurement of revenue and costs.

Impact of HKFRS 16

Date of adoption

We have applied the standard from its mandatory adoption date of January 1, 2019. We have applied the full retrospective approach. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Nature of change

HKFRS 16 was issued in January 2016. It results in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 primarily affects the accounting for our operating leases. As of December 31, 2016, 2017, and 2018, we had non-cancellable operating lease commitments of HK$609.1 million, HK$644.5 million, and HK$597.3 million respectively. We expect to recognize right-of-use assets of approximately HK$275,668,000 on January 1, 2019, lease liabilities of HK$261,523,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets are approximately HK$12,806,000 lower, and net current assets are HK$11,327,000 lower due to the presentation of a portion of the liability as a current liability.

We have assessed that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for the year ending December 31, 2019 as a result of adoption the new rules are immaterial.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

We prepare our consolidated financial information in accordance with HKFRS, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward and will revise them as needed. We consider the policies discussed below to be critical to an understanding of our combined financial information as their application places the most significant demands on our management's judgment.

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

Common costs of the Solar Farm Operation Business

During the Track Record Period prior to the completion of the steps comprising the Reorganization, our financial information included the financial information of members of the Xinyi Solar Group, i.e. Xinyi PV Products, carrying on both Solar Farm Operation Business and others business activities. All revenues, related costs, expenses and charges directly generated or incurred by the Solar Farm Operation Business are included in the consolidated income statements. Expenses for which specific identification methods are not practicable, including employee benefit expenses, office expenses and office rental expenses, are excluded from the consolidated income statements. See the paragraphs under "Related party transactions" below for further information.

Impairment of trade and other receivables

We make provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

Useful lives of property, plant, and equipment

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

Impairment of non-financial assets

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

Current and deferred income tax

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

FINANCIAL INFORMATION OF OUR GROUP

The table below sets forth our consolidated income statements and statements of comprehensive income of our Group for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Revenue	968,291	1,116,044	1,200,556
Cost of sales	(248,487)	(288,246)	(300,570)
Gross profit	719,804	827,798	899,986
Other income	13,840	6,356	19,771
Other (losses)/gains, net	(7,167)	(251)	5,119
Administrative expenses	(15,842)	(21,437)	(54,013)
Operating profit	710,635	812,466	870,863
Finance income	1,604	3,002	6,759
Finance costs	(53,172)	(80,659)	(84,966)
Profit before income tax	659,067	734,809	792,656
Income tax expense	(62)	(15,170)	(47,629)
Profit for the year attributable to equity holders of our Company	659,005	719,639	745,027
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(417,607)	595,686	(446,007)
Total comprehensive income for the year attributable to equity holders of our Company	241,398	1,315,325	299,020

The amount of the currency translation differences represents the differences in the exchange rates between our reporting currency and the foreign currencies at the beginning and the end of the reporting year. These exchange differences are charged to our consolidated statement of comprehensive income because they are relating to the translation of foreign operations as of the respective reporting dates and arising in the preparation of our audited consolidated financial statements. Due to the depreciation of RMB against HK$ in 2016, the translation of RMB into HK$ resulted in a significant exchange loss of HK$417.6 million, on translation of foreign operations in the PRC. Due to the appreciation of RMB in 2017, there was an exchange gain on translation of our foreign operations in the PRC of HK$595.7 million. The exchange loss on translation of our foreign operations in the PRC was HK$446.0 million in 2018. These translation gains or losses have no impact on our profitability.

The table below sets forth our consolidated balance sheets as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6,163,732	6,630,993	6,084,338
Prepayments for property, plant and equipment and operating leases	122,218	56,361	44,571
Total non-current assets	6,285,950	6,687,354	6,128,909
Current assets			
Trade and other receivables	1,590,715	2,057,372	1,845,482
Cash and cash equivalents	468,066	472,243	421,263
Total current assets	2,058,781	2,529,615	2,266,745
Total assets	8,344,731	9,216,969	8,395,654
EQUITY			
Capital and reserves attributable to our Company's equity holders			
Share capital	49	54	54
Other reserves	3,933,345	4,611,931	4,247,676
Retained earnings	857,962	1,494,696	2,157,971
Total equity	4,791,356	6,106,681	6,405,701
LIABILITIES			
Non-current liabilities			
Other payables	21,257	24,586	19,107
Bank borrowings	2,614,837	1,285,254	1,034,622
Total non-current liabilities	2,636,094	1,309,840	1,053,729
Current liabilities			
Accruals and other payables	462,869	358,671	261,232
Current income tax liabilities	—	12,194	22,414
Bank borrowings	454,412	1,429,583	652,578
Total current liabilities	917,281	1,800,448	936,224
Total liabilities	3,553,375	3,110,288	1,989,953
Total equity and liabilities	8,344,731	9,216,969	8,395,654

Non-HKFRS financial measures

We have presented a number of non-HKFRS financial measures, i.e. the Adjusted EBITDA, the Adjusted Cash Flow Prior to Debt Servicing, the Notional Long-term Debt Repayment Target, and the Adjusted Notional Long-term Debt Service Coverage Ratio, in this prospectus. These financial measures are not audited and not included in our financial statements which are prepared in accordance with the HKFRS. Although some of these financial measures are reconcilable to the line items in the financial information set forth in Appendix IA to this prospectus, they should not be considered as measures comparable to, and should not be used as substitutes for, items in income statement or cash flow statement as determined in accordance with the HKFRS. These measures are not necessarily an indication of whether cash flows will be sufficient to fund our cash requirements. In addition, our definitions of these financial measures may not be comparable to other similarly titled measures used by other companies. They have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results presented under the HKFRS.

(1) Adjusted EBITDA

"**Adjustments**" refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

— other gain/(loss), net;
— other income;
— unrealized revaluation gains, including impairment provisions or reversal of impairment provisions;
— impairment of goodwill/recognition of negative goodwill;
— material non-cash gains/losses; and
— costs of any offering of Shares that are expensed through the consolidated income statements but are funded by proceeds from the issuance of Shares.

The table below sets forth a reconciliation of our profit with the Adjusted EBITDA and the Distributable Income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	659,005	719,639	745,027
Corporate income tax and dividend withholding tax expenses	62	15,170	47,629
Finance costs	53,172	80,659	84,966
Finance income	(1,604)	(3,002)	(6,759)
Depreciation of property, plant, and equipment	218,170	247,527	259,101
Adjustments(1):			
Other income	(13,840)	(6,356)	(19,771)
Other (losses)/gains, net	7,167	251	(5,119)
Adjusted EBITDA for the year	922,132	1,053,888	1,105,074
Less:			
Corporate income tax at notional rate	(164,767)	(183,702)	(198,164)
Dividend withholding tax at notional rate	(31,765)	(37,794)	(37,132)
Notional long-term debt repayment principal amount	(164,680)	(153,923)	(103,446)
Total finance costs	(61,164)	(84,101)	(88,236)
Distributable Income for the year(2)	499,756	594,368	678,096

Notes:

(1) The purpose of the adjustment is to exclude the impact on the Adjusted EBITDA that may be arisen from the items which are not directly relevant to the operation of the solar farm projects.

(2) The inclusion of the amounts of the Distributable Income during the Track Record Period is for illustration purpose only. No representation is made that investors taking up our Shares under the Global Offering will be entitled to such historical amounts of the Distributable Income. The amount of the Distributable Income in each year is based on the Adjusted EBITDA in the year, further information on which is set forth in the section headed "Distributions" in this prospectus.

The Adjusted EBITDA margin during the Track Record Period was 95.2%, 94.4%, and 92.0%, respectively. The decrease in the Adjusted EBITDA during the year ended December 31, 2018 was primarily due to the decrease in our profit attributable to equity holders of our Company as a result of recognition of Listing expenses of HK$31.2 million in 2018. We recognized our revenue during the Track Record Period under the Feed-in-Tariff regime and based on the sale of electricity and the tariff adjustment at the rates between RMB0.95/kWh and RMB1.00/kWh.

(2) Adjusted Cash Flow Prior to Debt Servicing

"**Adjusted Cash Flow Prior to Debt Servicing**" is defined as the Adjusted EBITDA, less corporate income tax and dividend withholding tax expenses, and adjusted for changes in trade receivables for the year.

The table below sets forth a reconciliation of the Adjusted Cash Flow Prior to Debt Servicing for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Adjusted EBITDA	922,132	1,053,888	1,105,074
Adjustments:			
Corporate income tax and dividend withholding tax expenses	(62)	(15,170)	(47,629)
Increase in trade receivables[1]	(614,578)	(577,409)	8,391
Adjusted Cash Flow Prior to Debt Servicing	307,492	461,309	1,065,836

Note:

(1) Amongst the working capital items, we choose to monitor only the changes in trade receivables which capture the settlement of tariff adjustment receivable and therefore have a material impact on our cash flows. Changes in other items of working capital during the Track Record Period were primarily results of construction of solar farm projects, which was part of our operations during the Track Record Period, but will no longer be part of our business following the Spin-Off and the Listing.

The substantial increase in the Adjusted Cash Flow Prior to Debt Servicing during the year ended December 31, 2018 was primarily to the receipt of the tariff adjustment receivables in October and November 2018. Such receipt resulted in a significant increase in net operating cash inflow during the year.

(3) Notional Long-term Debt Repayment Principal Amount

"**Notional Long-term Debt Repayment Principal Amount**" is defined as the total interest bearing debt as of the relevant year end divided by the weighted average of the remaining notional long-term debt tenor of our solar farm portfolio, i.e. the weighted average will be based on the approved capacity of each solar farm project. Under the Feed-in-Tariff regime, our utility-scale ground-mounted solar farm projects constructed under the national quota are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years for electricity generated after the solar farm projects are grid-connected. We monitor our overall debt repayment target that translates, at the level of each solar farm project, to a notional debt tenor of 20 years.

The table below sets forth a reconciliation of the Notional Long-term Debt Repayment Target for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Total interest-bearing Debt	3,069,249	2,714,837	1,687,200
Weighted average remaining Feed-in-Tariff life (years)	18.6	17.6	16.6
Weighted average remaining notional long-term debt tenor (years)	18.6	17.6	16.6
Notional Long-term Debt Repayment Amount	164,680	153,923	101,409

The Notional Long-term Debt Repayment Amount was HK$164.7 million, HK$153.9 million, and HK$101.4 million during the Track Record Period, respectively. Same as the gearing ratio, the increase in the Notional Long-term Debt Repayment Amount was due to the increase in bank loans for the construction of solar farm projects. The decrease in the Notional Long-term Debt Repayment Amount in 2017 and 2018 were due to the repayment of bank loans.

(4) Adjusted Notional Long-term Debt Service Coverage Ratio

"**Adjusted Notional Long-term Debt Service Coverage Ratio**" is defined as Adjusted Cash Flow Prior to Debt Servicing divided by the sum of (a) Notional Long-term Debt Repayment Target and (b) Finance costs.

The table below sets forth a reconciliation of the Adjusted Notional Long-term Debt Service Coverage Ratio for the years indicated:

		Year ended December 31,		
		2016	**2017**	**2018**
		HK$'000	*HK$'000*	*HK$'000*
Adjusted Cash Flow Prior to Debt Servicing	(a)	307,492	461,309	1,065,836
Notional Long-term Debt Repayment Amount	(b)	164,680	153,923	101,409
Finance costs	(c)	53,172	80,659	84,966
Adjusted Notional Long-term Debt Service Coverage Ratio	(a)/(b)+(c)	1.4x	2.0x	5.7x

The Adjusted Notional Long-term Debt Service Coverage Ratio indicates the level of cash available in a year for the repayment of loan principals and related cost on a long-term basis.

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED INCOME STATEMENTS

Revenue

Revenue from sales of electricity is recognized when electricity is generated and transmitted. The Feed-in-Tariff for utility-scale ground-mounted solar farm projects consists of two components: the sale of electricity and the tariff adjustment. Sale of electricity is equal to on-grid benchmark tariff rates of local coal-fired power plants. The tariff adjustment is the difference between the amount of the Feed-in-Tariff and the amount of the sale of electricity, representing the portion of revenue received or receivable from the PRC Government.

During the Track Record Period, our revenue represented the income generated from sale of electricity and the tariff adjustment. All revenue is derived from the electricity generated and transmitted by our solar farm projects under the relevant power purchase agreements. The table below sets forth an analysis of our revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Sale of electricity	360,291	37.2	416,035	37.3	457,068	38.1
Tariff adjustment	608,000	62.8	700,009	62.7	743,488	61.9
Total	968,291	100.0	1,116,044	100.0	1,200,556	100.0
Number of solar farm projects under our Initial Portfolio in full business operation	9		9		9	
Number of solar farm projects under our Initial Portfolio commenced business operation in the year	1		—		—	

Our revenue grew from HK$968.3 million in 2016 to HK$1,116.0 million in 2017, and further to HK$1,200.6 million in 2018. The continuous increases in our revenue during the Track Record Period was primarily due to the commencement of grid connection of the utility-scale ground-mounted solar farm projects under our Initial Portfolio and the increasing numbers of solar farm projects in full business operation. The average utilization rates also increased as a result of high levels of solar irradiation in 2017 and 2018. Cost of sales consisted of depreciation, operating lease expenses, electricity cost, and employees' benefits expenses incurred by us for our Initial Portfolio. Our cost of sales increased because of the increasing number of solar farm projects under our Initial Portfolio in full year of business operation. Gross profit represented the difference between the revenue and the cost of sales, and the amount increased with the increase in our revenue. We achieved a steady gross profit margin from 74.2% to 75.0% during the Track Record Period. Other income represented the government grant, receipt of insurance claims, discounts received from suppliers, and sub-let income of the space under the solar panels.

During the Track Record Period, all of our customers are local subsidiaries of the State Grid. Our five largest customers during the Track Record Period contributed to 83.3%, 85.3%, and 75.3% of our total revenue, respectively, and our largest customer contributed to 28.2%, 24.8%, and 20.8% of our revenue, respectively, during the Track Record Period. As a result, our business relies heavily and will continue to rely heavily on the local subsidiaries of the State Grid.

Cost of sales

Cost of sales consists of depreciation, operating lease expenses, electricity cost, and employees' benefit expenses incurred by us for our Initial Portfolio. Depreciation represents the depreciation of the solar panels and the ancillary equipment used and installed at our solar farm projects. We incur operating lease expenses for the leased land of our solar farm projects that we leased from Independent Third Parties. Electricity cost represents the electricity used by our solar farm projects. We purchase electricity from the local subsidiaries of the State Grid for our solar farm operations. Employees' benefit expenses represent the wages and allowance paid by us to our technical staff and on-site labor. The table below sets forth an analysis of our cost of sales for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*% to revenue*	*HK$'000*	*% to revenue*	*HK$'000*	*% to revenue*
Depreciation	217,879	22.5	247,079	22.1	258,554	21.5
Operating lease expenses	20,496	2.1	21,644	1.9	23,700	2.0
Electricity cost	5,918	0.6	10,338	0.9	8,453	0.7
Employees' benefit expenses	4,194	0.4	9,185	0.8	9,863	0.8
Total	248,487	25.7	288,246	25.8	300,570	25.0

Cost of sales consisted of depreciation, operating lease expenses, electricity cost, and employees' benefits expenses incurred by us for our Initial Portfolio. Our cost of sales increased because of the increasing number of solar farm projects under our Initial Portfolio in full year of business operation.

Gross profit and gross profit margin

Gross profit represents the difference between the revenue and the cost of sales during a particular year or period. The table below sets forth the amount of gross profit and gross profit margin for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*Gross profit margin*	*HK$'000*	*Gross profit margin*	*HK$'000*	*Gross profit margin*
Gross profit	719,804	74.3	827,798	74.2	899,986	75.0

Gross profit represented the difference between the revenue and the cost of sales, and the amount increased with the increase in our revenue. We achieved a steady increase in gross profit margin from 74.2% to 75.0% during the Track Record Period.

Other income

Other income consists of government grant, receipt of insurance claims, discounts received from our suppliers for early settlement, and sub-let income of the space under the solar farm panels of our Initial Portfolio. During the Track Record Period, our other income amounted to HK$13.8 million, HK$6.4 million, and HK$19.8 million, respectively.

We received from insurance companies an amount of compensation of HK$0.5 million for damages to solar modules caused by lightning at four solar farm projects in 2017. In 2018, our other income included discounts received from our suppliers for early settlement and sub-let income. We also subleased part of the land under selected solar farm projects under our Initial Portfolio to Independent Third Parties for agriculture business.

Other (losses)/gains, net

Other (losses)/gains, net represented foreign exchange loss in relation to the transactions conducted by us during the Track Record Period and gain on disposal of fixed assets. The table below sets forth an analysis of other (losses)/gains, net for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Foreign exchange (losses)/gains, net	(7,167)	(251)	5,119

The foreign exchange loss in 2016 was mainly due to the depreciation of RMB against Hong Kong dollar in remitting amount into the PRC. In 2018, we recorded an exchange gain of HK$5.1 million primarily due to the appreciation of RMB against Hong Kong dollars.

Administrative expenses

The table below sets forth an analysis of our administrative expenses for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Employees' benefit expenses	6,048	9,717	9,705
Insurance premium	2,987	3,747	4,749
Miscellaneous taxes and duties	1,178	732	991
Rental	702	787	1,155
Depreciation	291	448	547
Legal and professional fees	731	94	70
Listing expenses	—	—	31,216
Auditor's remuneration	35	87	72
Bank charges	163	103	120
Others[(1)]	3,707	5,722	5,388
Total	15,842	21,437	54,013

Note:

(1) Other expenses include miscellaneous expenses incurred by us, such as utility charges, travelling expenses, and printing and stationery costs.

Finance costs and finance income

The table below sets forth an analysis of our finance costs and finance income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on bank borrowings	61,164	84,101	88,236
Less: Amount capitalized on construction in progress	(7,992)	(3,442)	(3,270)
Total finance costs	53,172	80,659	84,966
Interest income from bank deposits	1,604	3,002	6,759
Total finance income	1,604	3,002	6,759

Our finance costs consist of interest expense on bank borrowings. The amount of interest expense charged to the consolidated income statements was net of the capitalized amount attributable to construction in progress. Our finance income consists of interest income from bank deposits.

Income tax expense

Our income tax expense primarily consists of income tax payable by our subsidiaries in the PRC and Hong Kong.

Provision made for CIT amounted to HK$62,000, HK$15.2 million, and HK$47.6 million for the Track Record Period, respectively. The increase in the income tax during the year ended December 31, 2017, as compared to the year ended December 31, 2016, was primarily due to the payment of CIT by Xinyi Lu'an following the expiration of their entitlement to full exemption of CIT for the first three years of revenue generation. During the year ended December 31 2018, our income tax expense continued to increase to HK$47.6 million primarily due to the payment of CIT by Xinyi Wuhu, Xinyi Bozhou, and Xinyi Nanping following the expiration of their entitlement to full exemption of CIT for the first three years of revenue generation. The statutory rate of the CIT applicable to members of our Group established in the PRC is 25%.

Pursuant to the relevant tax regulations in the PRC, our PRC subsidiaries are eligible for full exemption from the CIT for the first three years of revenue generation, after off-setting prior year losses, followed by a 50% reduction for the next three years of business operations. However, the government grants and the insurance compensation received during the Track Record Period were subject to the CIT with the statutory rate of 25%. Starting from January 1, 2017, one of our subsidiaries in the PRC, i.e. Xinyi Lu'an, has been required to pay 50% of the amount of the CIT payable at the statutory rate of 25%. Starting from January 1, 2018, three of our subsidiaries in the PRC, i.e. Xinyi Wuhu, Xinyi Nanping, and Xinyi Bozhou, have been required to pay 50% of the amount of the CIT payable at the statutory rate of 25%.

Under Hong Kong law, our Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% on the assessable profits arising in, or derived from, Hong Kong. Hong Kong adopts a territorial basis of taxation. No provision for Hong Kong profits tax has been made for the Track Record Period as our Group did not have any assessable profits arising in Hong Kong during the same period.

As of the Latest Practicable Date, we did not receive any notice from any tax regulator nor were we involved in any tax investigation regarding our tax compliance in any jurisdiction.

Except as disclosed above or as otherwise disclosed herein, during the Track Record Period, we did not have any assessable income in the BVI or any other jurisdiction where we have operations.

Dividend paid and Distributions

On March 22, 2017, we declared a special dividend of HK$959,799,000 out of our share premium and such dividend has been capitalized into 632 shares of our Company of US$1.0 each allotted and issued to our Controlling Shareholders in lieu of repayment of Shareholders' loan of the same amount. Except for this special dividend, we did not declare and pay any dividend to our Shareholders during the Track Record Period.

On January 21, 2019, we declared final cash dividend of HK$315,949,120 out of our Distributable Income, representing 93.2% of our Distributable Income for the six months ended December 31, 2018. Such dividend was settled in full on January 29, 2019.

Following the Spin-Off and the Listing, we will adopt a well-defined policy on our Distributions. It is our Board's intention to declare and distribute interim and final Distributions in each year in an aggregate amount of not less than 90% of our Distributable Income, with an intent to distribute 100% of our Distributable Income in each year. During the two years ending December 31, 2020, we intend to declare and distribute interim and final Distributions representing 100% of our Distributable Income. Hence, the interim Distribution to be declared and distributed by our Company for the six months ending June 30, 2019, would represent 100% of our Distributable Income during the period. The respective percentages of the interim and final Distributions will be determined by our Board at its discretion, and the amount of any interim Distribution need not be in proportion to our Distributable Income in respect of the first six months of the relevant year (or other period in respect of the Distribution is made) or in proportion to our Distributable Income for the relevant year.

See the section headed "Distributions" in this prospectus for further information.

OUR OPERATING RESULTS

Comparison of the operating results between the year ended December 31, 2018 to the year ended December 31, 2017

Revenue

Sale of electricity

Our sale of electricity increased by 9.9% to HK$457.1 million in 2018 from HK$416.0 million in 2017. The increase in the amount of the sale of electricity reported in Hong Kong Dollars was due to the appreciation of the exchange rate of RMB against Hong Kong dollars despite the increase of our sale of electricity to 1,156.25 GWh in 2018 from 1,148.35 GWh in 2017. Renminbi appreciated from RMB0.8693 for each Hong Kong dollar on average in 2017 to RMB0.8437 for each Hong Kong dollar on average in 2018. The total approved capacity of operating utility-scale ground-mounted solar farm projects as of December 31, 2018 was 954 MW, which was the same as the total approved capacity as of December 31, 2017.

Tariff adjustment

The amount of the tariff adjustment slightly increased by 6.2% to HK$743.5 million in 2018 from HK$700.0 million in 2017. The increase in the amount of the tariff adjustment reported in Hong Kong dollars was due to the appreciation of the exchange rate of RMB against Hong Kong dollars.

Cost of sales

Cost of sales increased by 4.3% to HK$300.6 million in 2018 from HK$288.2 million in 2017, which was generally consistent with the increase in our total revenue. The amount of cost of sales as a percentage to revenue was 25.0% in 2018, which was slightly less than 25.8% in 2017.

Depreciation

Depreciation expense increased by 4.6% to HK$258.6 million in 2018 from HK$247.1 million in 2017. The increase in depreciation expense was mainly attributable to the appreciation of the exchange rate of RMB against Hong Kong dollars. Our property, plant, and equipment increased as we operated more solar farm projects.

Operating lease expenses

Operating lease expenses increased by 9.5% to HK$23,700 million in 2018 from HK$21,644 million in 2017. The increase in operating lease expenses was primarily due to the increase in the lease payments for certain utility-scale ground-mounted solar farm projects under our Initial Portfolio during the year.

Electricity cost

Electricity cost represented the cost of electricity consumed for the business operation of the solar farm projects under our Initial Portfolio. In 2018, such cost amounted to HK$8,453 million, representing a decrease of 18.2% from HK$10,338 million in 2017. The decrease in electricity cost was primarily due to the implementation of the energy saving policy in our business operations.

Employees' benefit expenses

Employees' benefit expenses increased by 7.4% to HK$9,863 million in 2018 from HK$9,185 million in 2017. The increase in these expenses, which included wages and allowance paid to our technical staff and on-site labor, was mainly due to the increase in the number of solar farm projects in full business operation in 2018 and the increase in the wages and allowance was commensurate with the general price increases in the PRC.

Gross profit

Our gross profit increased by 8.7% to HK$900.0 million in 2018 from HK$827.8 million in 2017 as a result of the foregoing. Our gross profit margin, defined as gross profit divided by revenue in the corresponding period, were 74.2% and 75.0% for the year ended December 31, 2017 and 2018, respectively. The slight improvement in the gross profit margin in 2018 was primarily due to the decrease in the electricity cost and the impact of the exchange rate between RMB and Hong Kong dollars during the year, as compared to the same in 2017, because of low level of solar irradiation.

Other income

Other income in 2018 of HK$19.8 million was higher than the amount of HK$6.4 million in 2017. The increase was primarily due to the increase of insurance compensation and government grant.

Other (losses)/gains, net

Other gain in 2018 amounted to HK$5.1 million, as compared with other loss of HK$0.3 million in 2017. We recorded exchange gain primarily due to the appreciation of RMB against Hong Kong dollars.

Administrative expenses

Our administrative expenses increased significantly to HK$54.0 million in 2018 from HK$21.4 million in 2017. The increase was primarily attributable to the increase in the legal and professional fees for the Listing.

Employees' benefit expenses

Employees' benefit expenses was HK$9.7 million in 2018, as compared with HK$9.7 million in 2017. There was no material change in the amount of employees' benefit expenses.

Insurance premium

Insurance premium increased to HK$4.7 million in 2018 from HK$3.7 million in 2017. The increase was mainly due to the increase in the number of utility-scale granted mounted solar farm projects under our Initial Portfolio in full business operation during the year.

Operating profit

Operating profits were HK$870.9 million in 2018, as compared to HK$812.5 million in 2017. The increase in the operating profit of 7.2% was primarily due to the increase in our revenue, other income, and other gains, net.

Operating margin, which is defined as operating profit as a percentage of revenue, were 72.5% and 72.8% in 2018 and 2017, respectively.

Finance income and finance cost

During the year ended December 31, 2018, the finance costs amounted to HK$85.0 million, as compared to HK$80.7 million during the year ended December 31, 2017. The increase was due to the increased balance of interest-bearing bank borrowings as of December 31, 2017 of HK$2,714.8 million. We capitalized interest expense in the amount of HK$3.3 million during the year ended December 31, 2018.

Income tax expense

We incurred CIT of HK$47.6 million in 2018 as compared to HK$15.2 million in 2017.

Xinyi Bozhou and Xinyi Nanping were eligible for exemption from the CIT for the first three years of revenue generation, after offsetting prior year losses, followed by 50% reduction in the next three years of business operation. However, the government grant and subsidy and gain from disposal of interests in property, plant and equipment in 2015, among other things, were subject to CIT at the statutory income tax rate of 25%. The CIT paid by us in 2018 was due to the commencement of payment of CIT by Xinyi Wuhu, Xinyi Nanping, and Xinyi Bozhou at the rate of 50% of the amount of the CIT payable at the statutory rate of 25%.

Profit for the year attributable to equity holders of our Company

As a result of the foregoing, our profit for the year increased to HK$745.0 million in 2018 from HK$719.6 million in 2017.

Comparison of the operating results between the year ended December 31, 2017 to the year ended December 31, 2016

Revenue

Sale of electricity

Our sale of electricity increased by 15.5% to HK$416.0 million in 2017 from HK$360.3 million in 2016, primarily due to the increase in our sale of electricity to 1,148.35 GWh in 2017 from 976.27 GWh in 2016. The increase in units of electricity sold was mainly due to the full year of business operation of the utility-scale ground-mounted solar farm projects under our Initial Portfolio that commenced business operation in 2016. The total approved capacity of operating utility-scale ground-mounted solar farm projects as of December 31, 2017 was 954 MW, which remained unchanged as compared with the approved capacity as of December 31, 2016.

Tariff adjustment

The amount of the tariff adjustment increased by 15.1% to HK$700.0 million in 2017 from HK$608.0 million in 2016. The increase in the tariff adjustment was consistent with the increase in the units of electricity sold and as a result, a corresponding increase in the tariff adjustment to make up for the Feed-in-Tariff.

Cost of sales

Cost of sales increased by 16.0% to HK$288.2 million in 2017 from HK$248.5 million in 2016, which was generally consistent with the increase in our total revenue.

Depreciation

Depreciation expense increased by 13.4% to HK$247.1 million in 2017 from HK$217.9 million in 2016. The increase in depreciation expense was mainly attributable to the increase in property, plant, and equipment from HK$6.2 billion as of December 31, 2016 to HK$6.6 billion as of December 31, 2017. Our property, plant and equipment increased as we operated more solar farm projects.

Operating lease expenses

Operating lease expenses increased by 5.6% to HK$21.6 million in 2017 from HK$20.5 million in 2016. The increase in operating lease expenses was primarily due to the full year of business operation of the solar farm projects under our Initial Portfolio in 2017.

Electricity cost

Electricity cost represented the cost of electricity consumed for the business operation of the solar farm projects under our Initial Portfolio. In 2017, such cost amounted to HK$10.3 million, representing a significant increase of 74.7% from HK$5.9 million in 2016. The increase in electricity cost was primarily due to the full year of business operation of the utility-scale ground-mounted solar farm projects under our Initial Portfolio and a lump sum payment of electricity cost charged for the electricity consumed for one of the solar farm projects for previous two years.

Employees' benefit expenses

Employees' benefit expenses increased by 119.0% to HK$9.2 million in 2017 from HK$4.2 million in 2016. The significant increase in these expenses, which included wages and allowance paid to our technical staff and on-site labor, was mainly due to the increase in the number of utility-scale ground-mounted solar farm projects in full business operation in 2017 and the increase in the wages and allowance was commensurate with the general increase in labor cost in the PRC.

Gross profit

Our gross profit increased by 15.0% to HK$827.8 million in 2017 from HK$719.8 million in 2016 as a result of the foregoing. Our gross profit margin, defined as gross profit divided by revenue in the corresponding year, were 74.3% and 74.2% for the two years ended December 31, 2017, respectively. We achieved almost the same gross profit margin in 2017, as compared with the same in 2016, because of the stable business operation of our Initial Portfolio in terms of the number of solar farm projects in operation.

Other income

Other income in 2017 of HK$6.4 million was lower than the amount of HK$13.8 million in 2016. The decrease was primarily due to the decrease in the amount of discounts received from our suppliers for early settlement from HK$13.4 million in 2016 to HK$5.0 million in 2017 as a result of completion of construction of all solar farm projects under our Initial Portfolio.

Other (losses)/gains, net

Other gain was nil in 2017.

Other loss of HK$0.3 million in 2017 was attributable to foreign exchange loss, primarily due to the difference between the exchange rates used by us and the actual exchange rates for remittance of funds to the PRC for our operations.

Administrative expenses

Our administrative expenses increased to HK$21.4 million in 2017 from HK$15.8 million in 2016. The increase was primarily attributable to the increases in employees' benefit expenses of HK$3.7 million, insurance premium of HK$0.8 million and other expenses of HK$1.1 million.

Employees' benefit expenses

Employees' benefit expenses was HK$9.7 million in 2017, as compared with HK$6.0 million in 2016. The increase was generally consistent with the increase in the number of our supporting staff for the increasing number of utility-scale ground-mounted solar farm projects under our Initial Portfolio in full business operation in 2017.

Insurance premium

Insurance premium increased to HK$3.7 million in 2017 from HK$3.0 million in 2016. The increase was mainly due to the increase in the number of utility-scale ground-mounted solar farm projects under our Initial Portfolio in full business operation in 2017.

Operating profit

Operating profit was HK$710.6 million and HK$812.5 million for the two years ended December 31, 2017, respectively. The increase of 14.3% in operating profit was consistent with the growth in our revenue.

Operating margin, defined as operating profit as a percentage of revenue, was 73.4% and 72.8% for the two years ended December 31, 2017, respectively.

Finance income and finance cost

The increase in finance costs to HK$80.7 million in 2017 from HK$53.2 million in 2016 was due to the effect of higher interest rate at 3.05% in 2017 even though there were decreases in the balance of bank borrowings from HK$3,069.2 million as of December 31, 2016 to HK$2,714.8 million as of December 31, 2017 and the decrease in the amount of capitalization of interest expense of HK$3.4 million in 2017.

The increase in finance income in 2017 to HK$3.0 million from HK$1.6 million in 2016 was primarily due to full business operation of the solar farm projects under our Initial Portfolio in 2017.

Income tax expense

We incurred CIT of HK$15.2 million in 2017 and HK$62,000 in 2016. The increase in the income tax during the year ended December 31, 2017 was primarily due to the payment of CIT by Xinyi Lu'an following the expiration of entitlement to full exemption of CIT during the first three revenue-generating years.

We were eligible for an exemption from the CIT during the first three years commencing from the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction in the next three years.

Profit for the year attributable to equity holders of our Company

As a result of the foregoing, our profit for the year increased to HK$719.6 million in 2017 from HK$659.0 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash generated from our operations and bank borrowings. Our principal uses of cash primarily include the payment of our cost of sales and the payment of consideration for future acquisition of solar farm projects. As of December 31, 2016, 2017, and 2018, we had cash and cash equivalents as stated in the consolidated balance sheets of HK$468.1 million, HK$472.2 million, and HK$421.3 million, respectively.

The table below sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax	659,067	734,809	792,656
Adjustments for:			
Interest income	(1,604)	(3,002)	(6,759)
Interest expense	53,172	80,659	84,966
Depreciation of property, plant and equipment	218,170	247,527	259,101
	928,805	1,059,993	1,129,964
Changes in working capital:			
Trade and other receivables	(727,093)	(462,486)	92,867
Accruals and other payables	(4,607)	2,915	12,305
Cash generated from operations	197,105	600,422	1,235,136
Interest paid	(60,346)	(83,744)	(87,784)
Income tax paid	(11,492)	(2,976)	(37,409)
Net cash generated from operating activities	125,267	513,702	1,109,943

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Purchases of property, plant and equipment	(2,371,174)	(177,831)	(110,616)
Interest received	1,604	3,002	6,759
Net cash used in investing activities	(2,369,570)	(174,829)	(103,857)
Cash flows from financing activities			
Proceeds from bank borrowings	2,307,914	100,000	1,125,000
Repayment of bank borrowings	(114,286)	(454,412)	(2,152,637)
Advances from related parties	297,714	—	—
Repayments to related parties	(200,007)	—	—
Payments for professional fee in connection with the listing of the Company	—	—	(9,267)
Net cash generated from/(used in) financing activities	2,291,335	(354,412)	(1,036,904)
Net increase/(decrease) in cash and cash equivalents	47,032	(15,539)	(30,818)
Cash and cash equivalents at beginning of the year	427,435	468,066	472,243
Exchange differences on cash and cash equivalents	(6,401)	19,716	(20,162)
Cash and cash equivalents at end of the year	468,066	472,243	421,263

Net cash generated from operating activities

Net cash generated from operating activities in 2018 was HK$1,109.9 million, which was primarily attributable to our profit before income tax of HK$792.7 million and a decrease in trade and other receivables of HK$92.9 million and was partially offset by an increase in our accruals and other payables of HK$12.3 million. The significant increase in net operating cash inflow in 2018 was due to the receipt of the tariff adjustment receivables in October and November 2018. Such receipt resulted in a decrease in balance of trade and other receivables.

Net cash generated from operating activities in 2017 was HK$513.7 million, which was primarily attributable to our profit before income tax of HK$734.8 million and was partially offset by (a) an increase in trade and other receivables of HK$462.5 million and (b) an increase in our trade payables, accruals and other payables of HK$2.9 million.

Net cash generated from operating activities in 2016 was HK$125.3 million, which was primarily attributable to profit before income tax of HK$659.1 million and was partially offset by (a) an increase in trade and other receivables of HK$727.1 million and (b) a decrease in our trade payables, accruals and other payables of HK$4.6 million.

Net cash used in investing activities

Net cash used in investing activities in 2018 was HK$103.9 million which was primarily attributable to our payments of capital expenditure of HK$110.6 million and was partially offset by the receipt of interests of HK$6.7 million.

Net cash used in investing activities in 2017 was HK$174.8 million, which was primarily attributable to our payments of capital expenditure of HK$177.8 million and was partially offset by the receipt of interests of HK$3.0 million.

Net cash used in investing activities in 2016 was HK$2,369.6 million, which was primarily attributable to our payments of capital expenditure of HK$2,371.2 million and was partially offset by the receipt of interests of HK$1.6 million.

Net cash generated from/(used in) financing activities

Net cash used in financing activities in 2018 was HK$1,036.9 million which was primarily attributable to proceeds from bank borrowings of a total of HK$1,125.0 million and repayment of bank borrowings of HK$2,152.6 million.

Net cash used in financing activities in 2017 was HK$354.4 million, which was primarily attributable to the repayment of bank borrowings of HK$454.4 million offset by the proceeds from bank borrowings of a total of HK$100.0 million from a licensed bank in Hong Kong.

Net cash generated from financing activities in 2016 was HK$2,291.3 million, which was primarily attributable to proceeds from bank borrowings of a total of HK$2,307.9 million and the net advance from related parties of HK$97.7 million and repayment of bank borrowings of HK$114.3 million.

WORKING CAPITAL

We have funded our working capital requirements through a combination of cash inflow from our operations, capital contributions from Xinyi Solar and the net proceeds from the Equity Investment prior to the Spin-Off and the Listing. During the year ended December 31, 2017, we recorded an operating cash inflow in the amount of HK$513.7 million, as compared with operating cash inflow of HK$125.3 million in 2016. The increase was primarily due to the receipt of the tariff adjustment of RMB272.3 million (equivalent to HK$318.1 million) in June and October 2017. During the year ended December 31, 2018, we continued to generate net cash inflow from our operating activities in the amount of HK$1,109.9 million. We have received confirmed offers from four licensed banks in Hong Kong of unsecured banking facilities in the total amount of HK$2,040 million and had unutilized banking facilities in the amount of HK$200.0 million at acceptable market rates as of the Latest Practicable Date. None of these banking facilities requires corporate guarantee of Xinyi Solar. Our Directors expect that the unsecured banking facilities in the amount of HK$2,040 million will not be used by any member of our Group prior to the Listing.

In respect of the time period required for the enlisting of the solar farm projects on the Subsidy Catalogue and the settlement of the tariff adjustment receivables by the PRC Government and solar farm projects which have been enlisted on the Subsidy Catalogue but we have yet to receive the tariff adjustment, our Directors consider that our Group has adequate working capital management as follows:

(1) we have low gearing ratio and as of December 31, 2018, our gearing ratio was 19.8%; and

(2) our operating costs are generally low and we will first consider using external financing sources, including commercial bank borrowings and issuances of debt and equity securities, to fund any capital expenditure, including any acquisition of solar farm projects under the Solar Farm Agreement and from Independent Third Parties.

Taking into consideration the net proceeds of the Global Offering, the payment arrangement in respect of the Outstanding Amount, net cash from our operating activities, and the banking facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirement for at least the next 12 months from the date of this prospectus.

PRINCIPAL COMPONENTS OF CURRENT ASSETS AND CURRENT LIABILITIES

The table below sets forth further information on our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31, 2019
	2016	2017	2018	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Current assets				
Trade and other receivables	1,590,715	2,057,372	1,845,482	1,945,700
Cash and cash equivalents	468,066	472,243	421,263	457,832
Total current assets	2,058,781	2,529,615	2,266,745	2,403,532
Current liabilities				
Accruals and other payables	462,869	358,671	261,232	265,405
Current income tax liabilities	—	12,194	22,414	33,825
Bank borrowings	454,412	1,429,583	652,578	580,496
Lease liabilities	—	—	—	15,541
Total current liabilities	917,281	1,800,448	936,224	895,267
Net current assets	1,141,500	729,167	1,330,521	1,508,265

As of March 31, 2019, our net current assets (unaudited) amounted to HK$1,508.3 million, representing an increase of 13.4% as compared with our net current assets as of December 31, 2018. The increase was primarily due to the partial settlement of tariff adjustment receivables during the period. As of December 31, 2018, our net current assets amounted to HK$1,330.5 million, representing a significant increase of 82.5% from HK$729.2 million as of December 31, 2017. The increase was primarily due to the repayment of our bank borrowings offset by the decrease in trade and other receivables as a result of the partial settlement of tariff adjustment receivables during the year. Our net current assets decreased by 36.1% to HK$729.2 million as of December 31, 2017 from HK$1,141.5 million as of December 31, 2016. The decrease was primarily due to the increase in the current portion of the bank borrowings arranged by us in 2016 offset by the increase in tariff adjustment receivables.

Trade and other receivables

The table below sets forth an analysis of our trade and other receivables and prepayments for property, plant and equipment and operating leases as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables arising from sale of electricity and tariff adjustment	860,002	1,437,411	1,429,020
Bills receivables	2,596	4,248	16,373
Trade and bills receivables	862,598	1,441,659	1,445,393
Deposits and other receivables	578	897	486
Prepayments for listing expenses	—	7,761	9,267
Other tax receivables	720,532	601,832	384,235
Prepayments for property, plant, and equipment.	78,344	16,658	12,527
Prepayments for operating leases	50,881	44,926	37,956
Other prepayments	—	—	189
	1,712,933	2,113,733	1,890,053
Less: Non-current portion:			
Prepayments for property, plant, and equipment	(78,344)	(16,658)	(12,527)
Prepayments for operating leases	(43,874)	(39,703)	(32,044)
	(122,218)	(56,361)	(44,571)
Current portion	1,590,715	2,057,372	1,845,482

Trade receivables

Our trade receivables may be divided into receivables from sale of electricity and tariff adjustment receivables. Trade receivables from sale of electricity were usually settled on a monthly basis by the local subsidiaries of the State Grid. Tariff adjustment receivables represented government subsidies on renewable energy to be received from the local subsidiaries of the State Grid under the Feed-in-Tariff regime. Solar farm operators also receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance utilizing the income of the Renewable Energy Fund. For utility-scale solar farm operators to receive the tariff adjustment, the relevant utility-scale ground-mounted solar farm projects must be enlisted on the Subsidy Catalogue.

The carrying amounts of our trade receivables are denominated in RMB. As of December 31, 2016, 2017, and 2018, our trade receivables included (a) receivables from sale of electricity of HK$38.9 million, HK$35.6 million, and HK$18.5 million and (b) tariff adjustment receivables amounted to HK$821.1 million, HK$1,401.8 million, and HK$1,410.5 million, respectively.

As of the date of this prospectus, two solar farm projects under our Initial Portfolio have been enlisted on the sixth batch of the Subsidy Catalogue and seven solar farm projects under our Initial Portfolio have been enlisted on the seventh batch of the Subsidy Catalogue.

The table below sets forth an aging analysis of trade receivables (including receivables from sale of electricity and tariff adjustment receivables) as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	140,087	200,388	210,367
91 days to 180 days	222,068	225,967	238,878
181 days to 365 days	364,318	454,130	398,078
Over 365 days	133,529	556,926	581,697
Total	860,002	1,437,411	1,429,020

As of the Latest Practicable Date, an amount of RMB77.1 million (equivalent to HK$89.6 million) out of the trade receivables (including receivables from sale of electricity and tariff adjustment receivables) as of December 31, 2018 has been received by us, representing 6.3% of the amount of trade receivables as of December 31, 2018.

The table below sets forth an aging analysis of the receivables from the sale of electricity as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	23,994	35,595	18,472
91 days to 180 days	14,867	—	—
Total	38,861	35,595	18,472

The decrease in the receivables from the sale of electricity throughout the Track Record Period was primarily due to the punctual payment of the amounts due from the local subsidiaries of the State Grid.

As of the Latest Practicable Date, the total amount of trade receivables arising from the sale of electricity of RMB16.2 million (equivalent to HK$18.5 million) as of December 31, 2018 has been received by us, representing 100.0% of the total amount of receivables arising from the sale of electricity as of December 31, 2018.

The table below sets forth an aging analysis of tariff adjustment receivables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
0 to 180 days	323,294	390,760	430,773
181 days to 365 days	364,318	454,130	398,078
Over 365 days	133,529	556,926	581,697
Total	821,141	1,401,816	1,410,548

We have received the first batch of the tariff adjustment of RMB61.4 million (equivalent to HK$68.9 million) incurred up to April 30, 2015, the second batch of the tariff adjustment of RMB39.7 million (equivalent to HK$45.3 million) incurred from May 1, 2015 to July 31, 2015, the third batch of the tariff adjustment of RMB232.6 million (equivalent to HK$272.8 million) incurred from August 1, 2015 to December 31, 2016, and the fourth batch of the tariff adjustment of RMB 522.9 million (equivalent to HK$592.9 million) incurred up to January 31, 2017. From November 2016 to December 2018, the aggregate amount of the tariff adjustment received amounted to RMB1,004.3 million (equivalent to HK$1,145.7 million).

The table below sets forth the movements of our tariff adjustment receivables for the years indicated:

	Year ended December 31,			From January 1, 2019 to the Latest Practicable Date
	2016	2017	2018	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Balance brought forward	224,124	821,141	1,401,816	1,410,548
Addition[(1)]	665,896	898,818	767,442	130,475
Settlement	(68,879)	(318,143)	(758,710)	(71,174)
Balance carried forward	821,141	1,401,816	1,410,548	1,469,849

Note:

(1) The additional amounts of the tariff adjustment in Hong Kong dollars were determined with reference to the exchange rates used in translating the balance as of the end of the relevant year or period. This basis of determination is different from the exchange rates used in determining the amount of the tariff adjustment as our revenue in the consolidated statement of income.

As of the Latest Practicable Date, we have received RMB60.9 million (equivalent to HK$71.1 million) out of the tariff adjustment receivables as of December 31, 2018, representing 5.0% of the total amount of the tariff adjustment receivables as of December 31, 2018.

Given that all utility-scale ground-mounted solar farm projects under our Initial Portfolio were constructed under the national quota system in the PRC, the track record of monthly repayment of receivables from the sale of electricity, and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors believe that the trade receivables could be recoverable. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. There is no due date for settlement up to December 31, 2018, and no provision for impairment of trade receivables was made as of December 31, 2016, 2017, and 2018. The expected period of recovery of the tariff adjustment receivables as of December 31, 2016, 2017, and 2018 shown in the table below:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Expected to be recoverable after more than 12 months	518,067	1,191,515	—
Expected to be recoverable within 12 months	303,074	210,301	1,410,548
Total	821,141	1,401,816	1,410,548

As of the date of this prospectus, all utility-scale ground-mounted solar farm projects under our Initial Portfolio have been enlisted on the sixth and the seventh batch of the Subsidy Catalogue. On this basis, our Directors believe that our tariff adjustment receivables would be recoverable within a period of 12 months. The Ministry of Finance has not published a fixed timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

The table below sets forth an analysis of the turnover days of our trade receivables for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	days	*days*	*days*
Sale of electricity receivables	30.5	32.7	21.6
Tariff adjustment receivables	313.8	579.5	690.3

The increase in the turnover days for tariff adjustment receivables during the two years ended December 31, 2017 was primarily due to the time period required for the settlement of the tariff adjustment by the PRC Government and the timing of the settlement. The increase in the turnover days for tariff adjustment receivables during the year ended December 31, 2018 was due to the increasing balance of tariff adjustment during the year. See the section headed "Business of our Group — Sale of electricity — Power purchase agreements and grid connection arrangements — Settlement of the tariff adjustment" in this prospectus for further information.

Provision for impairment of trade receivables

Given the track record of repayment of monthly receivables from sale of electricity and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors believe that all trade receivables would be recoverable. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. There is no due date for settlement up to December 31, 2018. As the collection of tariff adjustment receivables is in normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables, which include the receivables from the sale of electricity and the tariff adjustment receivables, was made as of December 31, 2016, 2017, and 2018.

Deposits and other receivables

Deposits and other receivables are all expected to be recoverable and therefore no provision was made. The aging of deposits and other receivables as of December 31, 2016, 2017, and 2018, respectively, was within 12 months.

The carrying amounts of our deposits and other receivable are denominated in RMB.

Other tax receivables mainly represented VAT recoverable.

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

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

Cash and cash equivalents

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank	467,549	472,243	421,263
Cash on hand	517	—	—
Total	468,066	472,243	421,263

The carrying amounts of our cash and cash equivalents as of December 31, 2016, 2017, and 2018 are denominated in the following currencies:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
RMB	73,975	447,192	394,514
US$	2,700	2,484	2,726
HK$	391,391	22,567	24,023
Total	468,066	472,243	421,263

Most of our cash and cash equivalents are maintained in RMB within the PRC as most of our payments (including payments to suppliers, staff salaries and wages and other expenses) would need to be settled in RMB.

Accruals and other payables

The table below sets forth an analysis of our accruals and other payables as of December 31, 2016, 2017, and 2018:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Payables for property, plant, and equipment	474,809	370,668	257,850
Accrued Listing expenses	—	—	6,130
Others	9,317	12,589	16,359
	484,126	383,257	280,339
Less: Non-current portion:			
Other payables for property, plant, and equipment	(21,257)	(24,586)	(19,107)
Current portion	462,869	358,671	261,232

The continuous decreases in the amount of accruals and other payables during the Track Record Period were primarily due to the settlement of the payables for property, plant, and equipment.

Income tax expense

Our Company was incorporated in the BVI and is exempted from payment of the BVI income tax.

No provision for Hong Kong profits tax has been made for the Track Record Period as our Group did not generate any assessable profits arising in Hong Kong during the Track Record Periods.

Provision made for CIT amounted to HK$62,000, HK$15.2 million, and HK$47.6 million, respectively, for the Track Record Period. The statutory income tax rate applicable to the PRC members of our Group is 25%. Pursuant to the relevant tax regulations in the PRC, our PRC subsidiaries are eligible for full exemption of CIT for the first three years of revenue generation, after offsetting prior year losses, followed by 50% reduction for the next three years of business operations. However, the government grants and insurance claim received during the Track Record Period are subject to the CIT at the statutory income tax rate of 25%.

The tax on our profit before income tax for the Track Record Period differs from the theoretical amount that would arise using the tax rate of PRC as follows:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	659,067	734,809	792,656
Calculated at tax rate of 25%	164,767	183,702	198,164
Preferential tax rates on income of certain PRC subsidiaries	(179,905)	(189,219)	(179,562)
Effect of different tax rates in other countries	12,925	16,995	5,001
Expenses not deductible for tax purposes	2,275	3,692	24,026
Income tax expense	62	15,170	47,629

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

As of December 31, 2016, 2017, and 2018, deferred income tax liabilities of HK$46.2 million, HK$82.3 million, and HK$121.2 million, respectively, were not recognized for withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to HK$923.1 million, HK$1,645.5 million, and HK$2,423.1 million as of December 31, 2016, 2017, and 2018, respectively.

Bank borrowings

Our bank borrowings are unsecured and repayable, and the balance of which as of the dates indicated is set forth below:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Within one year	454,412	1,429,583	652,578
Between one and two years	1,329,583	1,285,254	462,672
Between two and five years	1,285,254	—	571,950
	3,069,249	2,714,837	1,687,200
Less: Non-current portion	(2,614,837)	(1,285,254)	(1,034,622)
Current portion	454,412	1,429,583	652,578

As of December 31, 2016, 2017, and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2021. The carrying amounts of our bank borrowings are denominated in HK$ and approximate their fair values as of December 31, 2016, 2017 and 2018, as the impact of discounting is insignificant. The effective interest rates as of the dates indicated were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	2.66%	3.05%	3.93%

The bank borrowings were secured by corporate guarantee provided by Xinyi Solar. It is expected that the corporate guarantee will be released and replaced by corporate guarantee provided by the Company upon the Listing.

PRINCIPAL COMPONENTS OF NON-CURRENT ASSETS AND NON-CURRENT LIABILITIES

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant, and equipment	6,163,732	6,630,993	6,084,338
Prepayments for property, plant and equipment, and operating leases	122,218	56,361	44,571
Total non-current assets	6,285,950	6,687,354	6,128,909
Non-current liabilities			
Other payables	21,257	24,586	19,107
Bank borrowings	2,614,837	1,285,254	1,034,622
Total non-current liabilities	2,636,094	1,309,840	1,053,729

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant, and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Solar farm construction in progress represents property, plant, and equipment pending our inspection and acceptance and amounts not yet completely settled with our suppliers.

The table below sets forth an analysis of our property, plant, and equipment as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Solar farms	5,976,329	6,405,820	5,915,346
Buildings	161,249	173,893	161,814
Motor vehicles, furniture and fixtures, equipment, and others	2,210	7,953	7,178
Construction in progress	23,944	43,327	—
Total	6,163,732	6,630,993	6,084,338

Prepayments for property, plant and equipment, and operating leases

Further information is set forth in the paragraphs under "Principal components of current assets and current liabilities — Trade and other receivables" above.

Other payables

Further information is set forth in the paragraphs under "Principal components of current assets and current liabilities — Accruals and other payables" above.

Bank borrowings

Further information is set forth in the paragraphs under "Principal components of current assets and current liabilities — Bank borrowings" above.

CAPITAL EXPENDITURES

Historical

Our principal capital expenditures relate primarily to investments in solar farm projects. The table below sets forth our historical capital expenditures for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Historical capital expenditures.	2,109,191	255,274	22,994

Planned

Our Directors confirm that we do not have any planned capital expenditure for the two years ending December 31, 2020.

Capital commitments

Capital expenditures as of the dates indicated not yet incurred are as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Property, plant, and equipment:			
- Contracted but not provided for.	529,236	5,405	5,144

We classify capital commitments as contracted, but not provided for, if we are contractually obligated for the capital commitment. These commitments include the committed amount of purchase of parts and components and construction cost. We classify a commitment as authorized, but not contracted for, if our management has identified the potential capital commitment and has determined that it is more likely than not to make the commitment.

Operating lease commitments

We lease certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017, and 2018, we had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	21,145	22,389	22,017
Later than one year and not later than five years	85,914	91,055	89,754
More than five years	502,036	531,032	485,515
Total	609,095	644,476	597,286

These operating lease agreements were entered into typically ranging between twenty-five to thirty years. Pursuant to the operating lease agreements signed with the landlords, the landlords agreed to reimburse us in respect of any PRC taxes, levies or surtaxes, intended to be imposed on us for the use of the land under the current PRC tax laws and regulations, for which we may be liable.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time.

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

Related party transactions — Discontinued

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Purchase of glass products from a fellow subsidiary			
Xinyi PV Products	27	—	—
Purchase of glass products from a related party			
Xinyi Energy Smart	—	—	4

The purchases were charged at mutually agreed prices and terms.

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Employee benefit expenses, office expenses and office rental expenses incurred by Xinyi Solar and a subsidiary of Xinyi Solar on our behalf			
Xinyi Solar	32	29	39
Xinyi Solar (HK)	5,036	2,365	2,807
	5,068	2,394	2,846
Interest savings enjoyed by a fellow subsidiary through the use of treasury arrangement with the Group			
- Xinyi PV Products	—	8	—
Interest savings enjoyed by the Group through the use of treasury arrangement with a fellow subsidiary			
- Xinyi PV Products	156	—	—
Continuing transactions			
Rental expenses payable to related companies			
- Cheer Wise	—	—	120
- Xinyi Energy Smart	—	—	219
	—	—	339

The employees' benefit expenses incurred on our behalf include compensation for certain senior management, amounted to HK$4.0 million, HK$2.4 million, and HK$2.8 million, respectively, for the Track Record Period, representing the salary paid to Mr. LEE Yau Ching, an executive Director.

The interest savings were recognized through proper endorsement and transfer of financial instruments between members of our Group and Xinyi PV Products during the two years ended December 31, 2017. The ultimate holding company of our Company has adopted a centralized approach for its treasury arrangement in order to optimize the use of readily-available financial resources and minimize the overall financing cost.

The office rental expense on our behalf is calculated based on the estimated office space occupied by us during the Track Record Period.

Acquisition of certain subsidiaries from Xinyi PV Products and Xinyi Solar (BVI) during the Track Record Period was charged at considerations based on mutually agreed prices and terms.

Acquisition of net assets and liabilities from a fellow subsidiary, upon completion of the reorganization, for the purpose of the Equity Investment, was charged at considerations based on mutually agreed prices and terms.

The bank borrowings were secured by corporate guarantee provided by Xinyi Solar, our holding company, and will be released upon the Listing.

Balances with related parties

There was no balance due from related parties as of December 31, 2016, 2017, and 2018.

INDEBTEDNESS

As of December 31, 2016, 2017, and 2018, we had total bank borrowings of HK$3,069.2 million, HK$2,714.8 million, and HK$1,687.2 million, respectively, which were denominated in Hong Kong dollars. As of March 31, 2019 (being the latest practicable date for determining the indebtedness), we had total indebtedness comprising (i) bank borrowings of HK$1,945.3 million out of the banking facilities granted to us in the amount of HK$2,145.3 million, and (ii) lease liabilities of HK$255.4 million comprising current portion of HK$15.5 million and non-current portion of HK$239.9 million. As of the Latest Practicable Date, we had HK$200.0 million unutilized and unrestricted banking facilities as of such date.

The bank borrowings are repayable as follows:

	As of December 31,			As of March 31,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Within one year	454,412	1,429,583	652,578	580,496
Between one and two years	1,329,583	1,285,254	462,672	579,164
Between two and five years	1,285,254	—	571,950	785,661
	3,069,249	2,714,837	1,687,200	1,945,321
Less : Non-current portion	(2,614,837)	(1,285,254)	(1,034,622)	(1,364,825)
Current portion	454,412	1,429,583	652,578	580,496

As of December 31, 2016, 2017, and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2021. The carrying amount of our bank borrowings is denominated in Hong Kong dollars. The effective interest rates at the reporting dates were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	2.66%	3.05%	3.93%

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, Xinyi Solar (BVI) and Xinyi Power (BVI), which will be released upon Listing. The corporate guarantees will be released and replaced by the corporate guarantee of our Company upon Listing.

CONTINGENT LIABILITIES

Except as disclosed in the prospectus, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, debentures, mortgages, charges, finance leases, liabilities under acceptances or acceptance credits (other than normal trade-related bills), hire purchase commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any Independent Third Parties.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual obligations set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
Non-HKFRS measures			
Gearing ratio (as of the dates indicated) [(1), (2)]	54.3%	36.7%	19.8%
Adjusted EBITDA margin[(3)]	95.2%	94.4%	92.0%
Notional Long-term Debt Repayment Amount[(4)] (in HK$'000)	164,680	153,923	101,409
Adjusted Notional Long-term Debt Service Coverage Ratio[(5)]	1.4x	2.0x	5.7x

Notes:

(1) Gearing ratio is defined as net debt divided by total equity and is not a measure of performance under the HKFRS.

(2) Net debt is defined by the sum of total interest-bearing loans and the acquisition consideration payable less cash and cash equivalents.

(3) Adjusted EBITDA margin means Adjusted EBITDA divided by Revenue. Further information is set forth in the paragraphs under "Non-HKFRS financial measures" above. Adjusted EBITDA is not a measure of performance under HKFRS.

(4) Notional Long-term Debt Repayment Principal Amount is defined as the total interest-bearing debt as of the relevant year end divided by weighted average remaining notional long-term debt tenor of our solar farm portfolio. Notional Long-term Debt Repayment Principal Amount is not a measure of performance under the HKFRS.

(5) Further information on the definition of the Adjusted Notional Long-term Debt Service Coverage Ratio is set forth in the paragraphs under "Non-HKFRS financial measures" above. Adjusted Notional Long-term Debt Service Coverage Ratio is not a measure of performance under the HKFRS.

As of December 31, 2016, 2017, and 2018, the gearing ratio was 54.3%, 36.7%, and 19.8%, respectively. Our Directors consider that the leverage remained at a healthy and acceptable level. The decrease in the gearing ratio during the two years ended December 31, 2017 and 2018 was primarily due to the repayment of bank loans using our internal financial resources.

The Adjusted EBITDA margin, which is based on the amount of Adjusted EBITDA as a percentage of our revenue during the year, was 95.2%, 94.4%, and 92.0%, respectively. The decrease in the Adjusted EBITDA margin in 2018 was primarily due to the increase in the Listing expenses. The increase in the Adjusted EBITDA during the year ended December 31, 2018 was primarily due to the increase in our profit attributable to equity holders of our Company during the year ended December 31, 2018. We recognized our revenue during the Track Record Period under the Feed-in-Tariff regime and based on the sale of electricity and the tariff adjustment at the rates between RMB0.95/kWh and RMB1.00/kWh.

The Notional Long-term Debt Repayment Amount was HK$164.7 million, HK$153.9 million, and HK$101.4 million during the Track Record Period, respectively. Same as the gearing ratio, the increase in the Notional Long-term Debt Repayment Amount was due to the increase in bank loans for the construction of solar farm projects. The decrease in the Notional Long-term Debt Repayment Amount in 2017 and 2018 was due to the repayment of bank loans.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the BVI and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2018.

MARKET RISKS

Financial risk factors

Our business activities expose us to various types of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

(a) Market risk

(i) Foreign exchange risk

We mainly operate in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. We manage our foreign exchange risks by performing regular reviews.

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

As of December 31, 2016, 2017, and 2018, if RMB had strengthened/weakened by 5% against HK$, which is the functional currency of the Hong Kong subsidiaries, with all other variables held constant, profit after income tax for the year of the Hong Kong subsidiaries would have been increased/decreased by HK$28,000, HK$7.8 million and HK$57,000, respectively, mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents.

As of December 31, 2016, 2017, and 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of our PRC subsidiaries, with all other variables held constant, profit after income tax for the year of the PRC subsidiaries would have been decreased/increased by HK$1.3 million, HK$84,000, and HK$45,000, respectively, mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents. Other comprehensive loss for the year ended December 31, 2016 and 2018 and other comprehensive income for the year ended December 31, 2017 would have been HK$410.0 million and HK$439.3 million lower/higher and HK$478.8 million higher/lower, respectively, mainly as a result of foreign exchange gains/ losses on translation of net investments in foreign operation.

(ii) Cash flow and fair value interest rate risk

Our interest rate risk is mainly attributable to our cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose us to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose us to fair value interest rate risk.

As of December 31, 2016, 2017, and 2018, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been HK$5.5 million, HK$5.3 million and HK$3.0 million lower/higher, respectively, mainly as a result of higher/lower net interest income/expense being earned/incurred.

(b) Credit risk

Our credit risk arises from cash and cash equivalents, trade and other receivables and amounts due from related parties. We have a credit policy in place and the exposures to these credit risks are monitored on an on-going basis. The carrying amounts of these balances represent our maximum exposure to credit risk in relation to financial assets which are stated as follows:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables excluding prepayments and other tax receivables	863,176	1,442,556	1,445,879
Cash at bank	467,549	472,243	421,263
Maximum exposure to credit risk	1,330,725	1,914,799	1,867,142

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

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

As of December 31, 2016, 2017, and 2018, most of our bank deposits are deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, the expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017, and 2018.

In respect of trade and other receivables, we have policies in place to ensure that the loans or sale of electricity are made to counterparties or customers with appropriate credit history and we perform credit evaluations of these counterparties and customers.

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

Trade and tariff adjustment receivables arising from sale of electricity were all due from customers which are State-owned enterprises. As of December 31, 2018, we have nine ground-mounted solar farm projects with an aggregate approved grid-connection capacity of 954 MW which have all been enlisted on the Subsidy Catalogue. Given the track record of regular repayment of receivables from sale of electricity and the collection of tariff adjustment receivables is well supported by the government policy, our Directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, the expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017, and 2018.

The credit quality of the amounts due from related parties and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Our Directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, the expected cash loss rate of the amount due to related parties and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017, and 2018.

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

(c) Liquidity risk

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

We maintain liquidity by a number of means including orderly realization of short term financial assets, receivables and certain assets that we consider appropriate. Our objective is to maintain a balance between continuity of funding and flexibility through the use of the available cash and other credit lines available. We monitor rolling forecasts of our working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow.

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

	Less than one year	Between one and two years	Between two and five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As of December 31, 2016				
Bank borrowings and interests	501,310	1,393,621	1,305,830	3,200,761
Accruals and other payables excluding accruals and provision	461,910	21,257	—	483,167
Total	963,220	1,414,878	1,305,830	3,683,928
As of December 31, 2017				
Bank borrowings and interests	1,507,140	1,309,458	—	2,816,598
Accruals and other payables excluding accruals and provision	354,542	24,586	—	379,128
Total	1,861,682	1,334,044	—	3,195,726
As of December 31, 2018				
Bank borrowings and interests	677,898	493,997	581,656	1,753,551
Accruals and other payables excluding accruals and provisions	258,746	19,107	—	277,853
Total	936,644	513,104	581,656	2,301,404

We had no financial liabilities as of December 31, 2016, 2017, and 2018.

Capital management

In managing our available capital, our primary objectives are to (a) generate returns by securing financing at reasonable costs; (b) support our existing business operations and future growth; and (c) provide capital for the purpose of strengthening our risk management capability. We regularly review and manage our capital structure, taking into consideration our future capital requirement and capital efficiency, forecast profitability, cash flow, and acquisition opportunities. We intend to maintain a prudent capital structure to ensure that we have sufficient financial resources for our Distributions and future development.

Capital risk management

Our objectives when managing capital focus on safeguarding our ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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

The table below sets forth these ratios as of December 31, 2016, 2017, and 2018:

	As of December 31,		
	2016	**2017**	**2018**
Gearing ratio[(1)]	54.3%	36.7%	19.8%

Note:

(1) The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as bank borrowings and amounts due to related parties less cash and cash equivalents. Total equity represents capital and reserves attributable to our Company's equity holder as shown in the consolidated balance sheets.

As of December 31, 2018 and December 31, 2017, the decrease in the gearing ratio was mainly due to the decrease in the bank borrowings.

LISTING EXPENSES

Our expenses on the Listing mainly include underwriting commissions and professional fees paid to legal advisors and the reporting accountant for their services rendered in relation to the Listing and the Global Offering. The estimated amount of expenses for the Listing (based on the mid-point of the indicative range of the Offer Price and assuming that the Over-allotment Option is not exercised), including underwriting commissions, is HK$131.6 million. During the year ended December 31, 2018, we have recognized HK$31.2 million listing expenses in consolidated income statement and HK$9.3 million as prepayment of Listing expenses which is expected to be charged against equity upon completion of the Listing. We expect that the remaining expenses for the Listing would be HK$91.1 million, of which HK$18.7 million is expected to be recognized in consolidated income statement and HK$72.4 million is expected to be recognized as a deduction from equity upon Listing.

PROPERTY INTERESTS

For details of our property interests, see the section headed "Business of our Group — Property" in this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS FOLLOWING COMPLETION OF THE GLOBAL OFFERING AND THE TARGET ACQUISITION

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering and Target Acquisition on the net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2018 as if the Global Offering and Target Acquisition had taken place on December 31, 2018 and assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of December 31, 2018 or at any future dates following the Global Offering and Target Acquisition. It is based on the audited consolidated net tangible assets of the Group, New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group, Sky Cheer Group attributable to their respective equity holders as of December 31, 2018, as set out in the respective accountant's reports, the text of which are set out in Appendix IA to IF to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the accountant's reports.

		Pro forma adjustment									
	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of December 31, 2018	Estimated net proceeds from the Global Offering	Audited consolidated net tangible assets of New Wisdom and its subsidiaries attributable to the equity holders of New Wisdom as of December 31, 2018	Audited consolidated net tangible assets of Sky Falcon and its subsidiary attributable to the equity holders of Sky Falcon as of December 31, 2018	Audited consolidated net tangible assets of Perfect Alliance and its subsidiary attributable to the equity holders of Perfect Alliance as of December 31, 2018	Audited consolidated net tangible assets of Profit Noble and its subsidiary attributable to the equity holders of Profit Noble as of December 31, 2018	Audited consolidated net tangible assets of Sky Cheer and its subsidiary attributable to the equity holders of Sky Cheer as of December 31, 2018			Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	(Note 1(a)) *HK$'000*	*(Note 2)* *HK$'000*	*(Note 1(b))* *HK$'000*	*(Note 1(c))* *HK$'000*	*(Note 1(d))* *HK$'000*	*(Note 1(e))* *HK$'000*	*(Note 1(f))* *HK$'000*	*(Note 3)* *HK$'000*	*(Note 4)* *HK$'000*	*HK$'000*	*(Note 5)* *HKD*
Based on the Offer Price of HK$1.89 per Offer Share	6,405,701	3,464,802	402,030	380,574	764,432	252,533	340,837	(2,140,406)	(188,734)	9,681,769	1.461
Based on the Offer Price of HK$2.35 per Offer Share	6,405,701	4,316,738	402,030	380,574	764,432	252,533	340,837	(2,140,406)	(188,734)	10,533,705	1.589

Notes:

1. Audited consolidated net tangible assets

   (a) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IA to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as of December 31, 2018 of HK$6,405,701,000.

   (b) The audited consolidated net tangible assets of New Wisdom Group attributable to equity holders of New Wisdom as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IB to this prospectus, which is based on the audited consolidated net assets of New Wisdom Group attributable to equity holders of New Wisdom as of December 31, 2018 of HK$402,030,000.

   (c) The audited consolidated net tangible assets of Sky Falcon Group attributable to equity holders of Sky Falcon as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IC to this prospectus, which is based on the audited consolidated net assets of Sky Falcon Group attributable to equity holders of Sky Falcon as of December 31, 2018 of HK$380,574,000.

   (d) The audited consolidated net tangible assets of Perfect Alliance Group attributable to equity holders of Perfect Alliance as of December 31, 2018 is extracted from the accountant's report as set out in Appendix ID to this prospectus, which is based on the audited consolidated net assets of Perfect Alliance Group attributable to equity holders of Perfect Alliance as of December 31, 2018 of HK$764,432,000.

   (e) The audited consolidated net tangible assets of Profit Noble Group attributable to equity holders of Profit Noble as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IE to this prospectus, which is based on the audited consolidated net assets of Profit Noble Group attributable to equity holders of Profit Noble as of December 31, 2018 of HK$252,533,000.

   (f) The audited consolidated net tangible assets of Sky Cheer Group attributable to equity holders of Sky Cheer as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IF to this prospectus, which is based on the audited consolidated net assets of Sky Cheer Group attributable to equity holders of Sky Cheer as of December 31, 2018 of HK$340,387,000.

2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.89 and HK$2.35 per Share, respectively, after deduction of the relevant estimated underwriting fees and other related expenses payable by the Company subsequent to December 31, 2018 (excluding listing expenses of approximately HK$31,216,000 which have been charged to the income statement before December 31, 2018) and take no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any option that may be granted under the Post-IPO Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

3. The adjustment represents the elimination of investments in the Target Companies by the Company as of December 31, 2018 as if the Target Acquisition had taken place on December 31, 2018.

4. The adjustment represents exclusion of intangible asset in relation to goodwill arising from the Target Acquisition as of December 31, 2018 as if the Target Acquisition had taken place at December 31, 2018. Details of goodwill arising from Target Acquisition are described in the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix II to this prospectus.

5. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,627,349,471 Shares were in issue assuming that the Global Offering and Capitalization Issue had been completed on December 31, 2018 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any option that may be granted under the Post-IPO Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

6. No adjustment has been made to reflect any trading result or other transaction of the Group and Target Group entered into subsequent to December 31, 2018. In particular, the unaudited pro forma net tangible assets of the Group had not taken into account the dividend of HK$315,949,120 declared on January 21, 2019. The unaudited pro forma net tangible assets per Share would have been HK$1.413 and HK$1.542 per Share based on the Offer Price of HK$1.89 and HK$2.35, respectively, after taking into account the declaration of dividend of HK$315,949,120.

GOODWILL IMPAIRMENT ARISING FROM THE TARGET ACQUISITION

For the purpose of preparing the unaudited pro forma financial information set forth above, our Directors have made an assessment on whether there is any impairment in respect of the goodwill arising from the Target Acquisition with reference to Hong Kong Accounting Standard 36 "Impairment of Assets".

Our Directors have taken into consideration the estimated budget and financial performance of the Target Companies and synergy after the Target Acquisition as the key parameters and business assumptions in the impairment assessment and, revisited the assumptions used in the valuation from the purchase price allocation.

For the purpose of impairment assessment, goodwill arising from the Target Acquisition is allocated to five cash generating units ("**CGU**") under New Wisdom and its subsidiaries, Sky Falcon and its subsidiaries, Perfect Alliance and its subsidiaries, Profit Noble and its subsidiaries, and Sky Cheer and its subsidiaries. The recoverable amounts based on estimated value in use ("**VIU**") were compared to carrying amounts of each CGU. Carrying amounts of each CGU, carrying amounts of goodwill allocated to each CGU and headroom for each CGU are set forth below:

	New Wisdom and its subsidiaries	**Sky Falcon and its subsidiaries**	**Perfect Alliance and its subsidiaries**	**Profit Noble and its subsidiaries**	**Sky Cheer and its subsidiaries**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recoverable amount based on estimated VIU of the CGU	1,247,865	884,531	1,627,793	233,646	389,597
Less:					
Carrying amounts of the CGU	1,146,126	802,136	1,527,675	222,498	370,645
Goodwill allocated	55,921	38,446	69,902	6,990	17,475
Carrying amounts of the CGU plus goodwill allocated	1,202,047	840,582	1,597,577	229,488	388,120
Headroom	45,818	43,949	30,216	4,158	1,477

The key assumptions and estimates used in determining the VIU are related to annual utilization hours, discount rates, and trade receivables turnover days. In addition, assumptions are related to observable information.

For New Wisdom and its subsidiaries, a decrease of 3.97% of annual utilization hours, a 75.34% increase in trade receivable turnover days, a 0.49% interest point increase in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Sky Falcon and its subsidiaries, a decrease of 5.31% of annual utilization hours, a 31.69% increase in trade receivable turnover days, a 0.66% interest point increase in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Perfect Alliance and its subsidiaries, a decrease of 1.99% of annual utilization hours, a 34.38% increase in trade receivable turnover days, a 0.24% increase interest point in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Profit Noble and its subsidiaries, a decrease of 1.94% of annual utilization hours, a 0.01% increase in trade receivable turnover days, a 0.22% increase interest point in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Sky Cheer and its subsidiaries, a decrease of 0.42% of annual utilization hours, a 0.01% increase in trade receivable turnover days, a 0.05% interest point increase in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

	Recoverable amount of the cash-generating unit exceeding its carrying amount by/(carrying amount exceeding its recoverable amount of cash-generating unit by)				
Reasonably possible changes of key assumptions	**New Widom and its subsidiaries**	**Sky Falcon and its subsidiaries**	**Perfect Alliance and its subsidiaries**	**Profit Noble and its subsidiaries**	**Sky Cheer and its subsidiaries**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Annual utilization hours decrease 15 hours	30,769	33,154	10,439	1,995	(3,350)
Annual utilization hours decrease 30 hours	15,720	22,359	(9,339)	(168)	(8,178)
Trade receivable turnover days increase by 30 days	36,773	25,627	18,039	(7,432)	(13,897)
Trade receivable turnover days increase by 60 days	27,727	7,306	5,862	(10,646)	(16,808)
Discount rate increase by 0.1% interest point	36,180	37,031	17,547	2,241	(1,578)
Discount rate increase by 0.2% interest point	26,666	30,201	5,043	350	(4,594)

Reasonably possible changes in key assumptions would lead to impairment.

Based on the assessment results, our Directors concluded that there is no impairment in the value of goodwill.

See Appendix II to this prospectus for further information.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OVERVIEW

Pursuant to the Target Sale and Purchase Agreement, we have agreed to acquire from Xinyi Solar Farm (1) all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. A summary of the principal terms of the Target Sale and Purchase Agreement is set forth in the paragraphs under "Target Acquisition" below. Discussion of the operating results of the Target Companies as a whole during the Track Record Period is set forth in the section headed "Financial Information of the Target Companies" in this prospectus. The accountant's report of each of New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group, and Sky Cheer Group is set forth in Appendices IB to IF to this prospectus.

Pursuant to the terms of the Target Sale and Purchase Agreement, we will pay to the Remaining Group an upfront payment of 50.0% of the Agreed Purchase Price out of the net proceeds from the Global Offering. The Outstanding Amount will be settled by us on the earlier of (a) the fourth anniversary of the Listing Date, which is currently expected to be in 2023 and (b) by instalments following the receipt of the tariff adjustment relating to the electricity generated by the solar farm projects under the Target Portfolio. For details on the payment arrangement and that we are not relying on Xinyi Solar, see the section headed "Relationship with our Controlling Shareholders — Payment arrangement under the Target Sale and Purchase Agreement and sustainability of our business" in this prospectus.

REORGANIZATION OF THE TARGET COMPANIES FOR THE PURPOSE OF THE TARGET ACQUISITION

Prior to completion of the reorganization involving the Target Companies as described below, solar farm projects under the Target Portfolio were developed and held by the Target Companies.

For the purpose of the Target Acquisition, the following reorganization steps have been completed:

(1) From February 6, 2015 to January 8, 2016, five companies, namely New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble and Sky Cheer, were incorporated in Hong Kong with Ready-Made Company Limited, an Independent Third Party, as the initial sole shareholder holding one share. From March 2015 to January 2016, Ready-Made Company Limited transferred its entire shareholding in New Wisdom, Sky Falcon, Perfect Alliance and Profit Noble to Xinyi Solar (BVI), and then during the same period (i) Xinyi Solar (BVI) transferred its entire shareholding in each of New Wisdom, Sky Falcon, Perfect Alliance and Profit Noble to Xinyi Power and (ii) Ready-Made Company Limited transferred its entire shareholding in Sky Cheer to Xinyi Power respectively. Since then, Xinyi Power became the sole shareholder of each of these Hong Kong companies. Five companies, namely Xinyi Solar (Xiaochang), Xinyi Solar (Suiping), Xinyi Energy (Shouxian), Xinyi Solar (Huainan) and Xinyi Solar (Wuwei), were incorporated in the PRC with the respective Hong Kong companies as their sole shareholders.

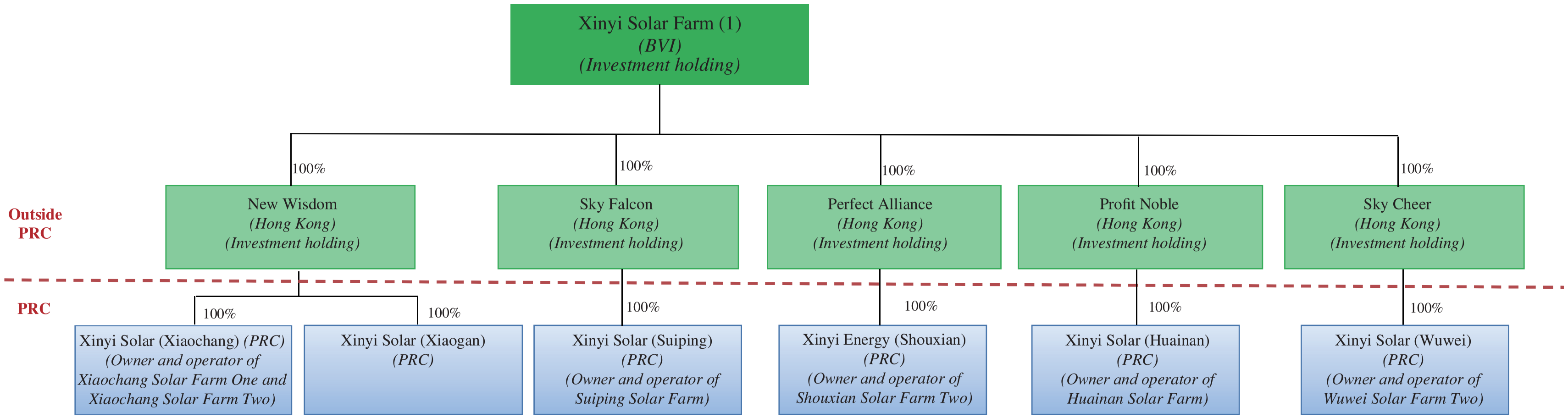
(2) On January 6, 2017, Xinyi Solar Farm (1) was incorporated in the BVI with limited liability with Xinyi Power, a wholly-owned subsidiary of Xinyi Solar, as its sole shareholder.

(3) On February 6, 2017, Xinyi Solar (Xiaogan) was incorporated in the PRC with limited lability with New Wisdom as it sole shareholder.

(4) On June 30, 2017, Xinyi Power transferred all its shares in New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer to Xinyi Solar Farm (1) for an aggregate consideration of HK$50,000, which was determined with reference to the share capital of these companies.

SHAREHOLDING AND CORPORATE STRUCTURE OF THE TARGET COMPANIES

As of the Latest Practicable Date and immediately before completion of the Target Acquisition, the corporate and shareholding structure of the Target Companies is as follows:



Hong Kong companies comprising the Target Companies

New Wisdom

New Wisdom was incorporated in Hong Kong on February 6, 2015. It is a wholly-owned subsidiary of Xinyi Solar Farm (1) and is the holding company for Xiaochang Solar Farm One and Xiaochang Solar Farm Two.

Sky Falcon

Sky Falcon was incorporated in Hong Kong on March 20, 2015. It is a wholly-owned subsidiary of Xinyi Solar Farm (1) and is the holding company for Suiping Solar Farm.

Perfect Alliance

Perfect Alliance was incorporated in Hong Kong on March 13, 2015. It is a wholly-owned subsidiary of Xinyi Solar Farm (1) and is the holding company for Shouxian Solar Farm Two.

Profit Noble

Profit Noble was incorporated in Hong Kong on February 6, 2015. It is a wholly-owned subsidiary of Xinyi Solar Farm (1) and is the holding company for Huainan Solar Farm.

Sky Cheer

Sky Cheer was incorporated in Hong Kong on January 8, 2016. It is a wholly-owned subsidiary of Xinyi Solar Farm (1) and is the holding company for Wuwei Solar Farm Two.

PRC subsidiaries of the Hong Kong companies

Xinyi Solar (Xiaochang)

Xinyi Solar (Xiaochang) was incorporated in the PRC on November 16, 2015. It is a wholly-owned subsidiary of New Wisdom and is the operating company for Xiaochang Solar Farm One and Xiaochang Solar Farm Two.

Xinyi Solar (Xiaogan)

Xinyi Solar (Xiaogan) was incorporated in the PRC on February 6, 2017. It is a wholly-owned subsidiary of New Wisdom and does not have operation as of the Latest Practicable Date.

Xinyi Solar (Suiping)

Xinyi Solar (Suiping) was incorporated in the PRC on June 11, 2015. It is a wholly-owned subsidiary of Sky Falcon and is the operating company for Suiping Solar Farm.

Xinyi Energy (Shouxian)

Xinyi Energy (Shouxian) was incorporated in the PRC on July 23, 2015. It is a wholly-owned subsidiary of Perfect Alliance and is the operating company for Shouxian Solar Farm Two.

Xinyi Solar (Huainan)

Xinyi Solar (Huainan) was incorporated in the PRC on September 2, 2015. It is a wholly-owned subsidiary of Profit Noble and is the operating company for Huainan Solar Farm.

Xinyi Solar (Wuwei)

Xinyi Solar (Wuwei) was incorporated in the PRC on May 13, 2016. It is a wholly-owned subsidiary of Sky Cheer and is the operating company for Wuwei Solar Farm Two.

BUSINESS OF THE TARGET COMPANIES

The business operation of the Target Companies resemble our business operation. The Target Companies own, operate, and manage six utility-scale ground-mounted solar farm projects at different locations in the PRC with an approved capacity of 540 MW. As of the Latest Practicable Date, the construction of the utility-scale ground-mounted solar farm projects under the Target Portfolio has been completed and all of them are grid-connected.

Target Portfolio

We have entered into the Target Sale and Purchase Agreement to acquire all the issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer, which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. We may acquire the equity interest of the holding company of these companies for tax efficiency purpose. The Target Portfolio is composed of six utility-scale ground-mounted solar farm projects with an approved capacity of 540 MW. Upon completion of the Target Acquisition, which is expected to take place within one month after the Listing Date, all utility-scale ground-mounted solar farm projects under the Target Portfolio will be part of the solar farm projects owned by us and under our management.

The table below summarizes certain operating information on solar farm projects under the Target Portfolio:

	(1)	(2)	(3)	(4)	(5)	(6)
Project name	**Xiaochang Solar Farm One**	**Xiaochang Solar Farm Two**	**Suiping Solar Farm**	**Shouxian Solar Farm Two**	**Huainan Solar Farm**	**Wuwei Solar Farm Two**
Operating entities	Xinyi Solar (Xiaochang)	Xinyi Solar (Xiaochang)	Xinyi Solar (Suiping)	Xinyi Energy (Shouxian)	Xinyi Solar (Huainan)	Xinyi Solar (Wuwei)
Type of solar farm projects	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted	Utility-scale ground-mounted
Approved capacity (MW)	130	30	110	200	20	50
Construction completion date	August 2018	September 2018	August 2018	August 2018 (Phase 1 of 100 MW) October 2018 (Phase 2 of 100 MW)	November 2017	April 2018
Date of grid connection	June 2016 (Phase 1 of 90 MW) June 2017 (Phase 2 of 40 MW)	May 2017 (Phase 1 of 10 MW and Phase 2 of 20 MW)	May 2016	September 2016 (Phase 1 of 100 MW) December 2016 (Phase 2 of 100 MW)	March 2016	December 2016
Utilization of double-glass module (MW)[3]	130	30	110	200	20	50
Utilization of solar tracking system (MW)[4]	3.3	0	—	103.8	0.6	49
Feed-in-Tariff (RMB/kWh)	1.0 (Phase 1 of 90 MW) 0.85 (Phase 2 of 40 MW) [1]	0.88 (Phase 1 of 10 MW) [1] 0.80 (Phase 2 of 20 MW) [1]	1.0	0.945	1.0	0.945

	(1)	(2)	(3)	(4)	(5)	(6)
Project name	**Xiaochang Solar Farm One**	**Xiaochang Solar Farm Two**	**Suiping Solar Farm**	**Shouxian Solar Farm Two**	**Huainan Solar Farm**	**Wuwei Solar Farm Two**
Solar Resource Zone	III	III	III	III	III	III
Quota/Year	Quota initially announced in November 2015	Quota initially announced in November 2016 (phase 1 of 10 MW) December 2016 (phase 2 of 20 MW)	Quota initially announced in June 2015	Quota initially announced in July 2015 (phase 1 of 100 MW) August 2015 (phase 2 of 100 MW)	Quota initially announced in October 2015	Quota initially announced in December 2015
Estimated maximum utilization hours(2)	1,150	1,150	1,150	1,150	1,150	1,100
Enlisting on Subsidy Catalogue and started to receive the tariff adjustment	<— Not yet enlisted on the Subsidy Catalogue and no tariff adjustment has been received. —>				Yes (Seventh batch of the Subsidy Catalogue)	Not yet enlisted on the Subsidy Catalogue and no tariff adjustment has been received.

Notes:

(1) These Feed-in-Tariff rates are estimated by our Directors and are subject to the final approval of the relevant PRC Government authorities.

(2) The estimated maximum number of utilization hour in a year are based on PVSyst data and the design of the solar farm projects.

(3) All solar modules under the Target Portfolio are designed to use double-glass technologies. Double-glass module has a better degradation profile than single-glass module and can generate a higher system power yield over lifetime. Single-glass module in general can achieve power output efficiency of 81% of its original rated power in the 25th year of operation and double-glass module can achieve power output efficiency of 82.5% to 83.0% in the 30th year of operation. Double-glass modules were used in a large scale in the solar farm projects under the Target Portfolio primarily because of the decreasing cost of double-glass modules and the increase in output efficiency.

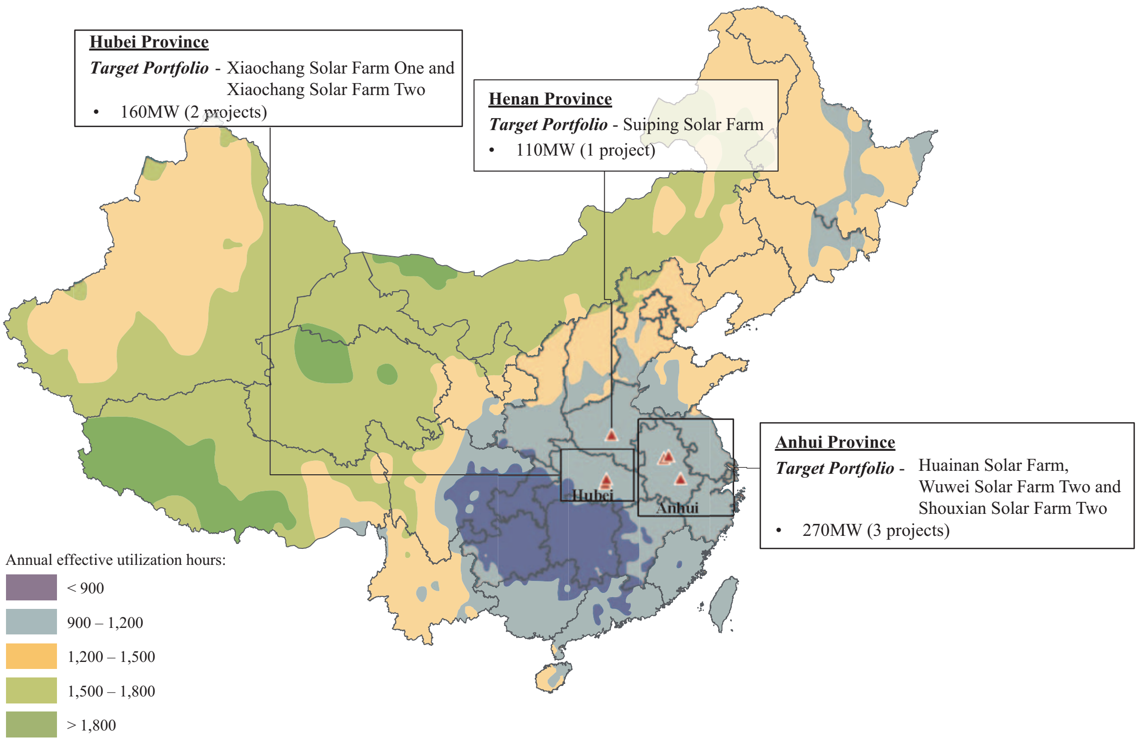
(4) The solar tracking system is designed to increase the power output efficiency as compared to the conventional stationary mounting system. The cost of solar tracking system has gained such development to be commercially attractive and as a result, 156.7 MW of the solar power system under the Target Portfolio are designed to use solar tracking systems comprising both single-axis tracking system and dual-axis tracking system, which will increase the power generation efficiency as compared to conventional stationary mounting system.

Description of the solar farm projects under the Target Portfolio

The Target Portfolio comprises six utility-scale ground-mounted solar farm projects with a total approved capacity of 540 MW. As of the Latest Practicable Date, the construction of the solar farm projects under the Target Portfolio has been completed and all of them are grid-connected.

The map below illustrates the locations of the utility-scale ground-mounted solar farm projects under the Target Portfolio as of the Latest Practicable Date:

Geographical locations and the approved capacity (MW) of the Target Portfolio



Solar farm projects under the Target Portfolio are located in Anhui Province, Hubei Province, and Henan Province, the PRC. The table below summarizes certain operating information on solar farm projects under the Target Portfolio located in these regions as of December 31, 2018:

	Anhui Province	Hubei Province	Henan Province	Total
Total approved capacity (MW)	270	160	110	540
Number of solar farm projects	3	2	1	6

Approved capacity and sale of electricity

The table below sets forth the approved capacity of each of the utility-scale ground-mounted solar farm projects under the Target Portfolio as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2016	2017	2018	
Total approved capacity (MW).	510	540	540	540
Number of solar farm projects	5	6	6	6

All solar modules in the utility-scale ground-mounted solar farm projects under the Target Portfolio are designed to use double-glass technologies. Double-glass module has a better degradation profile than single-glass module and can generate a higher system power yield over its lifetime. In addition, 156.7 MW of the solar power systems under the Target Portfolio are designed to use solar tracking systems, which has a better exposure to the sunlight, as compared with the conventional stationary mounting system.

The table below sets forth the units of electricity sold by the utility-scale ground-mounted solar farm projects under the Target Portfolio for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	(GWh)(1)(2)	*(GWh)*(1)(2)	*(GWh)*(1)(2)
Electricity sale			
Huainan Solar Farm	15.44	26.65	26.34
Suiping Solar Farm	36.51	94.91	121.78
Xiaochang Solar Farm One	31.48	94.21	137.06
Wuwei Solar Farm Two	—	20.18	60.53
Shouxian Solar Farm Two	5.86	105.99	193.58
Xiaochang Solar Farm Two	—	7.11	22.18
Total	89.29	349.05	561.47

Notes:

(1) The unit of electricity sale is based on the operating data provided by the Target Companies and the statements provided by the State Grid.

(2) As construction of solar farm projects took place phase by phase, solar farm projects would generate electricity and have electricity sales to the State Grid prior to full completion of construction of such solar farm projects.

The continuous increases in the units of electricity sold by the utility-scale ground-mounted solar farm projects under the Target Portfolio during the Track Record Period were due to (i) the grid connection might not commence from the beginning of the relevant year, (ii) increase in the electricity output following commencement of full operation of the solar farm projects, and (iii) different levels of solar irradiation in different regions in the PRC from year to year.

Utilization rates

The average utilization rate of the utility-scale ground-mounted solar farm projects under the Target Portfolio, which is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year, was 46.6%, 60.9%, and 91.1% for the Track Record Period. The average on-grid tariff, which is equivalent to the average of the Feed-in-Tariff of the utility-scale ground-mounted solar farm projects under the Target Portfolio was RMB0.93.

The table below sets forth the utilization rate of each of the utility-scale ground-mounted solar farm projects under the Target Portfolio for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	(%)	*(%)*	*(%)*
Huainan Solar Farm	89.5	115.9	114.5
Suiping Solar Farm	49.5	75.0	96.3
Xiaochang Solar Farm One	42.1	63.0	91.7
Wuwei Solar Farm Two	—	36.7	110.1
Shouxian Solar Farm Two	20.4	46.1	84.2
Xiaochang Solar Farm Two	—	35.3	64.3
Average utilization rates	46.6	60.9	91.1

Note:

The utilization rate of each solar farm project is based on the actual number of utilization hours for the year divided by the estimated maximum number of utilization hours for the year. The estimated maximum number of utilization hours in a year are based on the average solar irradiation level of the past 10 years times a design efficiency, and are based on PVSyst data and the design of the relevant solar farm project.

The utilization rates of the utility-scale ground-mounted solar farm projects under the Target Portfolio vary with the location of the solar farm projects, the solar irradiation levels, and the weather in the relevant year as well as the date of commencement of grid connection. Certain solar farm projects under the Target Portfolio commenced grid connection in 2016 and as such, they achieved different utilization rates during the two years ended December 31, 2017. The solar irradiation level was relatively high in 2017 and 2018. In addition, all utility-scale ground-mounted solar farm projects were in full operation during the year ended 31 December 2018. These factors resulted in the increase in the average utilization rates of the utility-scale ground-mounted solar farm projects under the Target Portfolio, and the utilization rates of certain solar farm projects, achieving a high level in 2017 and 2018.

SALE OF ELECTRICITY

All revenue from the Target Companies is derived from the sale of electricity generated from the solar farm projects under the Target Portfolio, which sell all electricity generated to the local grid companies under the State Grid. The price for electricity generated is determined by the pricing authority based on the applicable Feed-in-Tariff rates for the solar farm projects when the relevant solar farm projects are grid-connected. The solar farm projects need to connect to local power grids and rely on local grid companies to provide dispatch services and purchase the electricity generated. Local grid companies provide grid-connection services and related technical support to solar farm projects in their grid coverage. All solar farm projects under the Target Portfolio were connected to local power grids as of the Latest Practicable Date.

The table below sets forth the Feed-in-Tariff rates (comprising the sale of electricity charged at the base tariff rates and the tariff adjustment) for the electricity sold by the utility-scale ground-mounted solar farm projects under the Target Portfolio as of the Latest Practicable Date:

	(1)	(2)	(3)	(4)	(5)	(6)
	Huainan Solar Farm	**Suiping Solar Farm**	**Xiaochang Solar Farm One**	**Wuwei Solar Farm Two**	**Shouxian Solar Farm Two**	**Xiaochang Solar Farm Two**
	(RMB/kWh)	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*	*(RMB/kWh)*
Sale of electricity[(1)] . . .	0.3844	0.3779	0.4161 (Phase1) 0.4161 (Phase2)	0.3844	0.3844	0.4161 (Phase1) 0.4161 (Phase2)
Tariff adjustment[(2)] . .	0.6156	0.6221	0.5839 (Phase1) 0.4339 (Phase2)	0.5606	0.5606	0.4639 (Phase1) 0.3839 (Phase2)
Total	1.0	1.0	1.0 (Phase1) 0.85 (Phase2)	0.945	0.945	0.88 (Phase1) 0.80 (Phase2)

Notes:

(1) Sale of electricity is charged at the base tariff rates equivalent to the on-grid benchmark tariff rates of local coal-fired power plants, which vary across PRC provinces and can be adjusted by the local government. For details on the on-grid benchmark tariff rates of local coal-fired power plants, see the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus.

(2) Tariff adjustment is the difference between Feed-in-Tariff and the sale of electricity at the base tariff rates.

Solar irradiation levels vary in different season and are highest during the summer and lowest during the winter. The variations are different across in different locations.

Locations of the solar farm projects

The solar farm projects under the Target Portfolio are strategically located in regions in the PRC with low curtailment risk. Each region had positive electricity consumption growth during the period between 2015 and 2017. As of December 31, 2018, one-half of the total approved capacity of the utility-scale ground-mounted solar farm projects under the Target Portfolio is located in Anhui Province, the PRC, which enjoys the highest growth rate during the period from 2016 to 2018 in electricity consumption.

PRC	Anhui Province	Henan Province	Hubei Province
8.5%	11.1%	7.9%	10.8%

Since 2014, the NDRC has divided the PRC into three different solar resource zones with standardized Feed-in-Tariff rates. The operating solar farm projects under the Target Portfolio are located in solar resource zone III. Feed-in-Tariff rates for solar resource zone III for the period from January 2014 to June 2018 and beyond is RMB1.00/kWh (Jan 2014 — June 2015), RMB0.98/kWh (July 2016 — June 2017) and RMB0.85/kWh (July 2017 — June 2018), and RMB0.75/kWh (beyond June 2018), respectively.

There has been no record of curtailment of solar power output in provinces where the Target Companies own and operate the solar farm projects during the Track Record Period and up to the Latest Practicable Date. The Target Portfolio is therefore not affected by the utilization hour protection policy released by NDRC in May 2016 to address the curtailment issue.

Solar farm projects built on abandoned coal mine subsidence sites is one of the emerging site usages in the PRC. The Target Portfolio includes one floating solar farm situated on the water surface of abandoned coal mine subsidence sites with an approved capacity of 20 MW. According to the NEA in Anhui Province, the PRC, the solar farm project was the largest floating solar farm project in the world at the time it was built.

The table below illustrates the seasonality of solar irradiation level across months in the provinces in which the utility-scale ground-mounted solar farm projects under the Target Portfolio are situated:

Historical observation of annual solar irradiation distribution across months

	January	February	March	April	May	June	July	August	September	October	November	December
Anhui Province	4.9%	5.9%	7.1%	9.5%	11.3%	10.7%	12.3%	10.9%	9.3%	7.6%	5.6%	4.9%
Hubei Province	5.0%	5.0%	7.9%	9.5%	11.0%	10.9%	12.4%	10.9%	9.5%	7.4%	5.9%	4.6%
Henan Province	4.5%	5.9%	7.4%	10.2%	11.3%	11.3%	12.3%	10.9%	9.2%	7.3%	5.3%	4.5%

Source: PVSyst

Power purchase agreements and grid connection arrangements

Each of the operating companies under the Target Portfolio enter into contracts for the purchase and sale of electricity and related grid connection agreements and/or grid connection and dispatch agreements with the grid companies in respect of the sale of electricity generated from the utility-scale ground-mounted solar farm projects under the Target Portfolio.

The terms of the power purchase agreements are similar to that entered in respect of the utility-scale ground-mounted solar farm projects under our Initial Portfolio. For details on the salient terms of the power purchase agreement, see the section headed "Business of our Group — Sale of electricity — Power purchase agreements and grid connection arrangements — Power purchase agreement" in this prospectus. The power purchase agreements entered in respect of the Target Portfolio are valid until 2018 to 2022. All solar farm projects under the Target Portfolio are located in solar resource zone III, where no curtailment issues have emerged.

The solar farm projects under the Target Portfolio sell all electricity to the local subsidiaries of State Grid. Pursuant to the power purchase agreements entered in respect of the utility-scale ground-mounted solar farm projects under the Target Portfolio, the State Grid shall purchase all electricity generated from the solar farm projects under the Target Portfolio. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years for grid-connected electricity generation.

Based on the Feed-in-Tariff regime and the power purchase agreements, the utility-scale ground-mounted solar farm projects under the Target Portfolio, which are constructed under the national quota system in the PRC, are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for an average remaining duration of 18 years as of the Latest Practicable Date.

Settlement of the tariff adjustment

The Feed-in-Tariff for utility-scale ground-mounted solar farm projects is composed of two components: the sale of electricity at the base tariff rates which are equivalent to the on-grid benchmark tariff rates of local coal-fired power plants and the tariff adjustment. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Feed-in-Tariff (FiT) regime" in this prospectus for further information.

For solar farm operators to receive the tariff adjustment, the utility-scale ground-mounted solar farm projects must be enlisted on the Subsidy Catalogue in the PRC. Following enlisting on the Subsidy Catalogue, the solar farm operators will receive the tariff adjustment due from COD onwards. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Subsidy settlement and Renewable Energy Fund" in this prospectus for further information.

As of the Latest Practicable Date, one solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue.

The seventh batch of the Subsidy Catalogue was announced in June 2018. The seventh batch of the Subsidy Catalogue covers the utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue.

Applications for enlisting on the eighth batch of the Subsidy Catalogue have yet to be announced by the NDRC, Ministry of Finance, and the NEA. Our Directors confirm that our Group will apply for enlisting of the remaining five solar farm projects under the Target Portfolio on the eighth batch of the Subsidy Catalogue as soon as the same is announced.

The remaining five solar farm projects under the Target Portfolio have been connected to the State Grid during the period from May 2016 and June 2017. Our Directors do not have any knowledge on the time period of the constructed and connected utility-scale ground-mounted solar farm projects that would be covered under the eighth batch of the Subsidy Catalogue. Assuming that the eighth batch of the Subsidy Catalogue covers the connected utility-scale ground-mounted solar farm projects up to the end of June 2017 and that applications for enlisting on the eighth batch of the Subsidy Catalogue will commence from the first half of 2019, our Directors expect that the tariff adjustment in relation to the electricity generated from these solar farm projects would be received in 2020. This estimation in respect of the timing of application for enlisting on the Subsidy Catalogue and payment of the tariff adjustment by the government is entirely based on the historical enlisting timetable and the payment trends of the tariff adjustment by the PRC Government and may involve a high degree of uncertainty. Please refer to the disclosure in the section headed "Risk Factors — Risks relating to our business — Any significant and prolonged delay in receiving the tariff adjustment under the Feed-in-Tariff regime could materially and adversely affect our business and financial condition, operating results, and cash flows" in this prospectus.

Our PRC Legal Advisor has confirmed that based on the fact that all the remaining five utility-scale ground-mounted solar farm projects are constructed under the national quota system in the PRC and are connected to the State Grid with power purchase agreements entered into and the Feed-in-Tariff rates have been confirmed by the relevant authorities, there is no legal impediment to enlist the remaining five solar farm projects under the Target Portfolio on the Subsidy Catalogue.

Our PRC Legal Advisor has confirmed that following the enlisting of the remaining five utility-scale ground-mounted solar farm projects under the Target Portfolio on the Subsidy Catalogue, such solar farm projects will in principle be entitled to receive the tariff adjustment due from the commencement of grid connection of such solar farm projects. The tariff adjustment will thus be recognized as revenue at the time of electricity sales. This is consistent with the receipt of the tariff adjustment from the utility-scale ground-mounted projects under our Initial Portfolio.

Our PRC Legal Advisor has further confirmed that based on the fact that the remaining five utility-scale ground-mounted solar farm projects under the Target Portfolio are constructed under the national quota system in the PRC and are connected to the State Grid within the stipulated time period and the Feed-in-Tariff rates have been confirmed by the relevant authorities, the approval by the NEA is administrative in nature. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years for electricity generated after the solar farm projects are grid-connected. Each of the utility-scale ground-mounted solar farm projects under the Target Portfolio has entered into power purchase agreement with the State Grid, which secures the full purchase and on-grid transmission of the electricity generated by the relevant solar farm projects with the approvals from the provincial pricing bureau on the amount of both the sale of electricity and the tariff adjustment. Further, there has been no rejection for enlisting of the utility-scale ground-mounted solar farm projects under the Target Portfolio on the previous batch of the Subsidy Catalogue.

There was no retrospective adjustments to the approved Feed-in-Tariff rates applicable to the operating utility-scale ground-mounted solar farm projects under the Target Portfolio during the Track Record Period.

PROPERTY

Owned land in the PRC

On February 1, 2019, Xinyi Solar (Wuwei) entered into the “State-owned Construction Land Use Right Transfer Agreement” (國有建設用地使用權出讓合同) with Wuwei Bureau of Land and Resources (無為縣國土資源局), regarding the transfer of a parcel of land located at Baiwa Village, Niubu Town, Wuwei Country, Anhui Province with a gross site area of 2,814 square meters to Xinyi Solar (Wuwei) at a consideration of RMB320,000. This parcel of land is to be used for industrial purpose and will be used for solar farm operation of Wuwei Solar Farm Two. The relevant land use right has a use term of 50 years. As of the Latest Practicable Date, Xinyi Solar (Wuwei) is in the process of applying for the land use right certificate for this parcel of land. As advised by our PRC Legal Advisor, the agreement is legal and valid, and is binding and enforceable on both parties. Our PRC Legal Advisors have also advised us that there is no legal impediment in obtaining the land use right certificate under the applicable laws and regulations in the PRC. Our Directors expect that the land use right certificate would be issued to us by the end of June 2019. As of the Latest Practicable Date, the Target Companies do not have any other owned properties in the PRC.

Leased land in the PRC

As of the Latest Practicable Date, the Target Companies leased land with a total site area of approximately 17,738 Mu for its operational solar farm projects. A summary of the leased land of the Target Companies in the PRC as of the Latest Practicable Date is set forth below:

Solar farm projects	Locations	Contracting parties	Approximate area (Mu)	Lease term
Huainan Solar Farm[1]	Liugang Village, Wangfenggang Town, Xiejiaji District, Huainan City	The People’s Government of Wangfenggang Town	900	September 30, 2015 to September 29, 2035
Suiping Solar Farm[1]	Liyao Village, Fengminggu Scenic Area	Fengminggu Scenic Area Administration Committee, Suiping County	400	December 14, 2015 to December 13, 2035

Solar farm projects	Locations	Contracting parties	Approximate area (Mu)	Lease term
			872	March 23, 2016 to March 22, 2036
			2,012	July 4, 2016 to July 3, 2036
Xiaochang Solar Farm One	Xinchong Village, Zougang Town, Xiaochang County	The People's Government of Zougang Town, Xiaochang County	4,000	October 24, 2015 to October 24, 2045
Wuwei Solar Farm Two(1)	Xiaopodang, Baiwa Village, Niubu Town, Wuwei County	The People's Government of Niubu Town, Wuwei County	1,554	March 11, 2016 to March 10, 2036
Shouxian Solar Farm Two(1) . . .	Fishing ground water surface and peripheral tidal-flat land, Dongdawei, Anfeng Town	The People's Government of Anfeng Town, Shouxian	3,000	February 1, 2016 to January 31, 2036
			2,500	February 1, 2016 to January 31, 2036
Xiaochang Solar Farm Two	Sanhe Village, Shengqi Village, Hebian Village, Baisha Town, Xiaochang County	The People's Government of Baisha Town, Xiaochang County	2,500	May 25, 2016 to May 25, 2046

Note:

(1) The lease contract can be automatically renewed for a term of 10 years upon expiration.

For the Track Record Period, the aggregate rental expenses for the above leased properties were HK$2.7 million, HK$10.6 million, and HK$10.1 million, respectively.

As advised by our PRC Legal Advisor, the terms of the land lease agreements underlying the relevant leased properties that the Target Companies have entered into are in compliance with the applicable PRC laws and regulations and the use of the leased properties are in compliance with the industrial policy and land supply policy or the town planning requirement in the PRC.

LICENSES AND PERMITS

Regulatory approvals

The table below sets forth the information with respect to the current electric power business license of the Target Companies in the PRC, which our Directors consider as crucial to the business operations of the Target Companies:

Name of subsidiaries	Solar farm projects	Current term
Xinyi Solar (Xiaochang)	Xiaochang Solar Farm One	December 12, 2016 to December 11, 2036
Xinyi Solar (Xiaochang)	Xiaochang Solar Farm Two	December 12, 2016 to December 11, 2036
Xinyi Solar (Suiping)	Suiping Solar Farm	April 12, 2016 to April 11, 2036
Xinyi Solar (Shouxian)	Shouxian Solar Farm Two	May 8, 2017 to May 7, 2037
Xinyi Solar (Huainan)	Huainan Solar Farm	April 18, 2017 to April 17, 2037
Xinyi Solar (Wuwei)	Wuwei Solar Farm	April 11, 2017 to April 10, 2037

ENVIRONMENTAL MATTERS

Our PRC Legal Advisor confirms that the Target Companies are in compliance in all material respects with the applicable environmental laws and regulations in the PRC. The Target Companies have not incurred any material costs to comply with the applicable environmental rules and regulations during the Track Record Period and do not expect to incur material costs with respect to such rules and regulations in the future. The Target Companies are currently not involved in any material environmental claims, lawsuits, penalties or administrative sanctions.

LEGAL COMPLIANCE AND PROCEEDINGS

There are no pending or threatened litigation matters or other proceedings, and the Target Companies are not involved in litigation or other proceedings, that we believe would materially adversely affect the business, financial condition or results of operations of the Target Companies as of the Latest Practicable Date. As of the Latest Practicable Date, our Directors confirm and our PRC Legal Advisor is of the opinion that the Target Companies have complied with the applicable PRC laws and regulations in all material respects during the Track Record Period and that the Target Companies have obtained the relevant permits, licenses, qualifications, approvals and authorizations that are material to their business operations.

TARGET ACQUISITION

Following completion of the Target Acquisition, all construction completed utility-scale grid-connected solar farm projects owned by the Remaining Group will be injected into our Group. Our Directors intend to use the net proceeds from the Global Offering for the Target Acquisition. All conditions precedent to the Target Acquisition (other than the Listing) have been satisfied as of the date of this prospectus, and we expect that the Target Acquisition will be completed within one month after the Listing Date.

Pursuant to the Target Acquisition, we have agreed to acquire from Xinyi Solar Farm (1) all the issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. We may acquire the equity interest of the holding company of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer for tax efficiency purpose.

We have agreed to use the net proceeds from the Global Offering for an upfront payment of 50% of the Agreed Purchase Price within one month from the Listing Date upon completion of the Target Acquisition. The remaining balance will be settled by us on the earlier of (a) the fourth anniversary of the Listing Date and (b) by instalments following the receipt of the tariff adjustment relating to the electricity generated by the solar farm projects under Target Portfolio pursuant to the Target Sale and Purchase Agreement. Completion of the Target Acquisition is expected to take place within one month after the Listing Date.

Subject matter of the Target Acquisition

Pursuant to the Target Acquisition, we have agreed to acquire from Xinyi Solar Farm (1) all the issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. We may acquire the equity interest of the holding company of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer for tax efficiency purpose.

All utility-scale ground-mounted solar farm projects under the Target Portfolio were developed and constructed under the national quota system in the PRC. As of the Latest Practicable Date, the construction of the solar farm projects with an aggregate approved capacity of 540 MW in the Target Portfolio has been completed and all of them are grid-connected.

Determination of the Agreed Purchase Price

The Agreed Purchase Price was determined following arm's length negotiations between Xinyi Solar and us upon normal commercial terms. Our Directors consider that the Agreed Purchase Price is fair and reasonable and the terms of the Target Acquisition are in the best interest of our Company and our Shareholders as a whole.

TARGET SALE AND PURCHASE AGREEMENT

Parties

Xinyi Solar Farm (1) as the seller.

Our Company as the purchaser.

Shares to be purchased

Subject to the terms and conditions of the Target Sale and Purchase Agreement; (a) Xinyi Solar Farm (1) shall sell and our Company shall buy all the issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer and (b) our Company shall pay the Agreed Purchase Price (as defined below) to Xinyi Solar Farm (1). We may acquire the equity interest of the holding company of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer for tax efficiency purpose.

Agreed Purchase Price

The Agreed Purchase Price will be determined according to the following formula:

Agreed Purchase Price = Initial Purchase Price - Debt - Estimated amount due to suppliers and other payables + Cash and receivable balances

— "**Debt**" means the actual amount of indebtedness of each of the Target Companies as of the Closing Account Date.

— "**Estimated amount due to suppliers and other payables**" means the estimated amount of payments due to third-party suppliers and others by each of the Target Companies in connection with the construction of the solar farm projects under the Target Portfolio as of the Closing Accounts Date.

— "**Cash and receivable balances**" means the cash and receivable balances of each of the Target Companies as of the Closing Accounts Date.

The Initial Purchase Price only represents the valuation of Target Portfolio immediately after completion of the construction and grid connection. In addition, the above formula is designed to include all situations where any of the solar farm projects under the Target Portfolio is still under construction or has started electricity generation as well as the assets and liabilities of the Target Companies. The formula can be appropriately used as the basis in determining the valuation of the Target Portfolio operated by the Target Companies. As of the Latest Practicable Date, the construction of the solar farm projects has been completed and all of them are grid-connected and connection-ready. All significant assets and liabilities of the Target Companies will be included/considered in the formula.

Basis in determining the Initial Purchase Price

The initial purchase price (the "**Initial Purchase Price**") shall be RMB4,090.8 million. The table below sets forth the Initial Purchase Price of each of the Hong Kong companies comprising the Target Companies:

Name of the Hong Kong companies comprising the Target Companies	Solar farm projects under the Target Portfolio	Initial Purchase Price	
		(RMB million)	*(equivalent amount in HK$ million)*
New Wisdom	Xiaochang Solar Farm One Xiaochang Solar Farm Two	1,153.4	1,298.8
Sky Falcon	Suiping Solar Farm	866.1	975.2
Perfect Alliance	Shouxian Solar Farm Two	1,504.7	1,694.3
Profit Noble	Huainan Solar Farm	221.6	249.5
Sky Cheer	Wuwei Solar Farm Two	345.0	388.5
Total		4,090.8	4,606.3

Our Directors confirm that the Initial Purchase Price has been negotiated following arm's length negotiations with reference to comparable solar farm transactions in the PRC completed during the period from 2015 to 2018 with solar farm capacity ranging from 20 MW to 200 MW. The enterprise value/capacity ratio in these transactions was in the range between RMB 4.11/W and RMB 11.23/W and the average enterprise value/capacity was RMB 8.14/W. The Initial Purchase Price implies an enterprise value/capacity of RMB 7.58/W which is within the range of the comparable solar farm transactions in the PRC and close to the average enterprise value/capacity ratio of the comparable solar farm transactions in the PRC.

Preparation of the closing accounts and estimated amounts

For the purpose of calculating the Agreed Purchase Price, Xinyi Solar shall provide to us the unaudited closing accounts relating to the Target Companies (the "**Closing Accounts**") on the closing accounts date which is currently June 30, 2019 (the "**Closing Accounts Date**"). The Closing Accounts shall be prepared by Xinyi Solar Farm (1) to our satisfaction.

Xinyi Solar shall not and shall cause the Target Companies not to incur any additional Debt. The Estimated Amount Due to Suppliers refers to the estimated amount due to third-party suppliers by the Target Companies as of the Closing Accounts Date, including the amounts included in the Closing Accounts as well as the amounts, if any, not yet accrued in the Closing Accounts, in connection with the construction of the solar farm projects under the Target Portfolio.

The Closing Accounts are not audited accounts. If no agreement is reached on the Closing Accounts, audited Closing Accounts will be prepared pursuant to the Target Sale and Purchase Agreement.

Closing

The closing (the "**Closing**") shall take place as soon as practicable after completion of the Listing and in no event later than one calendar month from the Listing Date unless otherwise agreed in writing by the parties (such date of the Closing, the "**Closing Date**"). We will issue an announcement on the Closing on the Closing Date.

Payment of the Agreed Purchase Price

The closing payment (the "**Closing Payment**") shall be equal to 50% of the Agreed Purchase Price.

If there is any difference between the estimated amount due to suppliers and other payables as part of the Closing Payment and the actual amount, fully accrued and recorded in the accounting records of the Target Companies, the difference shall be settled by June 30, 2019.

The exchange rate to be used for the purpose of determining the Agreed Purchase Price in Hong Kong dollars shall be the average exchange rate between RMB and Hong Kong dollars during a period of 10 days immediately preceding the date of the settlement of the Agreed Purchase Price.

Capital gains tax, if any. All capital gains tax due shall be borne by Xinyi Solar, provided that in the event we are required to pay any such capital gains tax, Xinyi Solar shall promptly reimburse us of the same.

Additional liabilities. If there is any amount that would be required to be borne by Xinyi Solar, such amount shall be paid by Xinyi Solar promptly.

Conditions to our Company's obligations

The obligation of our Company to effect the Closing shall be subject to the satisfaction or waiver by our Company on or prior to the Closing Date of a number of conditions including the following:

Listing. The Listing of our Company on the Stock Exchange shall have occurred.

Receipt of Proceeds. The receipt by our Company of the net proceeds of the Listing shall have occurred.

Consents and approvals. Xinyi Solar shall have obtained all consents and approvals, including the consents required to be obtained from any person by Xinyi Solar in connection with its execution, delivery, and performance of its obligations under any transaction document to which it is a party.

No material adverse effect. Since the date of this Agreement, there shall not have occurred any material adverse effect with respect to the Shares, any Group member, any project, or the consummation of the Target Acquisition, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, would reasonably be expected to result in such a material adverse effect.

Board approval. The board of directors of our Company shall have approved the Target Acquisition.

Performance of obligations of Xinyi Solar. Xinyi Solar shall have performed all obligations and covenants required to be performed under this agreement on or prior to the Closing Date.

Closing actions. On or prior to the Closing, Xinyi Solar shall have delivered all documentation and information and shall have taken all Closing actions required to be taken by Xinyi Solar pursuant to this agreement.

Ratification of certain actions. Xinyi Solar shall have, and shall have caused the applicable governing body of the Company to, approve, ratify, and confirm all actions taken or omitted to be taken by or on behalf of any Group member on or prior to the Closing Date.

Conditions to obligations of Xinyi Solar Farm (1)

The obligations of Xinyi Solar to effect the Closing shall be subject to the satisfaction or waiver by Xinyi Solar on or prior to the Closing Date of a number of conditions including the following:

Performance of obligations of our Company. Our Company shall have performed all obligations and covenants required to be performed by it under this agreement on or prior to the Closing Date.

Closing actions. On or prior to the Closing, our Company shall have delivered all documentation and information and shall have taken all Closing Actions required to be taken by our Company pursuant to this agreement.

Termination

The Target Sale and Purchase Agreement may be terminated by mutual written consent of the parties. A party desiring to terminate the Target Sale and Purchase Agreement shall give no less than sixty (60) business days' written notice of such termination to the other Party.

As of the Latest Practicable Date, the construction of the six solar farm projects with an aggregate approved capacity of 540 MW under the Target Portfolio has been completed and all of them are grid-connected and power purchase agreements have been entered into with grid companies for all solar farm projects under the Target Portfolio. For details on the operating results and financial position of the Target Companies, see the section headed "Financial Information of the Target Companies" in this prospectus.

Accounting treatment of the Outstanding Amount

Our Company will use HK$3,473.6 million, or 90% of the net proceeds (based on the mid-point of the indicative range of the Offer Price of HK$2.12) from the Global Offering, for the payment of the Agreed Purchase Price, of which an upfront payment of 50.0 % will be settled upon completion of the Target Acquisition and the Outstanding Amount will be settled on the earlier of (a) the fourth anniversary of the Listing Date and (b) by instalments following the receipt of the tariff adjustment receivables relating to the solar farm projects under Target Portfolio pursuant to the Target Sale and Purchase Agreement. On this basis, the Outstanding Amount will only be deferred to the respective time periods when the delayed payment of the tariff adjustment of the Target Companies is to be settled by the local subsidiaries of the State Grid. This payment arrangement of the Outstanding Amount is designed to match with the expected receipt of the delayed tariff adjustment incurred by Target Portfolio from the PRC Government.

The Deferred Outstanding Amount was measured at its fair value at initial recognition based on the best estimate of the timing of the expected payments, i.e. upon the receipt of the payment of the tariff adjustment by the Target Portfolio from the PRC Government or on the fourth anniversary of the Listing Date, whichever is earlier, by us. The imputed interest expenses arising from the Deferred Outstanding Amount, calculated by multiplying the outstanding Deferred Outstanding Amount with the effective interest rates of 5.49%, in the amount of HK$71.0 million, was recognized as finance costs in the unaudited pro forma consolidated income statement and statement of other comprehensive income of the Enlarged Group for the year ended December 31, 2018. The imputed interest expense is a hypothetical expense as calculated in accordance with the HKFRS, it had no cash flow impact during the Track Record Period and in the future. See notes 5 and 7 to the unaudited pro formal consolidated financial information set forth in Appendix II to this prospectus for further information. We did not incur such expense during the Track Record Period.

The Deferred Outstanding Amount was then carried at amortized cost using the effective interest method. Subsequently, if we revise our estimate of the timing of the expected payments, the carrying amount of the Deferred Outstanding Amount will be adjusted to reflect the actual/revised estimated cash flow. Such adjustments would be recognized through our consolidated income statement and would have a continuing effect on the Enlarged Group until the full payment of the Outstanding Amount.

You should read the following discussion and analysis in conjunction with the Accountant's Reports of the Target Companies for the Track Record Period, including notes thereto, set forth in Appendices IB to IF to this prospectus. The financial information set forth in the appendices has been prepared in accordance with HKFRS. The discussion and analysis set forth in this section are presented on a combined basis, further information on the bases of which is set forth in the paragraphs under "Basis of preparation of each of the accountant's reports of the Hong Kong companies comprising the Target Companies" below.

We entered into the Target Sale and Purchase Agreement, pursuant to which we have agreed to acquire from Xinyi Solar Farm (1) all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer (or their holding companies) which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. Save for the Listing, all conditions precedent set forth in the Target Sale and Purchase Agreement are satisfied. The Target Acquisition will be completed upon the settlement of an upfront payment of 50.0% of the Agreed Purchase Price out of the net proceeds from the Global Offering, see the section headed "Proposed Use of Net Proceeds from the Global Offering" in this prospectus for further information. We expect that the Target Acquisition will be completed within one month immediately after the Listing Date. For details on the payment arrangement of the Outstanding Amount and that we are not relying on Xinyi Solar, see the section headed "Relationship with our Controlling Shareholders" in this prospectus.

OVERVIEW

Pursuant to the Target Sale and Purchase Agreement, we have agreed to acquire from Xinyi Solar Farm (1) all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer (or their holding companies) which hold, through their respective wholly-owned subsidiaries in the PRC, the utility-scale ground-mounted solar farm projects under the Target Portfolio. The accountant's report of each of New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group, and Sky Cheer Group is set forth in Appendices IB to IF to this prospectus.

Pursuant to the terms of the Target Sale and Purchase Agreement, we will settle an upfront payment of 50.0% of the Agreed Purchase Price out of the net proceeds from the Global Offering. The Outstanding Amount will be settled by us on the earlier of (a) fourth anniversary of the Listing Date, which is currently expected to be in 2023 and (b) by instalments following the receipt of the tariff adjustment relating to the electricity generated by the solar farm projects under the Target Portfolio. For details on the payment arrangement and that we are not relying on Xinyi Solar, see the section headed "Relationship with our Controlling Shareholders — Payment arrangement under the Target Sale and Purchase Agreement and sustainability of our business" in this prospectus.

BASIS OF PREPARATION OF EACH OF THE ACCOUNTANT'S REPORTS OF THE HONG KONG COMPANIES COMPRISING THE TARGET COMPANIES

The basis of preparation of the accountant's report of each of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer (collectively, the "**Hong Kong companies**") is the same, and all of these companies are incorporated in Hong Kong and are investment holding companies without carrying on any business activities in Hong Kong and elsewhere. Each of the Hong Kong companies has its own wholly-owned subsidiary established in the PRC which in turns owns and operate the utility-scale ground-mounted solar farm projects under the Target Portfolio. The operating results of each of the Hong Kong companies are prepared on a consolidated basis during the Track Record Period, and the combined results of the Target Companies set out below are prepared on simple add up basis.

The principal accounting policies applied in the preparation of the consolidated financial information of each of Hong Kong companies comprising the Target Companies is in accordance with the HKFRSs as further described in note 2 to the Accountant's Reports of each of the Hong Kong companies set forth in Appendices IB to IF to this prospectus. All Hong Kong companies are currently owned by Xinyi Solar Farm (1) which is the vendor in the Target Acquisition. The director of each of Hong Kong companies confirm that no reorganization steps have been taken place in relation to the shareholding structure of each of the Hong Kong companies for the purpose of the Target Acquisition. Pursuant to the Target Sale and Purchase Agreement, our Company will acquire the issued share capital of each of the Hong Kong companies comprising the Target Companies (or its holding company for tax efficient purpose). Following completion of the Target Acquisition, the results of each of the Hong Kong companies comprising the Target Companies (or its holding company for tax efficient purpose) will be consolidated into our financial statements. Completion of the Target Acquisition is expected to take place within one month from the Listing Date. We can consolidate the results of the Target Companies upon obtaining control of the Target.

The combined results of the Target Companies are prepared for information purpose only and for the ease of analysis of the operating results and the financial position of the Target Companies as a whole. Such information is unaudited and does not form part of the audited consolidated results of each of the Target Companies.

CRITICAL ACCOUNTING POLICIES

The following sets forth a summary of the most critical accounting policies, see note 2 to the Accountant's Reports of each of the Hong Kong companies set forth in Appendices IB to IF to this prospectus for further information.

Revenue recognition

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

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

— provides all benefits received and consumed simultaneously by the customer;

— creates and enhances an asset that the customer controls as the Target Companies perform; or

— does not create an asset with an alternative use to the Target Companies and the Target Companies have an enforceable right to payment for performance completed to date.

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

The Target Companies base their estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Revenue is recognized as follows:

Sale of electricity

Revenue arising from the sale of electricity is recognized in the accounting period when electricity is generated and transmitted.

Tariff adjustment

Tariff adjustment represents the subsidy received and receivable from the PRC Government on the sale of electricity to the customer pursuant to the government policy on subsidies of solar energy in the tariff adjustment is recognized at its fair value when there is a reasonable assurance that such amount will be received and the relevant company will comply with all attached conditions, if any. Tariff adjustment receivables arising from sale of electricity were all due from customers which are local subsidiaries of the State Grid.

Under the Feed-in-Tariff regime, the utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years for electricity generated after the solar farm projects are grid-connected.

Given the track record of repayment of monthly receivables from sale of electricity and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors consider that all trade receivables would be recoverable. As of the Latest Practicable Date, the Target Companies have received tariff adjustment of RMB15.2 million (equivalent to HK$17.3 million) from the local subsidiaries of the State Grid out of the tariff adjustment receivables in relation to the electricity generated from the Target Portfolio. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid.

The relevant Hong Kong company has elected to early adopt HKFRS 15 for the two years ended December 31, 2017 using full retrospective approach. The HKFRS 15 establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 requires the application of a five-step approach to revenue recognition:

(i) identify the contract(s) with a customer;

(ii) identify the performance obligations in the contract;

(iii) determine the transaction price;

(iv) allocate the transaction price to each performance obligation; and

(v) recognize revenue when each performance obligation is satisfied.

Property, plant and equipment, and depreciation

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

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

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

Depreciation of completed solar farm projects commences when the solar farm projects are successfully connected to grids and completed trial operation. Depreciation of completed property, plant and equipment other than solar farm projects commences when the assets are ready for use.

- Solar farm projects	25 years
- Buildings	30 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (loss)/gain, net" in the consolidated income statements.

Borrowings

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

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

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognized in consolidated income statements in the period in which they are incurred.

Government grants

Grants from the PRC Government are recognized at their fair value where there is a reasonable assurance that the grant will be received and that the relevant company will be able to comply with all attached conditions.

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

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

Income tax expense

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

Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Outside basis differences

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

(c) Offsetting

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

Early adoption of HKFRS 9 and HKFRS 15

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The Target Companies have elected to early adopt HKFRS 9 for the years ended December 31, 2016 and 2017 retrospectively in accordance with the transitional provisions in HKFRS 9.

The new standard replaces the provisions of HKAS 39 "Financial instruments: Recognition and measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial instruments: Disclosures". The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses.

There is no impact on their accounting policies and financial information upon the adoption of HKFRS 9, which addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Target Companies have elected to early adopt HKFRS 15 for the two years ended December 31, 2017 using full retrospective approach.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and related interpretations.

There is no impact on their accounting policies and financial information upon the adoption of HKFRS 15 relate to the recognition, classification, and measurement of revenue and costs.

Impact of HKFRS 16

Date of adoption

The Target Companies have applied the standard from its mandatory adoption date of January 1, 2019. The Target Companies have applied the full retrospective approach. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Nature of change

HKFRS 16 was issued in January 2016. It results in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 primarily affects the accounting for the Target Companies' operating leases. As of December 31, 2016, 2017, and 2018, the Target Companies had non-cancellable operating lease commitments of HK$225,056,000, HK$383,342,000, and HK$358,646,000 respectively. The Target Companies expect to recognize right-of-use assets of approximately HK$152,652,000 on January 1, 2019, lease liabilities of HK$166,930,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets are approximately HK$13,540,000 lower, and net current assets are HK$1,550,000 lower due to the presentation of a portion of the liability as a current liability.

We have assessed that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for the year ending December 31, 2019 as a result of adoption the new rules are immaterial.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The financial information of each of the Target Companies is prepared in accordance with HKFRS, which requires the relevant management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial information and the reported amounts of revenues and expenses during the financial reporting period.

The relevant management continually evaluates these estimates and assumptions based on the most recently available information, their own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. The relevant management will continuously assess our assumptions and estimates going forward and will revise them as needed. The relevant management considers the policies discussed below to be critical to an understanding of our combined financial information as their application places the most significant demands on our management's judgment.

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

Impairment of trade and other receivables

The relevant management makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

Useful lives of property, plant and equipment

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

Impairment of non-financial assets

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

Current income tax

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

FINANCIAL INFORMATION OF THE TARGET COMPANIES DURING THE YEAR ENDED AND AS OF DECEMBER 31, 2018

The following combined results of the Target Companies are prepared on a simple add up basis. It is unaudited and does not form part of the audited consolidated results of each of the Target Companies.

Combined income statements and statements of comprehensive income

	Year ended December 31, 2018					
	New Wisdom Group	**Sky Falcon Group**	**Perfect Alliance Group**	**Profit Noble Group**	**Sky Cheer Group**	**Target Companies**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*
Revenue	152,217	124,629	186,973	27,005	58,492	549,316
Cost of sales	(35,680)	(25,767)	(45,358)	(8,531)	(15,450)	(130,786)
Gross profit	116,537	98,862	141,615	18,474	43,042	418,530
Other income	5,740	1,256	1,142	72	90	8,300
Other gain/(loss), net	(437)	102	(357)	204	(105)	(593)
Administrative expenses	(1,690)	(1,125)	(1,339)	(309)	(547)	(5,010)
Operating profit	120,150	99,095	141,061	18,441	42,480	421,227
Finance income	99	24	22	12	8	165
Finance costs	(9,671)	(12,440)	(19,584)	—	—	(41,695)
Profit before income tax	110,578	86,679	121,499	18,453	42,488	379,697
Income tax expenses	(1,371)	(288)	(192)	(9)	—	(1,860)
Profit for the year attributable to equity holders	109,207	86,391	121,307	18,444	42,488	377,837
Profit for the year	109,207	86,391	121,307	18,444	42,488	377,837
Other comprehensive (loss)/income, net of tax:						
Currency translation differences	(53,946)	(44,091)	(67,007)	(12,891)	(20,599)	(198,534)
Total comprehensive income for the year attributable to equity holders	55,261	42,300	54,300	5,553	21,889	179,303

Combined balance sheets

	As of December 31, 2018					
	New Wisdom Group	Sky Falcon Group	Perfect Alliance Group	Profit Noble Group	Sky Cheer Group	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
ASSETS						
Non-current assets						
Property, plant and equipment	857,275	586,124	1,229,468	185,697	305,447	3,164,011
Prepayments for property, plant and equipment and operating leases	2,691	7,781	3,726	207	325	14,730
Total non-current assets	859,966	593,905	1,233,194	185,904	305,772	3,178,741
Current assets						
Trade and other receivables	278,934	230,969	314,053	49,278	87,956	961,190
Amounts due from related parties	5,080	23,125	317,305	26,903	—	372,413
Cash and cash equivalents	9,234	11,201	2,329	6,420	3,095	32,279
Total current assets	293,248	265,295	633,687	82,601	91,051	1,365,882
Total assets	1,153,214	859,200	1,866,881	268,505	396,823	4,544,623
EQUITY						
Capital and reserves attributable to the Company's equity						
Share capital	10	10	10	10	10	50
Other reserves	221,441	222,065	590,212	208,784	288,743	1,531,245
Retained earnings	180,579	158,499	174,210	43,739	52,084	609,111
Total equity	402,030	380,574	764,432	252,533	340,837	2,140,406
LIABILITIES						
Non-current liabilities						
Other payables	9,001	3,210	23,029	1,242	1,411	37,893
Bank borrowings	—	—	591,646	—	—	591,646
Total non-current liabilities	9,001	3,210	614,675	1,242	1,411	629,539
Current liabilities						
Accruals and other payables	114,278	40,226	266,233	14,666	27,338	462,741
Amounts due to related parties	391,237	147,794	118,110	64	27,237	684,442
Current income tax liabilities	1,366	175	181	—	—	1,722
Bank borrowings	235,302	287,221	103,250	—	—	625,773
Total current liabilities	742,183	475,416	487,774	14,730	54,575	1,774,678
Total liabilities	751,184	478,626	1,102,449	15,972	55,986	2,404,217
Total equity and liabilities	1,153,214	859,200	1,866,881	268,505	396,823	4,544,623

FINANCIAL INFORMATION OF THE TARGET COMPANIES DURING THE YEAR ENDED AND AS OF DECEMBER 31, 2017

The following combined results of the Target Companies are prepared on a simple add up basis. It is unaudited and does not form part of the audited consolidated results of each of the Target Companies.

Combined income statements and statements of comprehensive income

	Year ended December 31, 2017					
	New Wisdom and its subsidiaries	Sky Falcon and its subsidiary	Perfect Alliance and its subsidiary	Profit Noble and its subsidiary	Sky Cheer and its subsidiary	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Revenue	99,067	94,223	98,723	26,183	19,276	337,472
Cost of sales	(24,077)	(20,395)	(24,479)	(7,732)	(4,225)	(80,908)
Gross profit	74,990	73,828	74,244	18,451	15,051	256,564
Other income	871	3,194	653	379	250	5,347
Other gain/(loss), net	(658)	865	434	(482)	8	167
Administrative expenses	(2,882)	(1,984)	(1,197)	(380)	(151)	(6,594)
Operating profit	72,321	75,903	74,134	17,968	15,158	255,484
Finance income	4,996	37	28	35	7	5,103
Finance costs	(8,212)	(8,740)	—	—	—	(16,952)
Profit before income tax	69,105	67,200	74,162	18,003	15,165	243,635
Income tax expense	—	(680)	—	—	(15)	(695)
Profit for the year attributable to equity holders	69,105	66,520	74,162	18,003	15,150	242,940
Profit for the year	69,105	66,520	74,162	18,003	15,190	242,940
Other comprehensive (loss)/income, net of tax						
Currency translation differences	35,572	34,180	37,512	13,625	8,203	129,092
Total comprehensive income for the year attributable to equity holders	104,677	100,700	111,674	31,628	23,353	372,032

Combined balance sheets

	As of December 31, 2017					
	New Wisdom and its subsidiaries	**Sky Falcon and its subsidiary**	**Perfect Alliance and its subsidiary**	**Profit Noble and its subsidiary**	**Sky Cheer and its subsidiary**	**Target Companies**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*
ASSETS						
Non-current assets						
Property, plant, and equipment	710,626	631,688	973,674	196,676	285,098	2,797,762
Prepayments for property, plant and equipment and operating leases	12,169	13,278	8,134	244	2,904	36,729
Total non-current assets	722,795	644,966	981,808	196,920	288,002	2,834,491
Current assets						
Trade and other receivables	193,136	171,649	195,032	52,237	48,069	660,123
Amounts due from related parties	4,987	—	178,652	4,717	—	188,356
Cash and cash equivalents	11,221	6,832	51,656	11,036	5,447	86,192
Total current assets	209,344	178,481	425,340	67,990	53,516	934,671
Total assets	932,139	823,447	1,407,148	264,910	341,518	3,769,162
EQUITY						
Capital and reserves attributable to the Target's equity holders						
Share capital	10	10	10	10	10	50
Other reserves	264,098	147,720	643,809	217,770	154,113	1,427,510
Retained earnings	82,661	81,460	66,313	27,038	13,638	271,110
Total equity	346,769	229,190	710,132	244,818	167,761	1,698,670
LIABILITIES						
Non-current liabilities						
Bank borrowings	235,302	287,221	193,194	—	—	715,717
Other payables	3,420	5,020	12,033	1,484	5,300	27,257
Total non-current liabilities	238,722	292,241	205,227	1,484	5,300	742,974
Current liabilities						
Accruals and other payables	93,277	66,424	194,735	18,551	61,037	434,024
Bank borrowings	77,385	94,582	—	—	—	171,967
Amounts due to related parties	175,986	141,010	297,054	57	107,405	721,512
Current income tax liabilities	—	—	—	—	15	15
Total current liabilities	346,648	302,016	491,789	18,608	168,457	1,327,518
Total liabilities	585,370	594,257	697,016	20,092	173,757	2,070,492
Total equity and liabilities	932,139	823,447	1,407,148	264,910	341,518	3,769,162

FINANCIAL INFORMATION OF THE TARGET COMPANIES DURING THE YEAR ENDED AND AS OF DECEMBER 31, 2016

Combined income statements and statements of comprehensive income

	Year ended December 31, 2016				Period from January 8 to December 31, 2016	Year ended December 31, 2016
	New Wisdom and its subsidiaries	Sky Falcon and its subsidiary	Perfect Alliance and its subsidiary	Profit Noble and its subsidiary	Sky Cheer and its subsidiary	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Revenue	31,047	35,117	5,357	15,391	—	86,912
Cost of sales	(7,385)	(10,309)	(4,811)	(4,875)	—	(27,380)
Gross profit	23,662	24,808	546	10,516	—	59,532
Other income	557	1,190	—	875	—	2,622
Other gain/(loss), net	492	(48)	(65)	1,129	—	1,508
Administrative expenses	(987)	(694)	(5)	(431)	(1)	(2,118)
Operating profit	23,724	25,256	476	12,089	(1)	61,544
Finance income	3	36	—	13	—	52
Finance costs	(417)	(139)	—	—	—	(556)
Profit before income tax	23,310	25,153	476	12,102	(1)	61,040
Income tax expense	—	—	—	—	—	—
Profit for the year/period attributable to equity holders	23,310	25,153	476	12,102	(1)	61,040
Profit (loss) for the year/period	23,310	25,153	476	12,102	(1)	61,040
Other comprehensive loss, net of tax						
Currency translation differences	(11,667)	(15,517)	(6,221)	(6,826)	(137)	(40,368)
Total comprehensive loss for the year/period attributable to equity holders	11,643	9,636	(5,745)	5,276	(138)	20,672

Combined balance sheets

	As of December 31, 2016					
	New Wisdom and its subsidiaries	Sky Falcon and its subsidiary	Perfect Alliance and its subsidiary	Profit Noble and its subsidiary	Sky Cheer and its subsidiary	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*
ASSETS						
Non-current assets						
Property, plant, and equipment	418,262	384,457	443,663	178,433	15,448	1,440,263
Prepayments for property, plant and equipment and operating leases	14,144	12,189	16,451	1,299	12,354	56,437
Total non-current assets	432,406	396,646	460,114	179,732	27,802	1,496,700
Current assets						
Trade and other receivables	87,708	74,072	56,197	32,895	1,833	252,705
Amounts due from related parties	131,538	134,387	—	1	10	265,936
Cash and cash equivalents	16,012	10,477	19,148	16,950	13,407	75,994
Total current assets	235,258	218,936	75,345	49,846	15,250	594,635
Total assets	667,664	615,582	535,459	229,578	43,052	2,091,335
EQUITY						
Capital and reserves attributable to the Target's equity holders						
Share capital	10	10	10	10	10	50
Other reserves	(9,674)	(13,242)	(6,221)	(5,633)	(137)	(34,907)
Retained earnings/(accumulated losses)	20,983	22,582	468	10,892	(1)	54,924
Total equity/(deficit)	11,319	9,350	(5,743)	5,269	(128)	20,067
LIABILITIES						
Non-current liabilities						
Bank borrowings	311,322	380,134	—	—	—	691,456
Other payables	5,319	3,608	9,485	1,202	824	20,438
Total non-current liabilities	316,641	383,742	9,485	1,202	824	711,894
Current liabilities						
Accruals and other payables	91,770	64,604	108,321	20,264	7,416	292,375
Bank borrowings	—	—	—	—	—	—
Amounts due to related parties	247,934	157,886	423,396	202,843	34,940	1,066,999
Total current liabilities	339,704	222,490	531,717	223,107	42,356	1,359,374
Total liabilities	656,345	606,232	541,202	224,309	43,180	2,071,268
Total equity/(deficit) and liabilities	667,664	615,582	535,459	229,578	43,052	2,091,335

The amount of the currency translation differences represents the differences in the exchange rates between our reporting currency and the foreign currencies at the beginning and the end of the reporting year. These exchange differences are charged to our consolidated statement of comprehensive income because they are relating to the translation of foreign operations as of the respective reporting dates and arising in the preparation of our audited consolidated financial statements. Due to the depreciation of RMB against HK$ in 2016, the translation of RMB into HK$ resulted in an exchange loss of HK$40.4 million, on translation of foreign operations in the PRC. Due to the appreciation of RMB in 2017, there was an exchange gain on translation of our foreign operations in the PRC of HK$129.1 million. The exchange loss on translation of our foreign operations in the PRC was HK$198.5 million in 2018. These translation gains or losses have no impact on our profitability.

Non-HKFRS financial measures

The following discussions and analyses are based on the consolidated financial information of the Target Companies. As we intend to purchase all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer in one transaction and that the Target Portfolio as a whole will be managed by us following completion of the Target Acquisition, our Directors consider that it would be useful if the following discussions and analyses are presented on a combined basis, so that a complete picture of the operating results and the financial position of the Target Portfolio during the three years ended and as of December 31, 2018 are to be presented, discussed, analyzed without any distortion that may be caused by concentrating on the operating results and the financial position of each Target Company.

The Target Companies have presented in this prospectus the Adjusted EBITDA which is not a financial measure under the HKFRS. This financial measure is not audited, not included in the financial statements and not presented in accordance with the HKFRS. Although some of this financial measure are reconcilable to line items on the financial statements, it should not be considered as a measure which is comparable to, and should not be used as a substitutes for, items in income statement or cash flow statement in the financial statements set forth in Appendix IB to this prospectus. This financial measure is not necessarily an indication of whether cash flow will be sufficient to fund the cash requirements. In addition, the definition of this measure may not be comparable to other similarly titled measures used by other companies. It has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of the financial results presented under the HKFRS.

(1) Adjusted EBITDA

"**Adjusted EBITDA**" is defined as the consolidated profit/(loss) for the relevant year, but excludes tax expense; finance costs; finance income; depreciation of property, plant and equipment; amortization (if applicable); and after eliminating the effects of the Adjustments (if applicable) for that year.

"**Adjustments**" refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

— other gain/(loss), net;

— other income;

— unrealized revaluation gains, including impairment provisions or reversal of impairment provisions;

— impairment of goodwill/recognition of negative goodwill;

— material non-cash gains/losses; and

— costs of any offering of Shares that are expensed through the consolidated income statements but are funded by proceeds from the issuance of Shares.

The table below sets forth a reconciliation of the Adjusted EBITDA and the Distributable Income for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	61,040	242,940	377,837
Income tax expense	—	695	1,860
Finance costs	556	16,952	41,695
Finance income	(52)	(5,103)	(165)
Depreciation of property, plant, and equipment	24,117	68,369	117,379
Adjustments[1]:			
Other income	(2,622)	(5,347)	(8,300)
Other gain, net	(1,508)	(167)	593
Adjusted EBITDA for the year	81,531	318,339	530,899
Less:			
Corporate income tax at notional rate	(15,260)	(60,909)	(94,924)
Dividend withholding tax at notional rate	(2,706)	(12,196)	(18,094)
Notional long-term debt repayment principal amount	(35,560)	(47,820)	(69,516)
Actual finance costs	(2,531)	(24,708)	(42,868)
Distributable Income for the year[2]	25,474	172,706	305,497

Notes:

(1) The purpose of the adjustment is to exclude the impact on the Adjusted EBITDA that may be arisen from the items which are not directly relevant to the operation of the solar farm projects.

(2) The inclusion of the amounts of the Distributable Income during the Track Record Period is for illustration purpose only. No representation is made that investors taking up our Shares under the Global Offering will be entitled to such historical amounts of the Distributable Income. The amount of the Distributable Income in each year is based on the Adjusted EBITDA in the year, further information on which is set forth in the section headed "Distributions" in this prospectus.

DESCRIPTION OF SELECTED ITEMS IN THE COMBINED INCOME STATEMENTS

The following discussions and analyses are based on the combined financial information of the Target Companies. As we intend to purchase all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer in one transaction and that the Target Portfolio as a whole will be managed by us following completion of the Target Acquisition, our Directors consider that it would be useful if the following discussions and analyses are presented on a combined basis, so that a complete picture of the operating results and the financial position of the Target Portfolio during the three years ended and as of December 31, 2018 are to be presented, discussed, analyzed without any distortion that may be caused by concentrating on the operating results and the financial position of each of the Target Companies.

Revenue

The Feed-in-Tariff for utility-scale ground-mounted solar farm projects is composed of two components: the sale of electricity and the tariff adjustment. Sale of electricity is charged at the base tariff rates equivalent to the on-grid benchmark tariff rates of local coal-fired power plants. The tariff adjustment is the difference between the Feed-in-Tariff and the sale of electricity at the base tariff rates.

Sale of electricity represents the portion of revenue when it is generated and transmitted. Tariff adjustment represents the portion of revenue received or receivable from the PRC Government.

During the Track Record Period, the revenue from the Target Companies represented the income generated from the sale of electricity and the tariff adjustment. The table below sets forth an analysis of the revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Sale of electricity	32,900	37.9	131,173	38.9	224,992	41.0
Tariff adjustment	54,012	62.1	206,299	61.1	324,324	59.0
Total	86,912	100.0	337,472	100.0	549,316	100.0

Cost of sales

The cost of sales consists of depreciation, operating lease expenses, electricity cost incurred on the Target Portfolio. Depreciation represents the depreciation of the solar panels and the ancillary equipment used and installed at the solar farm projects under the Target Portfolio. The Target Companies incur operating lease expenses for the land of the solar farm projects that the Target Companies leased from Independent Third Parties. Electricity cost represents the electricity used by the solar farm projects in the solar farm operation. The Target Companies purchase electricity from the local subsidiaries of the State Grid for the solar farm operations. The table below sets forth an analysis of the cost of sales of the Target Companies for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*% to revenue*	*HK$'000*	*% to revenue*	*HK$'000*	*% to revenue*
Depreciation	24,116	27.7	68,334	20.2	117,315	21.4
Operating lease expenses	2,675	3.1	10,591	3.1	10,145	1.8
Electricity cost	589	0.7	1,983	0.6	3,326	0.6
Total	27,380	31.5	80,908	24.0	130,786	23.8

Gross profit and gross profit margin

The gross profit represents the difference between the revenue and the cost of sales during a particular year. The table below sets forth the amount of gross profit and gross profit margin for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*% to revenue*	*HK$'000*	*% to revenue*	*HK$'000*	*% to revenue*
Gross profit	59,532	68.5	256,564	76.0	418,530	76.2

Other income

Other income consisted of discounts received from suppliers for early settlement of the Target Companies' payables.

Other gain/(loss), net

Other gain/(loss), net, represented foreign exchange gain/(loss). The table below sets forth an analysis of other gain/(loss), net, for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Foreign exchange gain/(loss), net	1,508	167	(593)

Administrative expenses

The table below sets forth an analysis of the administrative expenses for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Rental	372	432	234
Miscellaneous taxes and duties	51	464	603
Employees' benefit expenses	278	547	662
Bank charges	19	44	50
Auditor's remuneration	13	100	60
Legal and professional fees	8	422	11
Depreciation	1	35	64
Others(1)	1,376	4,550	3,326
Total	2,118	6,594	5,010

Note:

(1) Other expenses include miscellaneous expenses incurred by the Target Companies, such as utility charges, travelling expenses, printing and stationery costs.

Operating (loss)/profit

During the Track Record Period, the amount of operating (loss)/profit amounted to HK$61.5 million, HK$255.5 million, and HK$421.2 million, respectively. The significant increase in the operating profit was primarily driven by the increase in revenue following the grid connection of increasing number of solar farm projects under the Target Portfolio. The cost of sales and other operating costs include certain fixed costs that do not increase in proportion to the increase in revenue and hence, the Target Companies recorded increases in the gross profit as well as the gross profit margin.

Financial costs and finance income

The table below sets forth an analysis of the finance costs and finance income for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on bank borrowings	2,531	19,721	42,775
Interest expense on the advances from fellow subsidiaries	—	4,987	93
Less: Amount capitalized on construction in progress	(1,975)	(7,756)	(1,173)
Total finance costs	556	16,952	41,695
Interest income from bank deposits	52	116	72
Interest income from the advances to fellow subsidiaries	—	4,987	93
Total finance income	52	5,103	165

Income tax expenses

The income tax expense primarily consists of income tax payable by the subsidiaries of Xinyi Solar Farm (1) in the PRC and Hong Kong.

Provision made for CIT amounted to nil, HK$695,000, and HK$1,860,000, respectively, for the Track Record Period. The statutory rate for CIT applicable to the PRC subsidiaries comprising the Target Companies is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Technology (Wuhu), are eligible for full exemption from the PRC CIT for the first three years commencing from the first year of revenue generation, followed by a 50% reduction of the CIT payable for the next three years of business operations. However, the insurance claim received during the Track Record Period was subject to the CIT with the statutory income tax rate of 25%. If all utility-scale ground-mounted solar farm projects under the Target Portfolio were not entitled to the preferential tax treatment, the subsidies of the Target Companies in the PRC would have been subject to the CIT at the rate of 25%. On a hypothetical basis and assuming that all utility-scale ground-mounted solar farm projects under the Target Portfolio were subject to the CIT at the rate of 25%, the CIT payable during the Track Record Period would have amounted to HK$15.2 million, HK$60.9 million, and HK$94.9 million, respectively, as compared with the actual payment during the same period of nil, HK$0.7 million, and HK$1.9 million, respectively. The effective tax rates of the Target Companies during the Track Record Period were nil, 0.29%, and 0.49%, respectively. These hypothetical amounts of CIT would have reduced the (loss)/profit after income tax of the Target Companies during the Track Record Period to HK$45.8 million, HK$182.7 million, and HK$284.8 million, respectively. Without the preferential tax treatment, the PRC income tax rates of the Target Companies for the Track Record Period would have been 25.0%.

Under Hong Kong law, the Hong Kong subsidiaries of Xinyi Solar Farm (1) are subject to Hong Kong profits tax at the rate of 16.5% on the assessable profits arising in, or derived from Hong Kong. Hong Kong adopts a territorial basis of taxation. No provision for Hong Kong profits tax has been made during the Track Record Period as the Target Companies did not have any assessable profits arising in Hong Kong during the same period.

OPERATING RESULTS OF THE TARGET COMPANIES

The following discussions and analyses are based on the combined financial information of the Target Companies. As we intend to purchase all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer in one transaction and that the Target Portfolio as a whole will be managed by us following completion of the Target Acquisition, our Directors consider that it would be useful if the following discussions and analyses are presented on a combined basis, so that a complete picture of the operating results and the financial position of the Target Portfolio during the three years ended and as of December 31, 2018 are to be presented, discussed, analyzed without any distortion that may be caused by concentrating on the operating results and the financial position of each of the Target Companies.

Comparison of the operating results between the year ended December 31, 2018 and the year ended December 31, 2017

Revenue

Sale of electricity

During the year ended December 31, 2018, all the six utility-scale ground-mounted solar farm projects were grid-connected but they were not operating in full capacity (other than Huainan Solar Farm).

Sale of electricity of HK$225.0 million during the year ended December 31, 2018 were attributable to electricity generation and sales, as compared to HK$131.2 million for the year ended December 31, 2017. The units of electricity sold during the year ended December 31, 2018 were 561.47 GWh.

Tariff adjustment

Tariff adjustment in the amount of HK$324.3 million and HK$206.3 million for the year ended December 31, 2018 and 2017, respectively, correspond with the sale of electricity during the relevant periods.

Cost of sales

Cost of sales of HK$130.8 million during the year ended December 31, 2018, as compared to HK$80.9 million for the year ended December 31, 2017, primarily comprised: (i) depreciation of HK$117.3 million; (ii) operating lease expenses of HK$10.1 million; and (iii) electricity cost of HK$3.4 million.

The increase in the cost of sales was primarily due to the full year grid connection of the utility-scale ground-mounted solar farm projects under the Target Portfolio.

Depreciation

Depreciation expense increased significantly by 71.7% to HK$117.3 million during the year ended December 31, 2018 from HK$68.3 million during the year ended December 31, 2017. The increase was primarily due to the increase in property, plant and equipment, i.e. the solar farm projects in operation.

Operating lease expenses

Operating lease expenses decreased slightly by 4.7% to HK$10.1 million during the year ended December 31, 2018 from HK$10.6 million during the year ended December 31, 2017. There was no change in the area of leased land for the grid-connected solar farm projects and the decrease was due to certain minor adjustments to the amount of rental paid during the year.

Electricity cost

The electricity cost represented the cost of electricity consumed for the operation of solar farm projects under the Target Portfolio. During the year ended December 31, 2018, such cost amounted to HK$3.3 million, as compared with HK$2.0 million during the year ended December 31, 2017. The increase was mainly due to the increase in the number of grid-connected solar farm projects during the year.

Gross profit

During the year ended December 31, 2018, the amount of gross profit increased by 63.1% to HK$418.5 million as compared with HK$256.6 million during the year ended December 31, 2017. The improvement was primarily due to the grid connection and sale of electricity during the year ended December 31, 2018. The gross profit margin during the year ended December 31, 2018 was 76.2%, representing a slight increase from 76.0% for the year ended December 31, 2017 due to the decrease in the cost of electricity during the year.

Other income

During the year ended December 31, 2018, the Target Companies recorded other income of HK$8.3 million, as compared to HK$5.3 million for the year ended December 31, 2017. The increase was due to the government grant received.

Other gain/(loss), net

During the year ended December 31, 2018, the Target Companies recorded HK$0.6 million foreign exchange loss, as compared to foreign exchange gain of HK$0.2 million for the year ended December 31, 2017 due to the difference between the exchange rates used by the Target Companies and the actual exchange rates for remittance of funds to the PRC for the construction of solar farm projects.

Operating profit

The Target Companies had operating profit of HK$421.2 million for the year ended December 31, 2018 with an operating margin of 76.7%, as compared to an operating profit of HK$255.5 million with the operating margin of 75.7% for the year ended December 31, 2017. The improvement in operating results was attributable to the increase in revenue following the grid-connection and sale of electricity during the year.

Finance costs and finance income

Finance costs were HK$41.7 million for the year ended December 31, 2018, as compared with HK$17.0 million for the year ended December 31, 2017. The increase was due to the net effect of, among other things, (a) a corresponding increase in bank loan balance to HK$1,217.4 million as of December 31, 2018 which resulted in interest expense of HK$42.9 million and (b) capitalization of interest expenses of HK$1.2 million.

Finance income represented the interest on bank deposits maintained by the Target Companies.

Income tax expense

The Target Companies incurred income tax expense for the year ended December 31, 2018 in the amount of HK$1.9 million as compared to HK$0.7 million for the year ended December 31, 2017. Members of the Target Companies were eligible for full exemption from the CIT for the first three years commencing from the first revenue-generating year, after offsetting prior year losses, followed by 50% reduction during the next three years of business operation.

The Target Companies incurred income tax expense for the year ended December 31, 2017 primarily due to the receipt of government grant and insurance claims.

Profit for the year

The Target Companies had profit for the year attributable to equity owners of HK$377.8 million for the year ended December 31, 2018, as compared with the profit attributable to equity owners of HK$242.9 million for the year ended December 31, 2017.

Comparison of the operating results between the year ended December 31, 2017 and the year ended December 31, 2016

Revenue

Sale of electricity

Grid connection of solar farm projects under the Target Portfolio commenced in 2016 with four solar farm projects connected to the transmission grid in the same year. In 2017, all the six utility-scale ground-mounted solar farm projects were grid-connected but were not operating in full capacity (other than Huainan Solar Farm).

Sale of electricity of HK$131.2 million in 2017 were attributable to electricity generation and sales. The units of electricity sold during the year were 349.1 GWh.

Tariff adjustment

Tariff adjustment in the amount of HK$206.3 million and HK$54.0 million for the two years ended December 31, 2017 were corresponding with the sale of electricity during the two years.

Cost of sales

Cost of sales of HK$80.9 million in 2017 primarily comprised: (i) depreciation of HK$68.3 million; (ii) operating lease expenses of HK$10.6 million; and (iii) electricity cost of HK$2.0 million.

Depreciation

Depreciation expense significantly increased by 183.4% to HK$68.3 million in 2017 from HK$24.1 million in 2016. The increase was primarily due to the increase in property, plant and equipment, i.e. the solar farm projects in operation.

Operating lease expenses

Operating lease expenses increased by 292.6% to HK$10.6 million in 2017 from HK$2.7 million in 2016. The increase was primarily due to the increase in the area of leased land for the grid-connected solar farm projects.

Electricity cost

The electricity cost represented the cost of electricity consumed for the operation of solar farm projects under the Target Portfolio. In 2017, such cost amounted to HK$2.0 million, as compared with HK$0.6 million in 2016. The increase was mainly due to the increase in the number of grid-connected solar farm projects during the year.

Gross profit

During the year ended December 31, 2017, the amount of gross profit increased by 331.0% to HK$256.6 million as compared with HK$59.5 million during the year ended December 31, 2016. The improvement was primarily due to the full-year operation and sale of electricity during the year ended December 31, 2017. The gross profit margin during the year ended December 31, 2017 was 76.0%, representing a significant improvement from 68.5% in 2016, due to the full year operation during the year ended December 31, 2017.

Other income

In 2017, the Target Companies recorded other income of HK$5.3 million, as compared with HK$2.6 million in 2016, which represented the discounts received on early settlement of the amount due to suppliers. The increase in the amount of discount was due to the increasing amount of purchase of property, plant, and equipment and the settlement of the amount due to suppliers.

Other gain, net

During the year ended December 31, 2017, the Target Companies recorded HK$0.2 million foreign exchange gain due to the difference between the exchange rates used by the Target Companies and the actual exchange rates for remittance of funds to the PRC for the construction of solar farm projects.

Operating profit

The Target Companies had operating profit of HK$255.5 million in 2017 with an operating profit margin of 75.7%, as compared to an operating profit of HK$61.5 million in 2016. The significant improvement in operating results was attributable to the increase in revenue following the full-year operation and sale of electricity during the year ended December 31, 2017.

Finance costs and finance income

Finance costs of HK$17.0 million in 2017 as compared with HK$0.6 million in 2016, which was due to the net effect of, among other things, (a) a corresponding increase in bank loan balance to HK$887.7 million as of December 31, 2017 which resulted in interest expense of HK$24.7 million and (b) capitalization of interest expenses of HK$7.8 million.

Finance income represented the interest on bank deposits maintained by the Target Companies.

Income tax expense

The Target Companies incurred income tax expense in 2017 in the amount of HK$0.7 million as compared with nil in the year ended December 31, 2016. Members of the Target Companies were eligible for full exemption from the PRC corporate income tax for the first three years commencing from the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction during the next three years.

The Target Companies incurred income tax expense in 2017 primarily due to the receipt of government grant and insurance claims.

Profit for the year

The Target Companies had profit for the year attributable to equity owners of HK$242.9 million in 2017, as compared with the profit attributable to equity owners of HK$61.0 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

The following discussions and analyses are based on the combined financial information of the Target Companies. As we intend to purchase all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer in one transaction and that the Target Portfolio as a whole will be managed by us following completion of the Target Acquisition, our Directors consider that it would be useful if the following discussions and analyses are presented on a combined basis, so that a complete picture of the operating results and the financial position of the Target Portfolio during the three years ended and as of December 31, 2018 are to be presented, discussed, analyzed without any distortion that may be caused by concentrating on the operating results and the financial position of each of the Target Companies.

The principal sources of liquidity of the Target Companies comprised cash generated from operations, bank borrowings, and amounts due to related parties. Principal uses of cash primarily include the payment of cost of sales. As of December 31, 2016, 2017, and 2018, the Target Companies had cash and cash equivalents as stated in the combined balance sheets of HK$76.0 million, HK$86.2 million, and HK$32.3 million, respectively.

The table below sets forth selected cash flow information from the consolidated statements of cash flows of each of the Target Companies for the year ended December 31, 2018:

	New Wisdom Group	Sky Falcon Group	Perfect Alliance Group	Profit Noble Group	Sky Cheer Group	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities						
Cash generated from operations	67,691	67,736	64,362	29,064	17,286	246,139
Interest paid	(10,067)	(12,799)	(18,995)	—	—	(41,861)
Income tax paid	(5)	(113)	(11)	(9)	(15)	(153)
Net cash (used in)/generated from operating activities	57,619	54,824	45,356	29,055	17,271	204,125
Cash flows from investing activities						
Purchase of property, plant and equipment	(188,100)	(37,721)	(276,320)	(13,176)	(87,826)	(603,143)
Repayment from related parties	3,153	—	—	—	—	3,153
Advances to related parties	(3,153)	(23,125)	(138,653)	(22,186)	—	(187,117)
Interest received	6	24	22	12	8	72
Net cash used in investing activities	(188,094)	(60,822)	(414,951)	(35,350)	(87,818)	(787,035)
Cash flows from financing activities						
Proceeds from bank borrowings	—	—	501,702	—	—	501,702
Repayment of bank borrowings	(77,385)	(94,582)	—	—	—	(171,967)
Repayment to related parties	—	—	(180,883)	(964)	(2,189)	(184,036)
Advances from related parties	206,138	105,238	—	3,102	70,542	385,020
Net cash generated from financing activities	128,753	10,656	320,819	2,138	68,353	530,719
Net decrease in cash and cash equivalents	(1,722)	4,658	(48,776)	(4,157)	(2,194)	(52,191)
Cash and cash equivalents at beginning of the year	11,221	6,832	51,656	11,036	5,447	86,192
Exchange differences on cash and cash equivalents	(265)	(289)	(551)	(459)	(158)	(1,722)
Cash and cash equivalents at end of the year	9,234	11,201	2,329	6,420	3,095	32,279

The table below sets forth selected cash flow information from the consolidated statements of cash flows of each of the Target Companies for the year ended December 31, 2017:

	New Wisdom Group	Sky Falcon Group	Perfect Alliance Group	Profit Noble Group	Sky Cheer Group	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities						
Profit before income tax	69,105	67,200	74,162	18,003	15,165	243,635
Adjustments for:						
Interest income	(4,996)	(37)	(28)	(35)	(7)	(5,103)
Interest expense	8,212	8,740	—	—	—	16,952
Depreciation of property, plant and equipment	20,179	17,639	20,010	7,118	3,423	68,369
	92,500	93,542	94,144	25,086	18,581	323,853
Changes in working capital:						
Trade and other receivables	(105,428)	(101,530)	(138,835)	(19,342)	(46,236)	(411,371)
Accruals and other payables	53	41	3,026	9	168	3,297
Cash (used in)/generated from operations	(12,875)	(7,947)	(41,665)	5,753	(27,487)	(84,221)
Interest paid	(8,649)	(10,568)	(194)	—	—	(19,411)
Income tax paid	(—)	(680)	—	—	—	(680)
Net cash (used in)/generated from operating activities	(21,524)	(19,195)	(41,859)	5,753	(27,487)	(104,312)
Cash flows from investing activities						
Purchases of property, plant and equipment	(271,303)	(220,885)	(407,384)	(12,100)	(193,338)	(1,105,010)
Advance to related parties	(176,431)	—	(178,652)	(4,716)	—	(359,799)
Interest received	9	37	28	35	7	116
Repayments from related parties	307,969	134,387	—	—	10	442,366
Net cash used in investing activities	(139,756)	(86,461)	(586,008)	(16,781)	(193,321)	(1,022,327)
Cash flows from financing activities						
Proceeds from bank borrowings	1,365	1,669	193,194	—	—	196,228
Advances from related parties	155,084	100,155	560,326	5,815	292,909	1,114,289
Repayments to related parties	—	—	(94,916)	(1,208)	(80,307)	(176,431)
Net cash generated from financing activities	156,449	101,824	658,604	4,607	212,602	1,134,086
Net (decrease)/increase in cash and cash equivalents	(4,831)	(3,832)	30,737	(6,421)	(8,206)	7,447
Cash and cash equivalents at beginning of the year	16,012	10,477	19,148	16,950	13,407	75,994
Exchange differences on cash and cash equivalents	40	187	1,771	507	246	2,751
Cash and cash equivalents at end of the year	11,221	6,832	51,656	11,036	5,447	86,192

The table below sets forth selected cash flow information from the consolidated statements of each of the Target companies for the year (or such shorter period of time from the date of incorporation of the relevant companies) ended December 31, 2016:

	New Wisdom Group	Sky Falcon Group	Perfect Alliance Group	Profit Noble Group	Sky Cheer Group	Target Companies
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities						
(Loss)/profit before income tax	23,310	25,153	476	12,102	(1)	61,040
Adjustments for:						
Interest income	(3)	(36)	—	(13)	—	(52)
Interest expense	417	139	—	—	—	556
Depreciation of property, plant and equipment	6,421	8,459	4,811	4,426	—	24,117
	30,145	33,715	5,287	16,515	(1)	85,661
Changes in working capital:						
Trade and other receivables	(87,708)	(77,582)	(56,197)	(30,425)	(1,833)	(253,745)
Accruals and other payables	468	3	535	(158)	—	848
Cash used in operations	(57,095)	(43,864)	(50,375)	(14,068)	(1,834)	(167,236)
Interest paid	(1,892)	(139)	—	—	—	(2,031)
Income tax paid	—	—	—	—	—	—
Net cash used in operating activities	(58,987)	(44,003)	(50,375)	(14,068)	(1,834)	(169,267)
Cash flows from investing activities						
Purchases of property, plant and equipment	(360,989)	(349,450)	(366,328)	(150,891)	(20,064)	(1,247,722)
Advance to related parties	(121,538)	(134,387)	—	—	—	(255,925)
Repayments from related parties	—	—	—	320	—	320
Interest received	3	36	—	13	—	52
Net cash used in investing activities	(482,524)	(483,801)	(366,328)	(150,558)	(20,064)	(1,503,275)
Cash flows from financing activities						
Proceeds from bank borrowings	311,322	380,134	—	—	—	691,456
Advances from related parties	230,235	145,608	435,889	181,493	35,455	1,028,680
Net cash generated from financing activities	541,557	525,742	435,889	181,493	35,455	1,720,136
Net increase/(decrease) in cash and cash equivalents	46	(2,062)	19,186	16,867	13,557	47,594
Cash and cash equivalents at beginning of the year	16,009	12,738	410	471	—	29,628
Exchange differences on cash and cash equivalents	(43)	(199)	(448)	(388)	(150)	(1,228)
Cash and cash equivalents at end of the year	16,012	10,477	19,148	16,950	13,407	75,994

Net cash used in operating activities

Net cash generated from operating activities in 2018 was HK$204.1 million, which was primarily attributable to profit before income tax of HK$379.7 million and was partially offset by (a) an increase in trade and other receivables of HK$297.9 million and (b) a increase in trade payables, accruals and other payables of HK$5.4 million.

Net cash used in operating activities in 2017 was HK$104.3 million, which was primarily attributable to (a) profit before income tax of HK$243.6 million because of commencement of grid connection of the solar farm projects under the Target Portfolio and (b) an increase in trade payables, accruals and other payables of HK$ 3.3 million which was partially offset by an increase in trade and other receivables of HK$411.4 million.

Net cash used in operating activities in 2016 was HK$169.3 million, which was primarily attributable to (a) profit before income tax of HK$61.0 million because of commencement of grid connection of the solar farm projects under the Target Portfolio and (b) an increase in accruals and other payables of HK$0.8 million which was partially offset by an increase in trade and other receivables of HK$253.7 million.

Net cash used in investing activities

Net cash used in investing activities in 2018 was HK$787.0 million which was primarily attributable to payments of capital expenditure of HK$603.1 million and advance to related parties of HK$187.1 million.

Net cash used in investing activities in 2017 was HK$1,022.3 million which was primarily attributable to payments of capital expenditure of HK$1,105.0 million and was partially offset by the receipt of interests of HK$0.1 million.

Net cash used in investing activities in 2016 was HK$1,503.3 million, which was primarily attributable to payments of capital expenditure of HK$1,247.7 million.

Net cash generated from financing activities

Net cash generated from financing activities in 2018 was HK$530.7 million which was primarily attributable to proceeds from bank borrowings of a total of HK$501.7 million, advances from related parties of HK$385.0 million and set off by the repayment to related parties of HK$184.0 million and repayment of bank borrowings of a total of HK$172.0 million.

Net cash generated from financing activities in 2017 was HK$1,134.1 million which was primarily attributable to proceeds from bank borrowings of a total of HK$196.2 million and advances from related parties of HK$1,114.3 million.

Net cash generated from financing activities in 2016 was HK$1,720.1 million, which was primarily attributable to proceeds from bank borrowings of a total of HK$691.5 million and the proceeds from related parties of HK$1,028.7 million.

PRINCIPAL COMPONENTS OF CURRENT ASSETS AND CURRENT LIABILITIES

The following discussions and analyses are based on the combined financial information of the Target Companies. As we intend to purchase all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer in one transaction and that the Target Portfolio as a whole will be managed by us following completion of the Target Acquisition, our Directors consider that it would be useful if the following discussions and analyses are presented on a combined basis, so that a complete picture of the operating results and the financial position of the Target Portfolio during the three years ended and as of December 31, 2018 are to be presented, discussed, analyzed without any distortion that may be caused by concentrating on the operating results and the financial position of each of the Target Companies.

The table below sets forth further information on current assets and liabilities at each of the indicated balance sheet dates as follows:

	As of December 31,			As of March 31,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Current assets				
Trade and other receivables	252,705	660,123	961,190	1,050,186
Amounts due from related parties	265,936	188,356	372,413	378,474
Cash and cash equivalents	75,994	86,192	32,279	25,174
Total current assets	594,635	934,671	1,365,882	1,453,834
Current liabilities				
Accruals and other payables	292,375	434,024	462,741	435,394
Bank borrowings	—	171,967	625,773	542,531
Lease liabilities	—	—	—	11,252
Amounts due to related parties	1,066,999	721,512	684,442	824,159
Current tax liabilities	—	15	1,722	4,484
Total current liabilities	1,359,374	1,327,518	1,774,678	1,817,820
Net current (liabilities)	(764,739)	(392,847)	(408,796)	(363,986)

The net current liabilities decreased by 48.6% to HK$392.8 million as of December 31, 2017 from HK$764.7 million as of December 31, 2016. The decrease was primarily due to the increase in trade and other receivables as a result of the increase in the amount of the tariff adjustment during the years ended December 31, 2017. As of December 31, 2018, the Target Companies had net current liabilities of HK$408.8 million, and the significant increase of such amount, as compared with HK$392.8 million as of December 31, 2017, was primarily due to the increase in the current portion of the bank borrowings arranged by the Target Companies for the construction of their utility-scale ground-mounted solar farm projects.

Our Directors do not consider that the position of net current liabilities of the Target Companies as of December 31, 2016, 2017, and 2018 has any impact on the merits on the Target Acquisition because of the following consideration:

(1) The determination of the Agreed Purchase Price under the Target Sale and Purchase Agreement will take into consideration the amount of "Debt" as of the Closing Account Date. Hence, the Agreed Purchase Price would be decreased by the bank borrowings (current portion and non-current portion) of the Target Companies.

(2) The amount of the bank borrowings of the Target Companies is not expected to increase significantly as the construction of the utility-scale ground-mounted solar farm projects under the Target Portfolio has been completed.

(3) The amount of the net assets of the Target Companies as of December 31, 2018 was HK$2,140.4 million. The reason for the net current liabilities of the Target Companies was primarily relating to the increase in the current portion of the bank borrowings used in the construction of the utility-scale ground-mounted solar farm projects under the Target Portfolio.

(4) The amount of the net current assets of our Group as of December 31, 2018 was HK$1,330.5 million. Our Directors do not consider that the position of net current liabilities of the Target Companies would have any material adverse impact on our Group following completion of the Target Acquisition.

Trade and other receivables

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables arising from sale of electricity and tariff adjustment	79,790	339,485	668,472
Deposits and other receivables	155	404	616
Other tax receivables	170,022	318,683	290,606
Prepayments for property, plant, and equipment.	50,486	26,825	8,028
Prepayments for operating leases	8,689	11,455	8,198
	309,142	696,852	975,920
Less: Non-current portion:			
Prepayments for property, plant, and equipment	(50,486)	(26,825)	(8,028)
Prepayments for operating leases	(5,951)	(9,904)	(6,702)
	(56,437)	(36,729)	(14,730)
Current portion	252,705	660,123	961,190

Trade receivables

Trade receivables may be divided into receivables from the sale of electricity and tariff adjustment receivables. Trade receivables from the sale of electricity were usually settled on a monthly basis by the local subsidiaries of the State Grid. Tariff adjustment receivables represented the government subsidies on renewable energy to be received from the local subsidiaries of the State Grid. Solar farm operators also receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance utilizing the income of the Renewable Energy Fund. For utility-scale solar farm operators to receive the tariff adjustment, the relevant utility-scale ground-mounted solar farm projects must be enlisted on the Subsidy Catalogue. One utility-scale ground-mounted solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue.

The carrying amounts of trade receivables are denominated in RMB. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. There is no due date for settlement up to December 31, 2018, and no provision for impairment of trade receivables was made as of December 31, 2016, 2017, and 2018.

The table below sets forth an aging analysis of trade receivables (including receivables from the sale of electricity and tariff adjustment receivables) as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	32,257	88,194	88,761
91 days to 180 days	37,757	75,820	114,347
181 days to 365 days	9,776	109,805	179,924
Over 365 days	—	65,666	285,440
Total	79,790	339,485	668,472

As of the Latest Practicable Date, an amount of RMB13.1 million (equivalent to HK$15.0 million) out of the trade receivables (including receivables from sale of electricity and tariff adjustment receivables) as of December 31, 2018 has been received by the Target Companies, representing 2.2% of the amount of trade receivables as of December 31, 2018.

The table below sets forth an aging analysis of the receivables from the sale of electricity as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	9,454	17,153	14,213
91 days to 180 days	7,535	5,915	3,330
181 days to 365 days	8	135	4,948
Over 365 days	—	—	3,360
Total	16,997	23,203	25,851

The decrease in the receivables from the sale of electricity throughout the Track Record Period was primarily due to the punctual payment of the amounts due from the local subsidiaries of the State Grid.

As of the Latest Practicable Date, an amount of RMB11.4 million (equivalent to HK$13.0 million) out of the receivables arising from the sale of electricity as of December 31, 2018 has been received by the Target Companies, representing 50.3% of the total amount of the receivables arising from the sale of electricity as of December 31, 2018.

The table below sets forth an aging analysis of our tariff adjustment receivables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
0 to 180 days	53,025	140,946	185,565
181 days to 365 days	9,768	109,669	174,976
Over 365 days	—	65,667	282,080
Total	62,793	316,282	642,621

The table below sets forth the movements of the tariff adjustment receivables for the years indicated:

	Year ended December 31,			From January 1, 2019 to the Latest Practicable Date
	2016	2017	2018	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*
Balance brought forward	—	62,793	316,282	642,621
Addition[(1)]	62,793	253,489	341,564	60,496
Settlement	—	—	(15,225)	(1,735)
Balance carried forward	62,793	316,282	642,621	701,382

Note:

(1) The additional amounts of the tariff adjustment in Hong Kong dollars were determined with reference to the exchange rates used in translating the balance as of the end of the relevant year or period. This basis of determination is different from the exchange rates used in determining the amount of the tariff adjustment as our revenue in the consolidated statement of income.

As of the Latest Practicable Date, the Target Companies have received tariff adjustment of RMB1.7 million (equivalent to HK$2.0 million) from the local subsidiaries of the State Grid out of the tariff adjustment receivables as of December 31, 2018 in relation to the electricity generated from the Target Portfolio, representing 0.3% of the total amount of tariff adjustment receivables as of December 31, 2018.

Given that all the solar farm projects under the Target Portfolio are constructed under the national quota system in the PRC, the track record of monthly repayment of receivables from the sale of electricity, and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors believe that the trade receivables could be recoverable. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. There is no due date for settlement up to December 31, 2018, and no provision for impairment of trade receivables was made as of December 31, 2016, 2017, and 2018. The expected period of recovery of the tariff adjustment receivables as of December 31, 2016, 2017, and 2018 is shown in the table below:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Expected to be recoverable after more than 12 months	62,793	316,282	558,013
Expected to be recoverable within 12 months	—	—	84,608
Total	62,793	316,282	642,621

The table below sets forth an analysis of the turnover days of the trade receivables of the Target Companies for the years indicated:

	Year ended December 31		
	2016	**2017**	**2018**
	days	*days*	*days*
Sale of electricity receivables	188.6	55.9	39.8
Tariff adjustment receivables	424.3	335.3	539.6

The increase in the turnover days for tariff adjustment receivables during the Track Record Period was primarily due to the fact that no tariff adjustment was received by the Target Companies from the PRC Government.

Provision for impairment of trade receivables

Given the track record of repayment of monthly receivables from the sale of electricity and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors consider that all trade receivables would be recoverable. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. There is no due date for settlement up to December 31, 2018. As the collection of tariff adjustment receivables is in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables comprising the receivables on the sale of electricity and the tariff adjustment receivables was made as of December 31, 2016, 2017, and 2018.

Deposits and other receivables

Deposits and other receivables are all expected to be recoverable and therefore no provision was made. The aging of deposits and other receivables as of December 31, 2016, 2017, and 2018, respectively, was within 12 months.

The carrying amounts of deposits and other receivable are denominated in RMB.

Other tax receivables mainly represented VAT recoverable.

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

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

Cash and cash equivalents

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank	75,994	86,192	32,279

As of December 31, 2016, 2017, and 2018, cash of the Target Companies amounting to HK$61.2 million, HK$69.3 million, and HK$20.2 million, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of cash is subject to foreign exchange control. The remaining cash of HK$14.8 million, HK$16.9 million, and HK$12.1 million, respectively, as of December 31, 2016, 2017, and 2018 were deposited in reputable banks in Hong Kong.

The carrying amounts of cash and cash equivalents of the Target Companies are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
RMB	24,233	52,112	20,127
US$	7,201	2,729	2,730
HK$	44,560	31,351	9,422
Total	75,994	86,192	32,279

Most of the cash and cash equivalents are maintained in RMB with the PRC as most of the payments (including payments to suppliers, staff salaries and wages and other expenses) would need to be settled in RMB.

Accruals and other payables

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Payables for property, plant, and equipment	309,230	454,092	487,133
Others	3,583	7,189	13,501
	312,813	461,281	500,634
Less: Non-current portion:			
Other payables for property, plant, and equipment	(20,438)	(27,257)	(37,893)
Current portion	292,375	434,024	462,741

The continuous increases in the amount of accruals and other payables during the Track Record Period were primarily due to the increase in the construction of utility-scale ground-mounted solar farm projects.

Bank borrowings

The bank borrowings are unsecured and repayable as follows:

	As of December 31,			As of
	2016	2017	2018	March 31, 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)
Within one year	—	171,967	625,773	542,531
Between one and two years	171,967	550,190	208,250	208,250
Between two and five years	519,489	165,527	383,396	383,833
	691,456	887,684	1,217,419	1,134,614
Less : Non-current portion	(691,456)	(715,717)	(591,646)	(592,083)
Current portion	—	171,967	625,773	542,531

As of December 31, 2016, 2017, and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2021. The carrying amounts of the Target Companies bank borrowings are denominated in HK$ and approximate their fair values as of December 31, 2016, 2017, and 2018, as the impact of discounting is not significant. The effective interest rates at the respective reporting dates were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	2.55%	2.92%	3.12%

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, Xinyi Power and Xinyi Solar (BVI). The corporate guarantees are to be released and replaced by Xinyi Solar Farm (1) before completion of the Target Acquisition.

As of March 31, 2019 (being the latest practicable date for determining the indebtedness), the Target Companies had total indebtedness comprising (i) bank borrowings of HK$1,134.6 million out of the banking facilities granted to them in the amount of HK$1,134.6 million and (ii) lease liabilities of HK$160.4 million comprising current portion of HK$11.3 million and non-current portion of HK$149.1 million. As of the Latest Practicable Date, the Target Companies did not have unutilized and unrestricted banking facilities as of such date.

Amounts due from and to related parties

The table below sets forth a summary of the amounts due from related parties of the Target Companies:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Amount due to New Wisdom from			
Xinyi Renewable Energy (Shouxian)(1)	—	2,683	2,683
Xinyi Solar (Wuwei)(1)	—	2,270	2,333
Xinyi Solar (Huainan)(1)	—	34	64
Xinyi Solar (Hong Kong) Limited ("Xinyi Solar (HK)")(2)	121,538	—	—
Power Sky Development Limited ("Power Sky")(2)	10,000	—	—
Amount due to Sky Falcon from			
Xinyi Solar (HK)(2)	134,387	—	—
Xinyi PV Products(2)	—	—	22,332
Xinyi Solar (Bozhou)	—	—	793
Amount due to Perfect Alliance from			
Xinyi Solar (HK)(2)	—	178,652	—
New Wisdom(1)	—	—	274,009
Sky Falcon(1)	—	—	42,294
Anhui Xinhao New Energy Construction Company(2)	—	—	1,002
Amount due to Profit Noble from			
Xinyi PV Products(2)	—	4,717	26,903
Power Sky(2)	1	—	—
Xinyi Solar (Xiaochang)(1)	—	—	—
Amount due to Sky Cheer from			
Xinyi Power(2)	10	—	—
Total	265,936	188,356	372,412

Notes:

(1) These companies are Target Companies.

(2) These companies are wholly-owned subsidiaries of Xinyi Solar.

The amounts due from related parties are of non-trade nature and will be settled prior to completion of the Target Sale and Purchase Agreement, from which the Target Companies will become members of our Group. Completion of the Target Acquisition is expected to take place within one month after the Listing Date.

The table below sets forth a summary of the amounts due to related parties of the Target Companies:

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Amount due from New Wisdom			
Xinyi PV Products(2)	211,929	162,449	54,945
Xinyi Solar (Hong Kong) Limited ("Xinyi Solar (HK)")(2)	—	13,537	59,600
Perfect Alliance(1)	—	—	276,692
Xinyi Power(2)	26,005	—	—
Sun Harbour International Limited(2)	10,000	—	—
Xinyi Solar (Huainan)(1)	—	—	—
Amount due from Sky Falcon to			
Xinyi PV Products(2)	145,421	132,023	—
Xinyi Solar (HK)(2)	—	8,987	105,500
Xinyi Power(2)	12,465	—	—
Xinyi Solar (Shouxian)(1)	—	—	—
Perfect Alliance(1)	—	—	42,294
Amount due from Perfect Alliance to			
Xinyi PV Products(2)	242,985	294,371	109,710
New Wisdom(1)	—	2,683	—
Xinyi Solar (HK)(2)	180,011	—	8,400
Xinyi Power(2)	400	—	—
Amount due from Profit Noble to			
New Wisdom(1)	—	34	64
Xinyi Solar (HK)(2)	78,181	23	—
Xinyi PV Products(2)	109,253	—	—
Xinyi Power(2)	15,409	—	—
Amount due from Sky Cheer to			
Xinyi PV Products(2)	24,880	95,126	24,903
Xinyi Solar (HK)(2)	10,060	10,008	—
New Wisdom(1)	—	2,270	2,333
Wise Leader Investments Limited(2)	—	1	1
Total	1,066,999	721,512	684,442

Notes:

(1) These companies are Target Companies.

(2) These companies are wholly-owned subsidiaries of Xinyi Solar.

The amounts due to related parties are of non-trade nature and will be settled prior to completion of the Target Sale and Purchase Agreement, from which the Target Companies will become members of our Group.

Current tax liabilities

The Target Companies had current income tax liabilities in the amount of HK$15,000 and HK$1,722,000 as of December 31, 2017 and 2018, respectively. Such amount represented the CIT payable by Suiping Solar Farm (operated by Sky Falcon Group) and Xiaochang Solar Farm Two (operated by Perfect Alliance Group) as of the respective dates.

PRINCIPAL COMPONENTS OF NON-CURRENT ASSETS AND NON-CURRENT LIABILITIES

The following discussions and analyses are based on the combined financial information of the Target Companies. As we intend to purchase all issued shares of New Wisdom, Sky Falcon, Perfect Alliance, Profit Noble, and Sky Cheer in one transaction and that the Target Portfolio as a whole will be managed by us following completion of the Target Acquisition, our Directors consider that it would be useful if the following discussions and analyses are presented on a combined basis, so that a complete picture of the operating results and the financial position of the Target Portfolio during the three years ended and as of December 31, 2018 are to be presented, discussed, analyzed without any distortion that may be caused by concentrating on the operating results and the financial position of each of the Target Companies.

	As of December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant, and equipment	1,440,263	2,797,762	3,164,011
Prepayments for property, plant and equipment and operating leases	56,437	36,729	14,730
Total non-current assets	1,496,700	2,834,491	3,178,741
Non-current liabilities			
Other payables	20,438	27,257	37,893
Bank borrowings	691,456	715,717	591,646
Total non-current liabilities	711,894	742,974	629,539

Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bring the assets to its working condition or location for its intended use.

The table below sets forth an analysis of property, plant and equipment as of the dates indicated:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Solar farms	1,372,324	2,786,631	3,149,330
Buildings	—	11,083	10,210
Motor vehicles, furniture and fixtures, equipment, and others	49	48	162
Construction in progress	67,890	—	4,309
Total	1,440,263	2,797,762	3,164,011

Prepayments for property, plant and equipment, and operating leases

Further information is set forth in the paragraphs under "Principal components of current assets and current liabilities — Trade and other receivables" above.

Other payables

Further information is set forth in the paragraphs under "Principal components of current assets and current liabilities — Accruals and other payables" above.

Bank borrowings

Further information is set forth in the paragraphs under "Principal components of current assets and current liabilities — Bank borrowings" above.

CONNECTED PERSONS

Following completion of the Spin-Off and the Listing, Xinyi Solar will hold (through Xinyi Power) 3,558,555,000 Shares, representing 53.69% of our Shares in issue (without taking into consideration our Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme). Xinyi Solar will be one of our Controlling Shareholders, and Xinyi Solar and its subsidiaries (other than members of our Group) are our connected persons.

Following completion of the Spin-Off and the Listing, Xinyi Glass and its subsidiaries are also our connected persons as they are controlled directly or indirectly by our Controlling Shareholders (other than Xinyi Solar, Xinyi Power, and Xinyi Glass) as to 57.91% of the issued shares of Xinyi Glass.

NON-EXEMPT CONNECTED TRANSACTION — SOLAR FARM AGREEMENT

Pursuant to the Solar Farm Agreement, Xinyi Solar has granted us the Solar Farm Call Option and the Solar Farm ROFR on construction completed and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by it. For details on the Solar Farm Agreement, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information.

If we exercise the Solar Farm Call Option or the Solar Farm ROFR, it will constitute a connected transaction (as defined in the Listing Rules) for our Company. Such acquisition may also constitute a notifiable transaction (as defined in the Listing Rules) for our Company depending on the amount of the purchase price, our operation scale, and the scale of the solar farm projects proposed to be acquired by us.

The Solar Farm Agreement has been approved by the XYS Independent Shareholders at the XYS EGM. Our Directors confirm that we will exercise the Solar Farm Call Option and the Solar Farm ROFR in strict compliance with the terms and conditions (including the pricing mechanism) set forth in the Solar Farm Agreement and subject to full compliance with the following conditions:

(a) Upon serving the notice on the exercise of the Solar Farm Call Option or the Solar Farm ROFR, we will issue announcement pursuant to the requirements under the Listing Rules on the following:

   (i) the detailed terms of the utility-scale ground-mounted solar farm projects proposed to be acquired by us, including the locations, approved capacity, and such other information on the solar farm projects as not less than the information on the solar farm projects under our Initial Portfolio disclosed in this prospectus; and

   (ii) the detailed terms of the financing arrangement for such acquisition of solar farm projects and the likely impact on the then latest financial position of our Group.

(b) If the consideration of the acquisition is settled by way of issue of new Shares, it will be subject to the approval of our independent Shareholders as required under the Listing Rules.

(c) Based on the applicable percentage ratios, if the acquisition of the solar farm projects (in aggregate with other transactions under the Solar Farm Agreement completed within the previous 12 months in accordance with Rules 14.22 and 14.23 of the Listing Rules or Rules 14A.81 and 14A.82 of the Listing Rules) requires the approval of our independent Shareholders under the Listing Rules, it will be subject to the approval of our independent Shareholders.

The above transactions will also be set forth in the relevant annual reports of our Company in full compliance with the disclosure requirement under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — SOLAR FARM O&M AGREEMENT

Principal terms and conditions

Our Company has entered into the Solar Farm O&M Agreement with Xinyi Solar. Pursuant to the Solar Farm O&M Agreement, Xinyi Solar has agreed to engage us to operate and manage all connection-ready utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar. A summary of the principle terms are set forth below:

Scope:	The parties agree that members of our Group shall provide certain specified operation and management services as agreed upon by the parties (collectively, the "**Services**") with respect to each Covered Project (as defined below) throughout the term of the Solar Farm O&M Agreement.
Eligible solar farm projects:	Utility-scale ground-mounted solar farm projects that are developed, constructed or acquired by Xinyi Solar or its subsidiaries (the "**Eligible Projects**"), provided that if such project is acquired from a third party, such Eligible Project is not subject to any executed agreement or other binding obligation associated with it in respect of the provision of operation and management services at the time of acquisition. No later than 90 days prior to the anticipated date of substantial completion of construction of an Eligible Project, Xinyi Solar shall provide us with a notice of such anticipated date.

Term:

When an Eligible Project is connection-ready, Xinyi Solar shall deliver a certificate to our Company confirming that such Eligible Project is connection-ready (the "**Covered Project**"). Our Company will then start providing the Services (as defined below) to the Covered Project. Although the Covered Project may be sold to us or third parties under the Solar Farm Agreement, such sale may need additional time to arrange and complete before and after the exercise of the Solar Farm Call Option or Solar Farm ROFR. The purpose of providing the Services is to ensure that there will be a clear delineation of the business activities in relation to the operation and maintenance of utility-scale ground-mounted solar farm projects constructed and developed by the Remaining Group.

The term (the "**Term**") of the Solar Farm O&M Agreement shall commence from the Listing Date and end on December 31, 2021 and shall be renewable for another three (3) years, so long as Xinyi Solar continues to be a Controlling Shareholder, subject to full compliance with the applicable requirements under the Listing Rules.

Exclusivity:

During the Term of the Solar Farm O&M Agreement, Xinyi Solar shall not engage, directly or indirectly, any third party other than our Group for the provision of the Services in connection with any Eligible Project and Covered Project.

Our obligations:

Services: our Company shall provide operation, management and maintenance services (the "**Services**") to solar farm projects owned and controlled by Xinyi Solar throughout the Term.

Permits: We shall obtain and maintain all applicable permits required under applicable law in the name of our Company, or our applicable subsidiary, for the provision of the Services.

Subcontracting: Subcontracting of the Services shall not (a) relieve our Company from the duties, responsibilities, obligations, and liabilities provided under the agreement; (b) relieve our Company of our responsibility for the performance of any work rendered by any such subcontractor or (c) create any relationship between Xinyi Solar, on the one hand, and any subcontractor of our Company, on the other. Our Company shall be solely responsible for the acts, omissions or defaults of our subcontractors and any other persons for which our Company or our subcontractors are responsible.

Reports: We are required to prepare a (a) site operating plan relating to the maintenance and shut down of the specified components for a Covered Project; and (b) maintenance plan detailing the provision of maintenance services includes as part of the Services for each Covered Project. Additionally, we shall (c) provide monthly reports for each Covered Project in electronic format and on its then standard form; and (d) maintain complete and accurate records of the Services.

Xinyi Solar's obligations:

Support: Xinyi Solar shall provide: (a) telecommunication systems; (b) access to and within the site of the Covered Project, including providing access roads and access for our Company and subcontractors; (c) site security; (d) utilities for performance of the Services by our Company.

Payments: Xinyi Solar shall (a) pay when due all charges and costs, including all telecommunications, data usage, and other utility charges and (b) make all arrangements necessary in connection with Xinyi Solar's satisfaction of its obligations under the agreement, including any arrangements with local authorities and utility companies necessary for the provision of such utilities.

Permits: Xinyi Solar shall obtain and maintain all applicable permits, other than those obtained and maintained by our Company for each Covered Project.

Service fee and payment:

The service fee for each billing period with respect to each Covered Project shall be equal to the greater of the amount calculated pursuant to (a) and (b) below:

(a) If such Covered Project's capacity is:

(i) less than or equal to 50 MW, an amount equal to 2% of the revenue for such Covered Project during such billing Period, net of any value added tax.

(ii) greater than 50 MW, an amount equal to 1.5% of the revenue for such Covered Project during such billing Period, net of any value added tax.

(b) An amount equal to the sum of (i) actual costs for performing the Services for such Covered Project during such billing period *plus* (ii) 10% of such actual costs.

Service fee shall be paid in quarterly installments in prescribed manners.

The number of staff assigned to the Covered Project must be approved by Xinyi Solar.

Insurance:

Each party shall provide and maintain insurance for each Covered Project. Xinyi Solar shall be responsible for maintaining all insurance coverage for each Covered Project. Our Company shall be responsible for maintaining all insurance coverage for the labor deployed for the provision of Services and such other insurances required to be obtained by our Company under the applicable law to perform the Services for the Covered Project.

Indemnification:	Each party shall defend, indemnify, and hold harmless the other party from and against, *inter alia*, losses arising from third-party claims caused by the willful misconduct or negligent acts or omissions of that party in the performance of certain acts.
Liabilities of the parties:	With respect to each Covered Project, the maximum liability of our Company for all losses and all other obligations relating to such Covered Project arising from or relating to the agreement, including such costs and obligations relating to the performance of any Services, whether based in contract, in tort (including negligence and strict liability) or on any other legal or equitable theory, shall not exceed the aggregate of two years of annual service fees for such Covered Project, unless (a) insurance proceeds are received from insurance required to be maintained under the agreement; or (b) resulting from the fraud or willful misconduct of our Company. Except in cases of breach of confidentiality, neither party shall be liable for consequential damages of any nature arising from or relating to the obligations under the agreement.
Documents and data:	All documents, designs, plans, software, records, and intellectual property belonging to our Group in connection with the Services (the "**Design Materials**") shall remain to be the exclusive property of our Group and our Group shall grant to Xinyi Solar a paid-up, royalty-free, irrevocable, non-exclusive license for Xinyi Solar to use the Design Materials as necessary to perform its obligations under the agreement.
Termination:	The Solar Farm O&M Agreement may be terminated by either party upon: (a) the occurrence of an Event of Default (as defined therein) or (b) Xinyi Solar ceases to be a Controlling Shareholder. Event of Default occurs when a party: (i) is in material breach of its obligations under the agreement and fails to remedy within the prescribed period; (ii) fails to pay any amount under the agreement that is not in dispute within the prescribed period; (iii) assigns or transfers the agreement or any right or interest therein; or (iv) is bankrupt; provided that if the material breach of its obligations and the failure to pay is related to a Covered Project, the non-defaulting party may terminate its performance of obligations in respect of such Covered Project only. If there is any loss or destruction of a substantial portion of a Covered Project that renders such Covered Project substantially inoperable and cannot reasonably be expected to be repaired or rebuilt within 180 days, either party shall have the right to terminate the Services for such Covered Project.

Reasons for entering into the Solar Farm O&M Agreement

The Solar Farm O&M Agreement has been approved by the XYS Independent Shareholders at the XYS EGM. Our Company has entered into the Solar Farm O&M Agreement with Xinyi Solar and the transactions contemplated thereunder will constitute non-exempt continuing connected transactions (as defined in the Listing Rules) for the Company following the Listing. Pursuant to the Solar Farm O&M Agreement, we will provide solar farm operation and management services to the Remaining Group, including operation and management of solar farm projects, training, technical and expert support services, to the connection-ready solar farm projects developed or constructed by Xinyi Solar which will be held for sale subject to the terms of the Solar Farm Agreement. The Solar Farm O&M Agreement, effective from the Listing Date, is valid from the Listing Date and end on December 31, 2021. The Solar Farm O&M Agreement has been entered into in a manner with such terms and conditions which are generally consistent with the industry practice and the established approach of similar contractual terms and conditions.

The arrangement set forth in the Solar Farm O&M Agreement is part of the business delineation implemented between our Group and the Remaining Group following the Spin-Off and the Listing. The Remaining Group has no capability in operating and managing solar farm projects, and our experienced service teams have the expertise and experience in the relevant fields and possess the requisite license for provision of such service and carry out such works. With our experienced service teams and the facilities for managing and monitoring the operations of the existing solar farm projects, further information of which is set forth in the section headed "Business of our Group — Principal phases and life-cycle of solar farm project (Solar Farm Development Business and Solar Farm Operation Business) in the PRC — Solar Farm Operation Business" in this prospectus, the ongoing arrangements with the Remaining Group will be cost effective and will achieve economies of scale as compared with separate engagements and procurement of the technical support and maintenance service from various service providers by the Remaining Group. The provision of operation and management services will facilitate a clear business delineation between our Group and the Remaining Group and also help us to familiarize with the operations and conditions of the relevant solar farm projects which would be acquired by us under the Solar Farm Agreement.

The services provided by us to the Remaining Group under the Solar Farm O&M Agreement are on normal commercial terms, as compared with the services provided to Independent Third Parties, taking into consideration the service quality, price, work efficiency, and familiarity with the business needs and operational requirements as well as solar farm technical knowledge. We did not provide such or similar services to Independent Third Parties during the Track Record Period. The service fees are agreed and based on actual costs that may be incurred in providing the relevant services and have been reached upon negotiations on an arm's length basis between the relevant parties with reference to the fees paid to Independent Third Parties for similar services in the ordinary and usual course of business.

Our Directors expect that the amount of annual service fee received by us during the term of the Solar Farm O&M Agreement would be more than 0.1% and not more than 5.0% of all applicable percentage ratios and as such, the transactions would be exempt from the circular and the Shareholders' approval requirements under the Listing Rules and would be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules. The Solar Farm O&M Agreement is proposed to have an initial term from the Listing Date to December 31, 2021 and will be renewable for another three (3) years, so long as Xinyi Solar is one of our Controlling Shareholders, subject to full compliance with the applicable requirements under the Listing Rules. If Xinyi Solar ceases to be one of our Controlling Shareholders during the term of the Solar Farm O&M Agreement, the Solar Farm O&M Agreement may be terminated by either party with six (6) months' prior written notice.

Annual caps: The maximum aggregate amount of annual service fee for each of the three years ending December 31, 2021 shall not exceed the annual caps as set forth below:

	Annual caps for the year ending December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Total fees under the Solar Farm O&M Agreement	7,200	12,000	15,000

Basis of annual caps: In determining the above annual caps, we have considered the following factors:

(a) the pricing basis set forth in the Solar Farm O&M Agreement, which in turn is determined on an arm's length basis between Xinyi Solar and us on normal commercial terms taking into consideration (i) the prevailing market rates for similar services provided as known to Xinyi Solar and us (ii) the expected annual utilization hours of the pipeline of the solar farm projects of the Remaining Group set forth in the section headed "Future Growth Opportunities and Solar Farm Agreement — Future growth opportunities — Acquisition of solar farm projects from the Remaining Group" in this prospectus; (iii) the historical fluctuation and level of solar irradiation (as the relatively high level of solar irradiation in 2017 and 2018 had resulted in the average utilization rates of the Group's solar farm projects under the Initial Portfolio for 2017 and 2018 reaching 106.7% and 107.5%, respectively, as disclosed in the section headed "Business Our Solar Farm Projects Initial Portfolio Utilization rates" in this prospectus); and (iv) the anticipated increase in O&M services to be provided under the Solar Farm O&M Agreement in view of the further expansion of the Solar Farm Development Business of the Remaining Group;

(b) the increase in the annual cap for the year ending December 31, 2021 is due to grid connection and substantial completion of the construction of the pipeline utility-scale ground-mounted solar farm projects of the Remaining Group of around 170 MW which is expected to take place in 2020;

(c) the annual cap for the year ending December 31, 2019 has been calculated on a pro rata basis based on the Listing Date; and

(d) the annual caps are based on RMB for the purpose of avoiding any impact that may be arising from exchange rate fluctuations between RMB and Hong Kong dollars.

If there is any significant change in the number of construction completed utility-scale ground-mounted solar farm projects constructed or developed by Xinyi Solar during the term of the Solar Farm O&M Agreement that affects any of the annual caps set forth above, we will comply with the applicable requirements under the Listing Rules.

Our Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the Listing Rules for the following reasons:

(a) our Directors consider that strict compliance with the requirements under the Listing Rules in respect of the Solar Farm O&M Agreement is unduly burdensome to us, taking into consideration the nature of the solar farm operation and solar farm maintenance services required, the business and operation needs, and the potential disruption to operations of the solar farm projects which would be subject to the Solar Farm Call Option and Solar Farm ROFR;

(b) the Solar Farm O&M Agreement has been entered into in a manner with such terms and conditions which are generally consistent with the industry practice and the established approach of similar contractual terms and conditions; and

(c) the Solar Farm O&M Agreement has been negotiated on an arm's length basis upon normal commercial terms and entered into as part of our ordinary course of business.

We have entered into the Solar Farm O&M Agreement taking into consideration the above factors and our knowledge of the business needs and operational requirements of Xinyi Solar, and our knowledge and familiarity of solar farm operation and maintenance.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — SOLAR FARM O&M AGREEMENT

By virtue of Rule 14A.101 of the Listing Rules, the transactions under the Solar Farm O&M Agreement will constitute connected transactions, which are subject to the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules. As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors (including our independent non-executive Directors) consider that compliance with the above announcement requirements would be impractical, add unnecessary administrative costs and unduly burdensome.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to our Company under Rule 14A.105 of the Listing Rules from compliance with the announcement requirements in respect of the above non-exempt continuing connected transactions for such period of time up to December 31, 2021. Our Company will apply for a further waiver from the Hong Kong Stock Exchange in advance of the expiry date of the waiver or otherwise comply with the applicable disclosure requirements under the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS AND THE SOLE SPONSOR

Taking into consideration the factors set out in the paragraph headed "Reasons for entering into the Solar Farm O&M Agreement" above, our Directors (including our independent non-executive Directors) are of the view and the Sole Sponsor concurs that the non-exempt continuing connected transactions as set forth above, and the proposed annual caps for the service fees under the Solar Farm O&M Agreement, are entered into during our ordinary and usual course of business on normal commercial terms, are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

In addition, our Company will comply with the annual reporting requirements under Rules 14A.71 and 14A.72 of the Listing Rules.

EXEMPT CONNECTED TRANSACTION — TRADEMARK REGISTRATION

Certain trademark for our business logos in PRC have been registered and certain trademark applications have been submitted by the subsidiaries of Xinyi Solar and Xinyi Glass for ease of administrative purpose. Please refer to the paragraphs under "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus for further information. The agreed arrangement is that the ownership in these trademarks will be transferred to us for free upon completion of trademark registrations. Before completing the trademark registrations, both Xinyi PV and Xinyi Automobile Glass have confirmed to us that we can use these business logos for free. If there is any opposition to the registration of any of these trademarks or any infringement of any of these trademarks, both Xinyi PV and Xinyi Automobile Glass will assist us to oppose or defend upon our directions.

Our Directors confirm that the above transactions fall within the scope of de minimis transactions under Rule 14A.76 of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS — LEASE OF OFFICE SPACE FROM XINYI GLASS

Following completion of the Spin-Off and the Listing, we will continue to lease the following office space from Xinyi Glass:

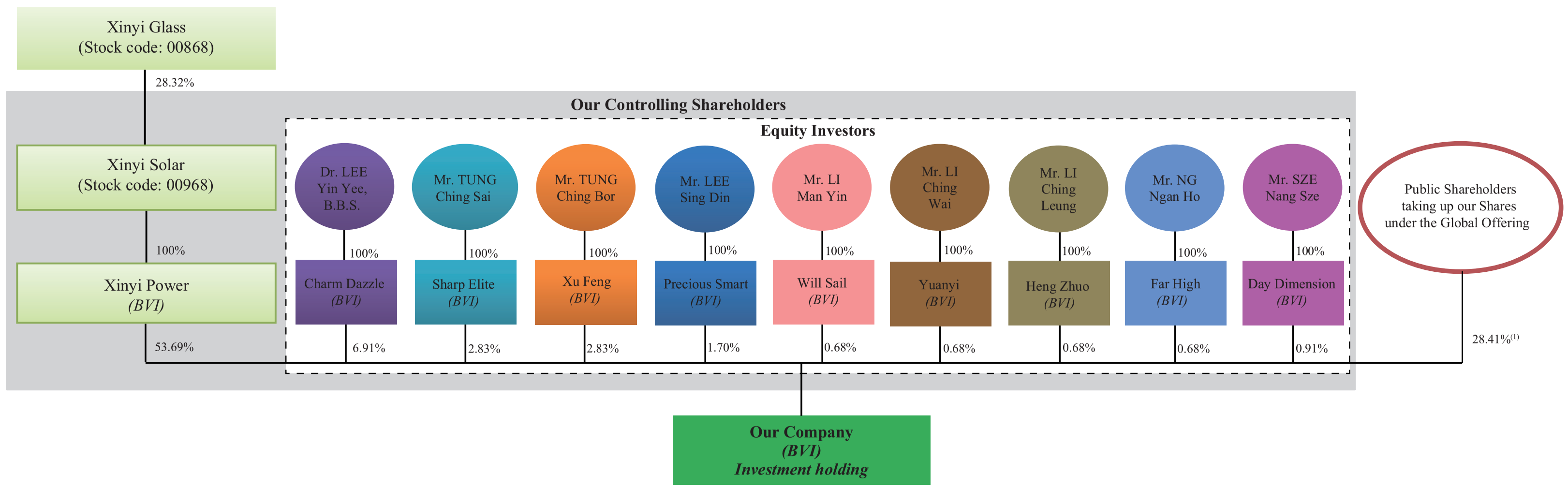
(a) approximately 30 sq. m. office space in Hong Kong from Cheer Wise Investments Limited, a non-wholly owned subsidiary of Xinyi Glass as our administrative office starting from May 2018 for annual rental of HK$180,000, which is determined by Xinyi Glass and us on arm's length basis with reference to the prevailing rates.

(b) approximately 600 sq. m. office space in Wuhu from Xinyi EnergySmart (Wuhu) Co., Ltd., an indirect wholly-owned subsidiary of Xinyi Glass, as our administrative office in the PRC starting from April 2017 for annual rental of RMB259,000, which is determined by Xinyi Glass and us on an arm's length basis with reference to the prevailing rates.

Our Directors confirm that the above transactions fall within the scope of de minimis transactions under Rule 14A.76 of the Listing Rules.

OUR SHAREHOLDING STRUCTURE

The following diagram illustrates the shareholding structure of our Company immediately following completion of the Global Offering and the Capitalization Issue (without taking into consideration any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).



Note:

(1) This percentage assumes that all XYS Independent Shareholders have subscribed for all the XYS Reserved Shares. If all XYS Reserved Shares are subscribed by the XYS Shareholders other than the XYS Independent Shareholders, our Shares held by the public Shareholders would be 16.26%.

Pursuant to the Pre-emptive Agreement, each of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung has granted a right of first offer to the other parties to the Pre-emptive Agreement that if any of them would like to dispose of their Shares received under the Equity Investment and those Capitalization Shares allotted to them, the selling party shall inform the other parties of the number of our Shares proposed to be sold. The other parties shall be entitled to purchase from the selling party all or part of our Shares proposed to be sold within two Business Days at such prices as agreed with the selling party, but in any event not less than 12.0% discount to the average closing prices of our Shares for the last seven consecutive Business Days (the "**Agreed Price**").

If there is more than one party indicating their interest to acquire our Shares from the selling party, the selling party shall sell its Shares on a pro rata basis.

If there is no party to the Pre-emptive Agreement indicating their interest to acquire our Shares from the selling party, the selling party may sell all or part of our Shares proposed to be sold to Independent Third Parties within 60 days at a price of not less than the Agreed Price. Our Controlling Shareholders have confirmed that they are a group of Shareholders acting in concert.

OUR CONTROLLING SHAREHOLDERS

Without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme and assuming that all XYS Independent Shareholders have subscribed for all XYS Reserved Shares, our Controlling Shareholders will hold 71.59% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue. If all XYS Reserved Shares are to be subscribed by the XYS Qualifying Shareholders other than the XYS Independent Shareholders, our Shares held by our public Shareholders would be 16.26%. Hence, our Controlling Shareholders will hold 83.74% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue.

Our Controlling Shareholders include Xinyi Solar, Xinyi Power, and the Equity Investors. Our Controlling Shareholders (other than Xinyi Solar and Xinyi Power) are also the controlling shareholders (as such term is defined under the Listing Rules) of Xinyi Solar holding 32.64% of the shares of Xinyi Solar in issue as of the Latest Practicable Date. Xinyi Power was the sole shareholder of our Company prior to the Equity Investment. Xinyi Solar will continue to be our holding company and one of our Controlling Shareholders following completion of the Spin-Off and the Listing. So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue, the following persons and companies will be our Controlling Shareholders:

Name of our Controlling Shareholders	Nature of interest and capacity	Number of our Shares held as of the Latest Practicable Date	Number of our Shares held immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued or allotted upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and assuming that all XYS Reserved Shares are to be subscribed by the XYS Independent Shareholders	Shareholding percentage immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued or allotted upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and assuming that all XYS Reserved Shares are to be subscribed by the XYS Independent Shareholders
Xinyi Solar . . .	Interest in controlled corporation (Xinyi Power)	4,066,920	3,558,555,000	53.69
Xinyi Power . .	Beneficial owner		3,558,555,000	53.69
Dr. LEE Yin Yee, B.B.S . .	Interest in controlled corporation (Charm Dazzle)	523,380	457,957,500	6.91
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. TUNG Ching Sai . .	Interest in controlled corporation (Sharp Elite)	214,500	187,687,500	2.83
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90

Name of our Controlling Shareholders	Nature of interest and capacity	Number of our Shares held as of the Latest Practicable Date	Number of our Shares held immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued or allotted upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and assuming that all XYS Reserved Shares are to be subscribed by the XYS Independent Shareholders	Shareholding percentage immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued or allotted upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and assuming that all XYS Reserved Shares are to be subscribed by the XYS Independent Shareholders
Mr. TUNG Ching Bor . .	Interest in controlled corporation (Xu Feng)	214,500	187,687,500	2.83
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. LEE Sing Din	Interest in controlled corporation (Precious Smart)	128,700	112,612,500	1.70
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. LI Man Yin	Interest in controlled corporation (Will Sail)	51,480	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. LI Ching Wai	Interest in controlled corporation (Yuanyi)	51,480	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. LI Ching Leung	Interest in controlled corporation (Heng Zhuo)	51,480	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. NG Ngan Ho	Interest in controlled corporation (Far High)	51,480	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Mr. SZE Nang Sze	Interest in controlled corporation (Day Dimension)	68,640	60,060,000	0.91
	Interest in Pre-emptive Agreement *(Note 1)*		1,186,185,000	17.90
Total				71.59

Note:

(1) Pursuant to the Pre-emptive Agreement, each of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung have agreed to grant a right of first offer to the other parties to the Pre-emptive Agreement if any of them would like to dispose of their Shares received under the Equity Investment and those Capitalization Shares allotted to them, the selling party shall inform the other parties of the number of our Shares proposed to be sold. The other parties shall be entitled to purchase from the selling party all or part of our Shares proposed to be sold within two Business Days at such prices as agreed with the selling party, but in any event not less than 12.0% discount to the average closing prices of our Shares for the last seven consecutive Business Days (the "**Agreed Price**").

If there is more than one party indicating their interest to acquire our Shares from the selling party, the selling party shall sell its Shares on a pro rata basis.

If there is no party to the Pre-emptive Agreement indicating their interest to acquire our Shares from the selling party, the selling party may sell all or part of our Shares proposed to be sold to Independent Third Parties within 60 days at a price of not less than the Agreed Price.

Our Controlling Shareholders (other than Xinyi Solar and Xinyi Power) are also controlling shareholders (as such term is defined in the Listing Rules) of Xinyi Solar, and they have entered into the Pre-emptive Agreement. Our Controlling Shareholders have confirmed that they are a group of Shareholders acting in concert.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalization Issue, and assuming no exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme, have an interest or a short position in our Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

BACKGROUND INFORMATION OF XINYI SOLAR AND XINYI POWER

Xinyi Solar was established in the Cayman Islands on January 11, 2011 and is an investment holding company, with its subsidiaries (including members of our Group prior to completion of the Spin-Off and the Listing) principally engaged in the Solar Glass Business, Solar Farm Development Business, Solar Farm Operation Business, and the EPC Service Business prior to completion of the Spin-Off and the Listing. All shares of Xinyi Solar have been listed on the Main Board since December 12, 2013. Xinyi Power is a company incorporated in the BVI on June 26, 2015 and is a wholly-owned subsidiary of Xinyi Solar. Xinyi Power is an investment holding company.

As of the Latest Practicable Date, to the best knowledge of our Directors, the Xinyi Solar Shareholders include the following:

Xinyi Solar Shareholders	Number of the XYS Shares held	Percentage of the XYS Shares in issue
Dr. LEE Yin Yee, B.B.S. and his controlled corporations	908,144,925	11.29
Mr. TUNG Ching Sai and his controlled corporation	378,332,950	4.70
Mr. TUNG Ching Bor and his controlled corporation	353,216,006	4.39
Mr. LEE Sing Din and his controlled corporation	359,090,168	4.46
Mr. LI Ching Wai and his controlled corporation	136,863,618	1.70
Mr. SZE Nang Sze and his controlled corporation	129,072,104	1.60
Mr. LI Man Yin and his controlled corporation	96,961,007	1.20
Mr. LI Ching Leung and his controlled corporation	97,207,509	1.21
Mr. NG Ngan Ho and his controlled corporation	91,865,941	1.14
Full Guang Holdings Limited(1)	76,060,196	0.95
Xinyi Glass and its subsidiary	2,277,983,678	28.31
Xinyi Solar Independent Shareholders	3,142,567,731	39.05
Total	8,047,365,833	100.0

Note:

(1) Full Guang Holdings Limited is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Mr. TUNG Ching Sai as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Our Controlling Shareholders (other than Xinyi Solar and Xinyi Power) are also controlling shareholders (as such term is defined in the Listing Rules) of Xinyi Solar, and they have entered into the Pre-emptive Agreement. Our Controlling Shareholders have confirmed that they are a group of Shareholders acting in concert.

INDEPENDENCE FROM THE REMAINING GROUP

Following completion of the Spin-Off and the Listing, our Directors are satisfied that our Group can operate independently from the Remaining Group and our Controlling Shareholders without any undue reliance on any of them. The following sets forth an analysis of various factors that our Directors have considered in arriving at the views that our Group will be able to operate independently from the Remaining Group and our Controlling Shareholders.

Management independence

Following completion of the Spin-Off and the Listing, our business and the Remaining Business will be managed and operated separately and independently by the respective boards of directors and senior management teams of our Group and the Remaining Group. Our Board includes eight (8) Directors: four (4) executive Directors, one (1) non-executive Director, and three (3) independent non-executive Directors. None of our independent non-executive Directors is or will be a director of any member of the Remaining Group, and each of them satisfies the independence requirements under the Listing Rules. The table below sets forth a list of our Directors and their respective directorship in Xinyi Solar immediately following completion of the Spin-Off and the Listing:

Name	Position in our Company	Position in Xinyi Solar on the Listing Date
Dr. LEE Yin Yee, B.B.S. (李賢義)	Non-executive Director and Chairman	Executive director and chairman
Mr. TUNG Ching Sai (董清世)	Executive Director and Vice Chairman	Non-executive director and vice chairman
Mr. TUNG Fong Ngai (董貺漄)	Executive Director and Chief Executive Officer	Nil
Mr. LEE Yau Ching (李友情)	Executive Director	Executive director and chief executive officer
Ms. CHENG Shu E (程樹娥)	Executive Director	Nil
Mr. LEUNG Ting Yuk (梁廷育)	Independent non-executive Director	Nil
The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. (葉國謙)	Independent non-executive Director	Nil
Ms. LYU Fang (呂芳)	Independent non-executive Director	Nil

Upon completion of the Spin-Off and the Listing, Dr. LEE Yin Yee, B.B.S. will be re-designated as an executive director of Xinyi Solar and Mr. TUNG Ching Sai will be re-designated as a non-executive director of Xinyi Solar. Mr. LEE Yau Ching will remain as an executive director and chief executive officer of Xinyi Solar and will continue to be responsible for the daily operations and management of the Remaining Group. Hence, Mr. LEE Yau Ching will be the only common executive director of our Company and Xinyi Solar. Based on the composition of our Board, there are only three out of the total eight Directors holding directorship in Xinyi Solar and only two Directors will hold executive position in Xinyi Solar.

In addition, our Company and Xinyi Solar will adopt various corporate governance measures to ensure that our Board will function independently of Xinyi Solar and that all major decisions have to be approved by the non-interested Directors. Following completion of the Spin-Off and the Listing, our Company will have five non-interested Directors, namely Mr. TUNG Fong Ngai, Ms. CHENG Shu E, Mr. LEUNG Ting Yuk, The Hon. IP Kwok Him, G.B.M., G.B.S, J.P., and Ms. LYU Fang, to consider any matter that may involve Xinyi Solar or its associates. One of our independent non-executive Directors, Ms. LYU Fang, has the relevant experience in the PRC solar industry.

With the corporate governance measures in place, further information on which is set forth in the paragraphs under "Corporate governance measures to avoid conflict of interests" below, our Directors consider that our Board and the board of directors of Xinyi Solar can act independently of each other. In the event that any Director has any material interest, directly or indirectly, in any matter or has any potential conflict of interests arising out of any transaction to be entered into between our Group and the Remaining Group, he or she will not attend and will abstain from voting at the relevant meetings of our Board and the meetings of the board of directors of Xinyi Solar in respect of such matters.

Further, in the event that any conflict of interest arises between our Group and the Remaining Group, our independent non-executive Directors will also provide check and balance over the decisions of our Board on significant transactions, connected transactions, and other transactions involving any actual or potential conflict of interests under any of the Transaction Agreements or otherwise.

Our Company will also adopt corporate governance measures to manage potential conflicts of Directors' interest in accordance with the requirements of the Listing Rules. In addition, as part of the preparation for the Listing, our Directors have received training on their responsibilities as directors of a Hong Kong listed company, including their fiduciary duties to act in the best interest of our Company.

Save as disclosed above, each of our Company and Xinyi Solar will be managed and operated by their respective management teams separately and independently and in the interests of their respective shareholders.

The table below sets forth details of members of our senior management team immediately following completion of the Spin-Off and the Listing:

Name	Position in our Group	Position in the Remaining Group
SHE Qifa (佘起發)	Electrical engineer	Nil
ZHENG Lili (鄭莉莉)	Administrative officer	Nil
TUEN Ling (段寧)	Financial controller and company secretary	Nil

Our senior management team consists of three members who are responsible for different management functions. Except for one member of the senior management team, namely Mr. TUEN Ling, all of them have been working for the Solar Farm Operation Business throughout the Track Record Period. All the senior management team members are our employees and will not have any position in the Remaining Group following completion of the Spin-Off and the Listing.

Save for the above, none of our Directors or members of our senior management holds any office in or is employed by the Remaining Group immediately following completion of the Spin-Off and the Listing. In light of the above, our Directors confirm that our Board will operate and manage our business independently of the board of directors of Xinyi Solar.

Corporate governance measures at meetings of our Board

To minimize any possible conflict of interest, our Company will adopt, and Xinyi Solar will strengthen, corporate governance measures to ensure full compliance with the terms and conditions of each of the Transaction Agreements. These measures include the following:-

(a) Our Board will function independently of the board of directors of Xinyi Solar with only one common executive director. Our Board will consist of four (4) executive Directors, one (1) non-executive Director, and three (3) independent non-executive Directors, and one of whom will have relevant industry knowledge and expertise. All decisions of our Board will be decided by a majority of votes amongst members of our Board.

(b) The Acquisition Committee has been established, and all independent non-executive Directors would constitute a majority of the members of the Acquisition Committee and their presence will be required for the quorum of any meeting of the Acquisition Committee. The Acquisition Committee will consider and, if appropriate, approve acquisitions of solar farm projects under the Solar Farm Agreement. For details on the Acquisition Committee, see the section headed "Directors, Senior Management, and Employees — Board committees — Acquisition Committee" in this prospectus.

(c) Our independent non-executive Directors will review and report in our annual reports on compliance with the terms of the Transaction Agreements, any decision made thereunder, and will confirm the results of such review in our annual reports following completion of the Spin-Off and the Listing.

In light of the above, our Directors are of the view that there will be adequate corporate governance measures to ensure due compliance with the Transaction Agreements following the Spin-Off and the Listing.

Operational independence

We possess sufficient capital, property, equipment, operating facilities, technology, credit facilities, and human resources to operate our business independently. We can make independent decisions on all operational and financial matters and implement such decisions without any support or assistance from the Remaining Group. We own our tangible assets and intangible assets, including licenses, good-will, know-how, and other intangible assets independently of Xinyi Solar, which contribute to our ability to operate our business independently of the Remaining Group. We have direct access to independent suppliers for the operation of our business, and have entered into separate contracts with our own customers.

The operation and the business model of our Group resemble the renewable energy dividend-oriented companies (the "**YieldCos**") listed in the U.S. A YieldCo is a dividend growth-oriented company, created by its own parent company, which bundles long-term operating power or utility assets in order to generate predictable income flow without undertaking project planning, development, and construction. Hence, our Directors confirm the arrangements between the Remaining Group and us is an industry norm for groups of companies adopting such business model.

No purchase of spare parts and components from the Remaining Group

Following completion of the Spin-Off and the Listing, we will focus on the operation and management of utility-scale ground-mounted solar farm projects and will source spare parts, components, tools, and equipment for repairs and maintenance purpose from Independent Third Parties.

Active trading market for solar farm projects in the PRC

Based on the information currently available to us, there is an active trading market for solar farm projects in the PRC and a number of companies listed on the Stock Exchange are involved in the business. There are also a large number of solar farm projects in the PRC that can meet and satisfy our geographical and capacity requirements, and qualify for the Feed-in-Tariff regime. Our Directors therefore believe that we can source suitable construction completed and grid connected utility-scale ground-mounted solar farm project Independent Third Parties that meet our requirements upon comparable terms, conditions, and prices.

Following the Spin-Off and the Listing, we may choose to acquire solar farm projects from Independent Third Parties if there are suitable opportunities with commercial terms acceptable to us. Because of the standard components and modules used in solar panels, our Directors consider that there is no material difference between the utility-scale ground-mounted solar farm projects owned or developed by the Remaining Group and Independent Third Parties.

The table below sets forth a summary of the aggregate installed capacity of solar farm projects in selected provinces/municipality in the PRC as of June 30, 2018:

	Aggregate installed capacity as of June 30, 2018		
	Utility-scale ground-mounted solar farm projects	Distributed solar farm projects	All solar farm projects
	(10 MW)	*(10 MW)*	*(10 MW)*
(A) Regions where existing projects of our Initial Portfolio and the Target Portfolio are located	1,653	991	2,644
Anhui Province	636	405	1,041
Hubei Province	317	144	461
Fujian Province	36	87	123
Henan Province	585	333	918
Tianjin Municipality	79	22	101
(B) Other regions	7,907	3,179	11,086
(A) + (B)	9,560	4,170	13,730
Regions with curtailment issue in first half of 2018 [(1)]	1,700	21	1,721
Total	11,260	4,191	15,451

Note:

(1) Include PRC provinces of Gansu and Xinjiang.

According to the NEA, the aggregate installed capacity of all solar farm projects in the PRC was 174,510 MW as of December 31, 2018. There is also an active trading market for solar farm projects in the PRC. The aggregate capacity of solar farm projects acquired by certain Hong Kong listed companies during the Track Record Period was approximately 1,965 MW. In light of the market size, our Directors consider that we would be able to source suitable solar farm projects from Independent Third Parties following the Listing that can meet our requirements with comparable terms, conditions, and prices.

We will focus on acquiring utility-scale ground-mounted solar farm projects located in areas where there are no electricity supply and demand imbalance and potential curtailment issues. According to the NEA, there were 112.6 GW of utility-scale ground-mounted solar farm projects in the PRC as of June 30, 2018. Excluding regions with reported curtailment issues (17.0 GW), which was released by the NDRC in the PRC in August 2018 with the objective of addressing potential curtailment issues, there were 95.6 GW of utility-scale ground-mounted solar farm projects, of which 16.5 GW were located in regions where our Initial Portfolio and the Target Portfolio are located, as of June 30, 2018.

As part of our acquisition strategy, we will focus on acquiring solar farm projects that are developed under the national quota system in the PRC and will conduct the relevant technical, financial, and legal due diligence to ensure that the solar farm projects to be acquired are under good operating condition and that such projects are established and operated in accordance with the applicable laws and regulations in the PRC. For acquisition of solar farm projects from Independent Third Parties, we may need to conduct additional due diligence on its operations, compliance records, and the terms and the payment history of the receivables from the sale of electricity and tariff adjustment. There are, however, no material difference between acquiring solar farm projects from Xinyi Solar and from Independent Third Parties.

Acquisition of solar farm projects under the Solar Farm Agreement will not affect our independence

Nevertheless, we believe it is strategically and commercially attractive and viable for us to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the Remaining Group, and the transactions between our Group and the Remaining Group have been, and will continue to be, carried out upon normal commercial terms after arm's length negotiations between the parties. Our Directors are also satisfied that there are valid and sound reasons for us to continue to source solar farm projects from the Remaining Group in terms of the years of our cooperation and the fact that Xinyi Solar has a proven track record in developing and constructing solar farm projects (including our Initial Portfolio and the Target Portfolio) which consistently meet the geographical and capacity requirements and standards, contributing to the consistent performance of our solar farm projects in commercial operation.

Our Directors consider that it will be in our interests and the interest of our Shareholders to accept the Solar Farm Call Option and the Solar Farm ROFR granted by Xinyi Solar.

We intend to use a portion of the net proceeds from the Global Offering to acquire all the issued shares in the Target Companies under the Target Acquisition. The total approved capacity of the Target Portfolio is 540 MW. Following completion of the Spin-Off and the Listing, we will expand our portfolio of utility-scale ground-mounted solar farm projects through acquisitions. We are granted by Xinyi Solar the Solar Farm ROFR and the Solar Farm Call Option under the Solar Farm Agreement for acquiring construction completed and grid-connected solar farm projects from the Remaining Group, which we believe will provide significant opportunities and strong pipeline of solar farm projects for our future business growth. For details on the Solar Farm Agreement, see the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus.

Insignificant percentage of the service fee under the Solar Farm O&M Agreement out of our total income

Our revenue is generated from the sale of electricity from the utility-scale ground-mounted solar farm projects owned and operated by us. For the purpose of establishing a clear delineation of business activities between our Group and the Remaining Group, our Company and Xinyi Solar has entered into the Solar Farm O&M Agreement for the purpose of ensuring clear business delineation between our Group and the Remaining Group. See the section headed "Connected Transactions — Non-exempt continuing connected transactions — Solar Farm O&M Agreement" in this prospectus for further information of the Solar Farm O&M Agreement. Neither our Company nor Xinyi Solar is reliant on each other. The amount of service fees to be paid by us to Xinyi Solar under the Solar Farm O&M Agreement has been negotiated on an arm's length basis upon normal commercial terms and is expected to be not more than five per cent. of the total revenue of Xinyi Solar from time to time. Our Directors confirm that our Company has not provided any operation and/or management service to solar farm projects owned by Independent Third Parties. The service fees under the Solar Farm O&M Agreement are determined with reference to a fixed percentage of the income generated from the electricity sales (including the tariff adjustment) of the relevant solar farm projects subject to adjustment for inflation.

In addition, we confirm that the service fees are comparable with the service fees of Independent Third Parties in the PRC. As the Solar Farm O&M Agreement will constitute an ongoing connected transaction for our Company, the respective boards of directors of our Company and Xinyi Solar will comply with the applicable disclosure and shareholders' approval requirements under the Listing Rules.

Our Directors further confirm that the transactions contemplated under the Transaction Agreements have been entered into in our ordinary and usual course of business and such transactions have been and will continue to be negotiated on an arm's length basis upon normal commercial terms. For details on the Transaction Agreements, see the section headed "Future Growth Opportunities and Solar Farm Agreement" in this prospectus.

Financial independence

We are capable of maintaining our revenue generated from the utility-scale ground-mounted solar farm projects

Our revenue is generated from the sale of electricity from the utility-scale ground-mounted solar farm projects owned and operated by us. The amount of revenue of each utility-scale ground-mounted solar farm project comprising our Initial Portfolio and the Target Portfolio is based on the Feed-in-Tariff rates stated in the relevant power purchase agreement entered into with the local subsidiaries of the State Grid, which secures full purchase and on-grid transmission of the electricity generated by the relevant solar farm project with the approvals from the provincial pricing bureau on the amount of both the sale of electricity and the tariff adjustment. Hence, our Directors believe that we can maintain our revenue in the future independently from the Remaining Group. All our customers are Independent Third Parties.

Payment arrangement under the Target Sale and Purchase Agreement is designed to match with the expected receipt of the delayed tariff adjustment

Pursuant to the terms of the Target Sale and Purchase Agreement, the Remaining Group will receive an upfront payment of 50.0% of the Agreed Purchase Price out of the net proceeds from the Global Offering. The remaining balance, i.e. the Outstanding Amount, will be fully settled by our Company through our own funding on the earlier of (a) the fourth anniversary of the Listing Date, which is currently expected to be in 2023, and (b) by instalments following the receipt of the tariff adjustment on the electricity generated by the solar farm projects under the Target Portfolio. On this basis, the Outstanding Amount will only be deferred to the respective time periods when the delayed payment of the tariff adjustment is to be settled by the local subsidiaries of the State Grid. This payment arrangement of the Outstanding Amount is designed to match with the expected receipt of the delayed tariff adjustment incurred by Target Portfolio from the PRC Government. Based on the Feed-in-Tariff rates and the applicable prevailing rates of the Target Portfolio, the tariff adjustment accounts for between 48.0% and 63.1%, or 56.2% on a weighted average basis, with reference to the approved capacity of the Feed-in-Tariff for each utility-scale ground-mounted solar farm project under the Target Portfolio. Further information and analysis of the payment arrangement under the Target Sale and Purchase Agreement and the sustainability of our Group in terms of financial independence is set forth in the paragraphs under "Payment arrangement under the Target Sale and Purchase Agreement and sustainability of our business" below.

Administrative independence

All administrative functions of our Company are and will continue to be carried out independently without reliance on the Remaining Group. Our Company will also have our own administrative functions, which include accounting and finance, general administration, procurement and human resources.

Accordingly, following completion of the Spin-Off and the Listing, our Company will be administratively independent of the Remaining Group.

Measures to ensure our independence and no reliance

In light of the foregoing, our Directors consider that we are independent from the Remaining Group and our reliance on the Remaining Group will decrease following the Spin-Off and the Listing. As a separately listed company, we will adopt the following measures to safeguard our independence and ensure no undue reliance on the Remaining Group by our Group:

(1) all transactions under the Transaction Agreements have been entered into in our ordinary and usual course of business and such transactions have been and will continue to be negotiated on an arm's length basis upon normal commercial terms;

(2) except for the Solar Farm Agreement and the Solar Farm O&M Agreement, our Directors anticipate that there would not be other material connected transactions or continuing connected transactions to be entered into between the Remaining Group and our Group;

(3) we expect that more than 90.0% of our revenue will be generated by us independently pursuant to the power purchase agreements without any support from members of the Remaining Group;

(4) subject to the availability of commercially attractive opportunities, we will explore acquisitions of utility-scale ground-mounted solar farm projects in the PRC from Independent Third Parties;

(5) all transactions that may be conducted between the Remaining Group and our Group would be reviewed by our independent non-executive Directors in accordance with the requirements under the Listing Rules; and

(6) the above arrangements for ensuring our independence will be fully complied with.

PAYMENT ARRANGEMENT UNDER THE TARGET SALE AND PURCHASE AGREEMENT AND SUSTAINABILITY OF OUR BUSINESS

Background information

Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years on the electricity generated after the solar farm projects are grid-connected. The solar farm projects under our Initial Portfolio and the Target Portfolio are constructed under the national quota system in the PRC and connected to the State Grid and are in principle entitled to receive the Feed-in-Tariff at the same applicable rates for 20 years and will receive the tariff adjustment due from the commencement of grid connection onwards following enlisting on the Subsidy Catalogue. The Feed-in-Tariff for utility-scale ground-mounted solar farm projects is composed of two components: the sale of electricity at the base tariff and the tariff adjustment. The base tariff is equivalent to the on-grid benchmark tariff rates of local coal-fired power plants. The tariff adjustment represents the difference between the Feed-in-Tariff and the sale of electricity at the base tariff. Sale of electricity represents the portion of revenue when electricity is generated and transmitted. Tariff adjustment represents the amount of revenue received or receivable from the PRC Government.

The NDRC, Ministry of Finance, and NEA have jointly announced a total of seven batches of solar farm projects under the Subsidy Catalogue since 2012. The sixth batch of the Subsidy Catalogue covers the utility-scale ground-mounted solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid during the period between September 2013 and February 2015. During the fourth quarter of 2016, the solar farm projects enlisted on the sixth batch of the Subsidy Catalogue started to receive the first batch of the tariff adjustment incurred up to April 2015. The seventh batch of the Subsidy Catalogue covers solar farm projects constructed under the national quota system in the PRC that were connected to the State Grid prior to the end of March 2016 and not enlisted on previous batches of the Subsidy Catalogue.

Solar farm operators receive from the local subsidiaries of the State Grid the tariff adjustment, which is funded by the Ministry of Finance using income of the Renewable Energy Fund. The Renewable Energy Fund was established by the Ministry of Finance in 2006 with the main objective of supporting renewable energy development in China. It is primarily funded by the Renewable Energy Surcharge, which is collected from end-users of electricity. The Renewable Energy Fund in turn provides funding for subsidies to be paid to renewable power projects in the PRC. See the section headed "Industry Overview — Solar installation — Supportive policies in China — Feed-in-Tariff (FiT) regime" in this prospectus for further information. Since 2009, however, the Renewable Energy Fund started to record a funding shortfall due to the rapid development of the solar power installation in the PRC and the insufficient amount of the Renewable Energy Surcharge. The NDRC has raised the rate of the Renewable Energy Surcharge several times to increase income for the Renewable Energy Fund. Despite the Ministry of Finance increasing renewable energy surcharge rate and the injection of RMB 8.6 billion and RMB 14.8 billion in 2012 and 2013, respectively, the Renewable Energy Fund has continued to experience funding deficit. Although there are no record of default or retrospective adjustment on the subsidy for existing qualified projects, the funding deficit has contributed to the delay of settlement of tariff adjustment (subsidy portion) by the Ministry of Finance.

Our business model and business objective

Our business is to own, operate, and acquire utility-scale ground-mounted solar farm projects for the stable income generated from the sale of electricity. One of our business objectives is to provide our Shareholders with stable Distributions with the potential for sustainable long-term growth of such Distributions. In this connection, we use the revenue generated from the sale of electricity and the tariff adjustment under the Feed-in-Tariff regime to make Distributions.

According to our accounting policy, revenue arising from (a) the sale of electricity is recognized in the accounting period when the electricity is generated and transmitted and (b) the tariff adjustment is recognized when the electricity has been transmitted and that there is no indication that the amount of such tariff adjustment would be disputed by our customers, i.e. the local subsidiaries of the State Grid. Our Directors also consider that the accounting treatment of the tariff adjustment is consistent with the accounting standards and the prevailing market practices of other solar farm and renewable energy operators in the PRC and listed in Hong Kong. The table below sets forth an analysis of our revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sale of electricity	360,291	37.2	416,035	37.3	457,068	38.1
Tariff adjustment	608,000	62.8	700,009	62.7	743,488	61.9
Total	968,291	100.0	1,116,044	100.0	1,200,556	100.0

A significant portion of the tariff adjustment is treated as part of our trade receivables under current assets. As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables in relation to the sale of electricity generated from the solar farm projects under our Initial Portfolio amounted to HK$821.1 million, HK$1,401.8 million, and HK$1,410.5 million, respectively. An aging analysis of our trade receivables (including the tariff adjustment receivables) is set forth in the section headed "Financial Information of our Group — Principal components of current assets and current liabilities — Trade and other receivables" in this prospectus.

As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio which were enlisted on the Subsidy Catalogue amounted to HK$303.1 million, HK$210.3 million, and HK$1,410.5 million, respectively.

As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio which were not enlisted on the Subsidy Catalogue amounted to HK$518.1 million, HK$1,191.5 million, and nil, respectively.

Following completion of the Target Acquisition, during the Track Record Period, the revenue generated from the Target Portfolio represented the income generated from the sale of electricity and the tariff adjustment. The table below sets forth an analysis of the revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sale of electricity	32,900	37.9	131,173	38.9	224,992	41.0
Tariff adjustment	54,012	62.1	206,299	61.1	324,324	59.0
Total	86,912	100.0	337,472	100.0	549,316	100.0

As of December 31, 2016, and 2017, all the solar farm projects under the Target Portfolio were not enlisted on the Subsidy Catalogue. As of December 31, 2018, and the date of this prospectus, there was one solar farm project under the Target Portfolio, namely Huainan Solar Farm, which has been enlisted on the seventh batch of the Subsidy Catalogue.

As of December 31, 2016, 2017, and 2018, all tariff adjustment receivables in relation to the sale of electricity generated from the solar projects under the Target Portfolio were not enlisted on the Subsidy Catalogue, and amounted to HK$62.8 million, HK$316.3 million, and HK$642.6 million, respectively, of which nil, HK$65.7 million, and HK$282.1 million, respectively, has been outstanding for more than 12 months.

Further information on tariff adjustment during the Track Record Period

Both our Initial Portfolio and the Target Portfolio were developed and constructed under the national quota system in the PRC and connected to the State Grid. As of the date of this prospectus, two solar farm projects under our Initial Portfolio have been enlisted on the sixth batch of the Subsidy Catalogue and seven solar farm projects have been enlisted on the seventh batch of the Subsidy Catalogue. We have received the first batch of the tariff adjustment of RMB61.4 million (equivalent to HK$68.9 million) incurred up to April 30, 2015, the second batch of the tariff adjustment of RMB39.7 million (equivalent to HK$45.3 million) incurred from May 1, 2015 to July 31, 2015, the third batch of the tariff adjustment of RMB232.6 million (equivalent to HK$272.8 million) incurred from August 1, 2015 to December 31, 2016, and the fourth batch of the tariff adjustment of RMB522.9 million (equivalent to HK$592.9 million) incurred up to January 31, 2017. From November 2016 to December 2018, the aggregate amount of the tariff adjustment received amounted to RMB1,004.3 million (equivalent to HK$1,145.7 million).

Given that all solar farm projects under our Initial Portfolio and the Target Portfolio are constructed under the national quota system in the PRC, the track record of monthly repayment of receivables from the sale of electricity, and the collection of tariff adjustment receivables is supported by favorable policies of the PRC Government, our Directors believe that the trade receivables would be recoverable. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. There is no due date for settlement up to December 31, 2018, and no provision for impairment of trade receivables was made as of December 31, 2016, 2017, and 2018. Our Directors also consider that this accounting treatment of the tariff adjustment is consistent with the accounting standards and the then prevailing market practices of other solar farm and renewable energy operators in the PRC and listed in Hong Kong.

We have not experienced any retrospective adjustments to the approved Feed-in-Tariff rates applicable to the solar farm projects under our Initial Portfolio. Despite the prevailing trend of taking a few years to be enlisted on the Subsidy Catalogue and receive the settlement of the tariff adjustment, there have been no default and no retrospective adjustment of approved Feed-in-Tariff rate since the introduction of the Feed-in-Tariff regime for the PRC solar power industry. Nevertheless, any unexpected further delay in the payment of the tariff adjustment by the PRC Government would affect our cash flows as well as the level of our Distributions in the long term.

WARNING STATEMENT

The solar farm projects under our Initial Portfolio are constructed under the national quota system in the PRC and are in principle entitled to receive the tariff adjustment under the Feed-in-Tariff regime. These solar farm projects are enlisted on the sixth and seventh batch of the Subsidy Catalogue as the prerequisite for the receipt of the tariff adjustment. The entire amount of the tariff adjustment has been recognized as our revenue. However, we may not receive full and timely payments of the tariff adjustment from the local subsidiaries of the State Grid. Our revenue recognition approach is consistent with the applicable accounting standards and to our Directors' belief, is consistent with the revenue recognition policies of the Hong Kong listed companies which are engaged in the solar farm operation and management business. As of the date of this prospectus, all solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue, which is the prerequisite for the entitlement to receive the tariff adjustment under the Feed-in-Tariff regime. All solar farm projects under the Target Portfolio are constructed under the national quota in the PRC and one solar farm project under the Target Portfolio has been enlisted on the Subsidy Catalogue.

Any significant non-payment of the tariff adjustment by the local subsidiaries of the State Grid or any significant delay in enlisting our solar farm projects on the Subsidy Catalogue or any significant delay in receiving the tariff adjustment for our solar farm projects that have been enlisted on the Subsidy Catalogue could have a material adverse effect on our business, financial condition, operating results, and cash flows. In any of these extreme situations, we may need to write-down part or all of the tariff adjustment receivables representing the revenue previously recognized as recoverable. If this happened, it would have an adverse impact on us as well as all solar farm operators entitling the tariff adjustment in the PRC and listed on the Hong Kong Stock Exchange.

As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio enlisted on the Subsidy Catalogue amounted to HK$303.1 million, HK$210.3 million, and HK$1,410.5 million, respectively. As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio which were not enlisted on the Subsidy Catalogue amounted to HK$518.1 million, HK$1,191.5 million, and nil, respectively. As of the date of this prospectus, all solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue and hence, the prerequisite for receiving the tariff adjustment under the Feed-in-Tariff regime has been satisfied.

See the section headed "Risk Factors — Risks relating to our business — Any significant and prolonged delay in receiving the tariff adjustment under the Feed-in-Tariff regime could materially and adversely affect our business and financial condition, operating results, and cash flows" in this prospectus for further information.

Financial independence and sufficient financial resources

If there is any default or material delay in the payment of sale of electricity and the tariff adjustment by the PRC Government, we may not be able to maintain our Distribution policy. See the section headed "Risk Factors — Risks relating to our business - We may not be able to pay or maintain our Distributions, and such amount may not be stable as they are dependent on a number of factors, including our operating results and our ability to generate sufficient cash inflows from our operating activities" in this prospectus for further information. In addition, we may need to adjust the use of our financial resources to settle the Outstanding Amount. Our Directors may use the net proceeds from the Global Offering to reduce the possible impact arising from or in connection with the prolonged period of time for the settlement of the tariff adjustment in such extreme situation. Nevertheless, our Directors do not consider that the payment arrangement of the Outstanding Amount will constitute financial assistance to be provided by the Remaining Group or otherwise undermines the sustainability of our business.

Pursuant to the terms of the Target Sale and Purchase Agreement, the Remaining Group will receive an upfront payment of 50.0% of the Agreed Purchase Price. The Outstanding Amount will be fully settled by our Company through our own funding on the earlier of (a) the fourth anniversary of the Listing Date, which is currently expected to be in the second half of 2023, and (b) by instalments following the receipt of the tariff adjustment in relation to the electricity generated by the solar farm projects under the Target Portfolio. On this basis, the Outstanding Amount will only be deferred to the respective time periods when the delayed payment of the tariff adjustment is to be settled by the PRC Government. This payment arrangement of the Outstanding Amount is designed to match with the expected receipt of the delayed tariff adjustment from the PRC Government. Based on the Feed-in-Tariff and the applicable prevailing base tariff rates of the Target Portfolio, the tariff adjustment accounts for in the range between 48.0% and 63.1%, or 56.2% on a weighted average basis with reference to the approved capacity, of the revenue of each of the solar farm projects under the Target Portfolio.

Installment payment structure as the market practice in the PRC solar farm industry

There are transactions in the market involving solar farm projects in the PRC which adopt payment of the purchase price by installments, including the payment of the purchase price upon receiving (i) subsidies for the respective financial year from the PRC Government, (ii) the subsidy approval from the relevant PRC Government or (iii) the required approval from the PRC Government on enlisting of the relevant solar farm project on the Subsidy Catalogue or the seller of the solar farm completing preparation of all relevant documentation for the application for enlisting on the Subsidy Catalogue. As such, our Directors believes that the installment payment structure for the Outstanding Amount is a market practice and is not unusual or novel in the PRC solar farm industry.

As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio enlisted on the Subsidy Catalogue amounted to HK$303.1 million, HK$210.3 million, and HK$1,410.5 million, respectively. As of December 31, 2016, 2017, and 2018, the tariff adjustment receivables relating to the solar farm projects under our Initial Portfolio that have not been enlisted on the Subsidy Catalogue amounted to HK$518.1 million, HK$1,191.5 million, and nil, respectively. As of the date of this prospectus, all solar farm projects under our Initial Portfolio have been enlisted on the Subsidy Catalogue and hence, the prerequisite for receiving the tariff adjustment under the Feed-in-Tariff regime has been satisfied.

As of December 31, 2016, 2017, and 2018, all tariff adjustment receivables in relation to the sale of electricity generated from the solar projects under the Target Portfolio amounted to HK$62.8 million, HK$316.3 million, and HK$642.6 million, respectively, of which nil, HK$65.7 million, and HK$282.1 million, respectively, has been outstanding for more than 12 months. One utility-scale ground-mounted solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue.

We have a strong credit profile and is capable of obtaining financings from external sources without reliance on the Remaining Group and the proposed payment arrangement is not related to the sustainability of our Group.

The proposed arrangement of payment by installments of the Agreed Purchase Price will allow us to maintain a low gearing ratio following the Listing. The settlement of the Outstanding Amount may be financed by bank borrowings or other form of debt financings in the same way most solar farm operators in the PRC rely on in the course of expansion of their businesses. Although our Directors believe that we have a strong credit profile and are capable of obtaining financings from external sources including commercial banks or financial institutions on market terms and conditions without reliance on the Remaining Group, the proposed payment arrangement will further enhance our cash position following the Listing which will enable us to implement our Distribution policy and provide the funding needs for future expansion generally. In addition, we expect to have a relatively low leverage ratio follow the Listing and would be able to borrow from the external source for the payment of the Outstanding Amount, if required. In such event, our leverage ratio would still be lower than the leverage ratio of the renewable energy YieldCos listed in the U.S. and most of the renewable power generation companies listed on the Stock Exchange. The solar industry policies, regulatory environment, and government supports are different between the U.S. and the PRC. The purpose of the proposed payment arrangement is to match the payment of the Outstanding Amount with the expected time of receipt of the tariff adjustment receivables in relation to the electricity generated from the Target Portfolio. In light of the foregoing, the proposed payment arrangement is not intended to provide any kind of unlimited support by the Remaining Group, or otherwise to shift the risk back to the Remaining Group following completion of the transfer of the equity interest in the Target Companies, in the event of default in payment of the tariff adjustment by the PRC Government. This payment by installments arrangement is also consistent with the industry practice of acquiring solar farm projects in the PRC subject to tariff adjustment under the Feed-in-Tariff regime.

Our Directors also confirm that the above arrangement is an arm's length commercial arrangement taking into consideration the prevailing market practice and the current prolonged settlement of the tariff adjustment by the PRC Government. Since our Company will bear the default risk in relation to the delayed payment of the tariff adjustment by the PRC Government and in any event, the Outstanding Amount will be fully settled by our Company on the fourth anniversary of the Listing Date, our Directors consider that the proposed payment arrangement should not be regarded as a "financial assistance" to be provided by the Remaining Group to our Group. In any event, the above arrangement in respect of the disposal of the Target Companies by Xinyi Solar, including the payment terms and structure, to our Company, has been considered and approved by the XYS Independent Shareholders at the XYS EGM with the advice from the independent financial advisor and independent board committee.

Setting aside the cash balance out of the net proceeds from the Global Offering to reduce the possible impact arising from or in connection with the prolonged settlement and uncertain timing of the settlement of the tariff adjustment.

The objective of setting aside the cash balance out of the net proceeds from the Global Offering is to reduce the possible impact arising from or in connection with the prolonged settlement of the tariff adjustment of the electricity generated by our Initial Portfolio and the Target Portfolio. The cash balance would not be required for our daily business operations, and the cash revenue generated from the sale of electricity of our solar farm projects, excluding the tariff adjustment, will be sufficient to meet our daily operation requirement and working capital purposes.

Based on the projected cash flows of our Group and the Target Companies, the prevailing settlement trends of the PRC Government of the tariff adjustment pursuant to publicly available information on solar farm industry in the PRC, and the proposed policy of our Distributions following completion of the Spin-Off and the Listing, our Directors confirm that we will have sufficient financial resources. Our financial resources will be generated from different sources, including cash generated from our business operations and cash balance from the Global Offering as well as the available banking facilities. The aggregate amount of these financial resources will be more than the Outstanding Amount.

Cash generated from the business operations and cash balance from the Global Offering

Our Directors anticipate that the amount of the cash balance following completion of the Spin-Off and the Listing would be not less than HK$3,319 million. The cash balance would change taking into consideration the amounts used for our Distributions from time to time. As of December 31, 2018, our Group had cash bank balances of HK$421.3 million which are expected to increase with the cash revenue generated from the sale of electricity by the solar farm projects under our Initial Portfolio and to be generated from the Target Portfolio, excluding the tariff adjustment.

Available banking facilities and other financial resources

We have received confirmed offers from four licensed banks in Hong Kong of unsecured banking facilities in the total amount of HK$2,040 million and had unutilized banking facilities in the amount of HK$200.0 million at acceptable market rates as of the Latest Practicable Date. None of the banking facilities requires corporate guarantee of Xinyi Solar. Our Directors expect that the unsecured banking facilities in the amount of HK$2,040 million will not be used by any member of our Group prior to the Listing. It is expected that our Company will fully repay the outstanding amount without drawing on any of the banking facilities. In any event, these additional financial resources and banking facilities will be sufficient to meet the obligation of full settlement of the Outstanding Amount as and when required.

The total amount of the banking facilities mentioned above does not include the additional financing that may be obtained by members of our Group in the PRC in respect of our Initial Portfolio (and the Target Portfolio following completion of the acquisition of the Target Companies) from PRC banks using project financing arrangement on a recourse or non-recourse basis.

Our Directors' view

In light of the above, our Directors confirm that we are financially independent despite historically we have obtained banking facilities guaranteed by members of the Remaining Group. In the past, we have obtained banking facilities which were guaranteed by members of the Remaining Group for the construction of solar farm projects and general working capital purposes. To ensure financial independence of our Group, all of these corporate guarantees currently provided by certain members of the Remaining Group in respect of our banking facilities will be released upon completion of the Spin-Off and the Listing and will be replaced by the corporate guarantee of our Company, if necessary.

Our Directors further believe that we have and will continue to have, following completion of the Spin-Off and the Listing, the ability to obtain external financing on market terms and conditions without any support from the Remaining Group and we will have sufficient banking facilities and other financial resources for our business operations after the Spin-Off and the Listing. Hence, in light of the above and the current industry landscape and favorable government policies in solar farm industry in the PRC, our Directors consider that our business and the business model and the policy on Distributions currently adopted by us are sustainable and suitable for listing on the Hong Kong Stock Exchange.

NO BUSINESS COMPETITION BETWEEN OUR GROUP AND THE REMAINING GROUP

Overview

Having considered the independence in management, business operations, financing and administration between our Group and the Remaining Group, our Directors confirm that we are independent of the Remaining Group upon completion of the Spin-Off and the Listing. Further, our Directors confirm that, following the Spin-Off and the Listing, we will focus on the Solar Farm Operation Business whereas the Remaining Group will focus on the Remaining Business. Hence, there is a clear delineation of the business activities of our Group and the Remaining Group.

Our Controlling Shareholders confirm that none of them has any direct or indirect interest in any businesses or companies (other than their respective interests in our Group) that engage in any business activities that compete or may compete with our business activities.

Business delineation — No competing businesses

The table below sets forth the respective restricted business activities of our Group and the Remaining Group following the Spin-Off and the Listing:

	Our Group	The Remaining Group
Restricted business activities under the Deed of Non-Competition	Solar Glass Business EPC Service Business Solar Farm Development Business	Solar Farm Operation Business

Members of the Remaining Group are not, and are expected not to be engaged in any business activities that compete or may likely compete with the business activities of our Group. The Deed of Non-Competition has been approved by the XYS Independent Shareholder at the XYS EGM.

The Remaining Business represents the Solar Glass Business, the EPC Service Business, and the Solar Farm Development Business and profit received from a joint venture (the "**Joint Venture**") with an Independent Third Party on a solar farm project with the approved capacity of 100 MW in Jinzhai, Anhui Province, the PRC. The Joint Venture is owned as to 50.0% by the Remaining Group, and its operating results have not been consolidated into the operating results of the Xinyi Solar Group. Xinyi Solar Group is not involved in the operation and management of the solar farm project owned by the Joint Venture and has no control on the board of directors of the Joint Venture because a majority of the directors of the Joint Venture is appointed by the other joint venture partner. All employees of the Joint Venture are employed by the Joint Venture. During the Track Record Period, Xinyi Solar Group shared profit of HK$31.1 million, HK$36.4 million, and HK$33.6 million, respectively, from the Joint Venture.

The principal business of the Joint Venture is the operation of a solar farm project with the approved capacity of 100 MW in Jinzhai, Anhui Province, the PRC. Xinyi Solar has no majority control on the Joint Venture, the other party to the Joint Venture is an Independent Third Party of Xinyi Solar and its subsidiaries or any of their respective associates (as such term is defined under the Listing Rules). The solar farm project operated by the Joint Venture is situated at the county where only one of the solar farm projects under each of our Initial Portfolio and the Target Portfolio are situated. Xinyi Solar only holds 50.0% equity interest in the Joint Venture and Xinyi Solar does not have the right to nominate a majority of the directors of the Joint Venture. Because of the absence of such majority control, the directors of Xinyi Solar and our Directors will not be able to determine the distribution policy of the Joint Venture. The directors of Xinyi Solar and our Directors therefore do not consider it appropriate to inject the equity interest in the Joint Venture into our Group. There is no plan for Xinyi Solar to dispose of any solar farm project to the Joint Venture following completion of the Spin-Off and the Listing. Other than pursuant to the Solar Farm Agreement, Xinyi Solar will only sell solar farm projects to Independent Third Parties of Xinyi Solar and its subsidiaries or any of their respective associates (as such term is defined under the Listing Rules)) or third parties in which Xinyi Solar, its connected persons (as such term is defined under the Listing Rules) and their respective associates (as such term is defined under the Listing Rules) are interested in less than 30% of the voting power at the general meetings. Our Directors have been confirmed by Xinyi Solar that it will not sell any solar farm project to the Joint Venture.

Our Directors consider that there will be a clear business delineation between our Group and the Joint Venture and that there will be no competition between our business and the business of the Joint Venture because of the following reasons:

— each of the solar farm projects under our Initial Portfolio and the Target Portfolio has entered into power purchase agreement with the State Grid, which secures full purchase and on-grid transmission of the electricity generated by the relevant solar farm projects;

— there is significant domestic and industrial electricity demand in Anhui Province and we are not aware of any supply and demand imbalance;

— we are not aware of any curtailment record of solar power output in Anhui Province and as such, there is no limitation being imposed on the electricity sold by solar farm projects approved for construction and operation in Anhui Province; and

— solar power, along with other sources of renewable energy, are entitled to top priority over the conventional energy sources in grid electricity dispatch.

Business delineation — Development, construction, and operation of solar farm projects

Delineation commonly adopted in renewable energy sector

Following completion of the Spin-Off and the Listing, we will not be engaged in the planning, development and construction of solar farm projects which are subject to the risks and uncertainties of solar farm construction and grid connection delay. We will acquire from the Remaining Group or Independent Third Parties construction completed and grid-connected utility-scale ground-mounted solar farm projects for our business growth.

The business delineation between the Remaining Group and our Group, i.e. the business delineation between (a) the development or construction of renewable power generation projects and (b) the operation and maintenance of renewable power generation projects, is common in the global renewable energy industry sector. Our Directors are of the view that such business delineation is commonly used because the two businesses require different management skills and offer different investment return and risk management profile which are appealing to different types of investors.

A number of YieldCos listed in the U.S. focus on the operation and maintenance renewable power generation projects, with the objective of providing stable dividends to investors. The renewable power generation projects owned by these YieldCos are located globally and, to a lesser extent, Asia. There are a number of common features with respect to the business delineation and relationship between these YieldCos and their parent companies which are similar to those between the Remaining Group and our Group following the Spin-Off and the Listing as follows:

(a) at the time of the listing and initial public offering of the YieldCos, the YieldCos operated a portfolio of renewable energy generation projects previously constructed, developed or acquired by the parent companies of the YieldCos;

(b) following the listing and initial public offering, the YieldCos would focus on the operation and maintenance of the renewable power generation projects, and would not be engaged in the construction or development of renewable energy projects. The business of constructing and developing power generation projects would continue to be carried out by the parent companies, all of which had significant track records of developing renewable power generation projects; and

(c) the YieldCos would seek business growth through acquisitions of renewable power generation projects from the parent companies or third parties. All the YieldCos were granted by the parent companies the rights of first offer and/or call rights to acquire certain pipeline power generation projects from the parent companies.

With a view to ensuring clear business delineation between our Group and the Remaining Group is maintained following the Spin-Off and the Listing, our Company and Xinyi Solar have entered into the Solar Farm Agreement. The Remaining Group will retain full control of the pipeline solar farm projects. We may acquire utility-scale ground-mounted solar farm projects from the Remaining Group pursuant to the Solar Farm Agreement. Further information on the Solar Farm Agreement is set forth in the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus.

Different operating environment, different business models, and different customers and suppliers

The Solar Farm Development Business is operated in a business environment which is entirely different from that of the solar farm operation and management business currently operated by our Group. The Solar Farm Development Business requires significant amount of capital expenditure and expertise in undertaking the construction of solar farm projects. The scale and number of solar farm projects that may successfully be developed in each year depend on the policies implemented by the PRC Government, such as the national quota system in the PRC and the 2018 Solar Power Industry Notice, and whether suitable locations can be identified for solar farm development and construction. As a solar farm operator, our revenue is stable and represents the income generated from the sales of electricity under the Feed-in-Tariff regime or the regime under the 2019 Grid Parity Notice. Our profitability depends on the capacity utilization of the solar farm projects with appropriate cost control measures.

The business models of solar farm developers and solar farm operators are different. We treat each solar farm project as our asset because each of these assets can generate electricity for sales. We need to monitor the level of electricity generation as well as the transmission of electricity through power purchase or offtake agreements. Major components of our costs include salaries and wages, depreciation, and costs on general repairs and maintenance of the solar farm projects. The business model of solar farm developer is to develop and construct solar farm projects for sale.

The customers and the suppliers of the Solar Farm Development Business and our business are also different. Our customers are the local subsidiaries of the State Grid, and most of our suppliers are retained by us for maintenance of the solar farm projects. The customers of the Solar Farm Development Business generally include solar farm operators, investors, and energy or public utilities companies. The suppliers of the Solar Farm Development Business include suppliers of construction materials, machineries, and suppliers of solar panels for construction of solar farm projects.

Deed of Non-Competition

For the purpose of ensuring clear business delineation and regulating the relationship between the Remaining Group and our Group, each of our Controlling Shareholders and our executive Directors (collectively, the "**Covenantors**") has entered into the Deed of Non-Competition in favor of our Company, pursuant to which each of the Covenantors will jointly and severally, irrevocably and unconditionally, has undertaken with our Company (for ourselves and for the benefit of our subsidiaries) that with effect from the Listing Date and for so long as our Shares remain so listed on the Hong Kong Stock Exchange and the Covenantors, individually or collectively with their associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue or otherwise regarded as controlling shareholders (as defined in the Listing Rules) of our Company, the Covenantors shall not, and shall procure that none of their associates (except any members of our Group) or affiliates (named in this prospectus) shall:

(a) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business activity conducted from time to time by any member of our Group or be in competition with any member of our Group in any business activities which any member of our Group may undertake in the future save for (i) holding of solar farm projects which are subject to the Solar Farm Call Option or the Solar Farm ROFR (the "**Relevant Solar Farm Projects**") for sale and (ii) the holding of not more than five per cent shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong; and

(b) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of any member of our Group including, but not limited to, solicitation of the customers, suppliers or personnel of any member of our Group.

In addition, each of the Covenantors has jointly and severally, irrevocably and unconditionally, undertaken to our Company that:

(a) if any new business opportunity relating to any of the products and/or services of our Group in the PRC or otherwise (except for holding of the Relevant Solar Farm Projects for sale) (the "**Business Opportunity**") is made available to any of the Covenantors or their respective associates (other than members of our Group), it shall direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

(b) in connection with the Business Opportunity, the relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to our Group to enable us to secure the Business Opportunity.

For the avoidance of doubt, none of the Covenantors and their respective associates (other than members of our Group) shall pursue the Business Opportunity unless we have decided not to pursue the Business Opportunity because of commercial reasons. Our decision shall be approved by our independent non-executive Directors.

Ongoing transactions following the Spin-Off and the Listing

Following the Spin-Off and the Listing, our Directors confirm that the transactions between the Remaining Group and our Group will be conducted on an arm's length basis and upon normal commercial terms and governed by the written terms and conditions of the Transaction Agreements. For details on the Transaction Agreements, see the section headed "Future Growth Opportunities and Solar Farm Agreement" in this prospectus for further information. These transactions will be governed by the Transaction Agreements as follows:

(a) disposal of future solar farm projects that have completed construction and are grid-connected to our Company pursuant to the Solar Farm Call Option and the Solar Farm ROFR granted under the Solar Farm Agreement; and

(b) the solar farm operation and management services to be provided by our Group to the Remaining Group under the Solar Farm O&M Agreement for the connection ready solar farm projects held for sale pursuant to the Solar Farm Agreement.

Xinyi Solar has obtained the approval of the XYS Independent Shareholders at the XYS EGM on the transactions contemplated under the Transaction Agreements. In addition, the transactions contemplated under the Solar Farm Agreement are expected to constitute connected transactions for our Company, further information of which is set forth in the section headed "Connected Transactions" in the prospectus. The Solar Farm Agreement has been approved by the XYS Independent Shareholders at the XYS EGM.

Our Directors further confirm that the services to be provided by our Group to the Remaining Group under the Solar Farm O&M Agreement will be determined with reference to the cost incurred by our Group and the then prevailing market rates of similar transactions. These transactions would constitute continuing connected transactions for our Company, and the aggregate amount of which is expected to be more than 0.1% but less than 5% under the applicable percentage ratios to our Company, and would be exempt from the circular and shareholders' approval requirements. These transactions would be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

Our Directors consider that owning utility-scale ground-mounted solar farm projects *per se* by the Remaining Group would not constitute a competing business with our Company, as these solar farm projects will not be operated and managed by the Remaining Group. All connection-ready utility-scale ground-mounted solar farm projects owned or developed by the Remaining Group will be operated and managed by our Group under the Solar Farm O&M Agreement. We will receive service fee for the services rendered under the Solar Farm O&M Agreement. Further information on the Solar Farm O&M Agreement is set forth in the section headed "Connected Transactions — Non-exempt continuing connected transactions — Solar Farm O&M Agreement" in this prospectus. The Solar Farm O&M Agreement has been approved by XYS Independent Shareholders at the XYS EGM.

Pursuant to the Solar Farm Agreement, if the Remaining Group is not able to dispose of the utility-scale ground-mounted solar farm projects owned by it within a four-year period, such solar farm projects would continue to be managed by our Group under the Solar Farm O&M Agreement until the disposal of such solar farm projects to the interested buyer. In the event that the Remaining Group is not able to dispose of any of such solar farm projects within the four-year period, the Remaining Group and our Company shall appoint an independent advisor for appraisal of the then market value of such solar farm projects and the Remaining Group shall dispose of such solar farm projects through the appropriate methods (including, but without limitation to, public or private tender) to Independent Third Parties or our Group (including domestic companies in the PRC and foreign companies) within a period of six months. See the section headed "Future Growth Opportunities and Solar Farm Agreement — Solar Farm Agreement" in this prospectus for further information.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Directors recognize the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between the Remaining Group and us will be taken:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-Competition;

(b) our Controlling Shareholders shall provide all information necessary for the annual review by our independent non-executive Directors of the compliance with and enforcement of the Deed of Non-Competition;

(c) our Controlling Shareholders shall use reasonable endeavor to procure that their close associates shall provide all relevant information, subject to confidentiality restrictions owed by them to any third party, for annual review by our independent non-executive Directors and professional advisors of our Company with regard to the compliance with and enforcement of the Deed of Non-Competition;

(d) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the undertakings of our Controlling Shareholders under the Deed of Non-Competition either through the annual or interim report of our Company, or by way of announcements to the public;

(e) our Company will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced;

(f) our Company will disclose the annual statement on compliance with the Deed of Non-Competition in our subsequent annual reports;

(g) in the event that a business opportunity relating to our business or otherwise is identified by the Remaining Group, it shall refer such opportunity to us and shall not pursue such opportunity unless our independent non-executive Directors have resolved to decline such opportunity on a case-by-case basis and have notified in writing of their decisions with relevant reasons; any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Hong Kong Stock Exchange for the granting of waivers from strict compliance with the relevant requirements under the Listing Rules; and

(h) in the event that there is any conflict of interest in the operations of the Remaining Group and us, and in respect of any proposed contracts or arrangements between the Remaining Group and us, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his interests to our Board. According to the Articles, should a Director or his/her close associate has any material interests in the matter (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), he or she shall not vote on the resolutions at the meeting of our Board approving the same and shall not be counted in the quorum of the relevant meeting.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Remaining Group and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

For the purpose of the Spin-Off and the Listing, the Transaction Agreements, namely the Solar Farm Agreement, Solar Farm O&M Agreement, and the Deed of Non-Competition, have been entered into for the purpose of (a) providing our Group with the Solar Farm Call Option and the Solar Farm ROFR to acquire the utility-scale ground-mounted solar farm projects developed or constructed by the Remaining Group and (b) providing our Group with the exclusive right to provide operation and management services to the connection-ready utility-scale ground-mounted solar farm projects held by the Remaining Group for sales. A clear business delineation will be established by the Deed of Non-Competition

FUTURE GROWTH OPPORTUNITIES

For details on our future plans and growth strategies, see the section headed "Business of our Group — Our strategies" in this prospectus.

Acquisition of utility-scale ground-mounted solar farm projects from the Remaining Group

Following completion of the Spin-Off and the Listing and for the purpose of our business growth, we would acquire utility-scale ground-mounted solar farm projects from time to time developed or constructed by the Remaining Group, which have completed construction and are grid-connected. In this connection, we have entered into the Solar Farm Agreement, whereby we are granted by Xinyi Solar (for itself and on behalf of its subsidiaries) the Solar Farm Call Option and the Solar Farm ROFR. We believe that the pipeline solar farm projects of the Remaining Group will provide ample opportunities for our future business growth.

Pipeline solar farm projects of the Remaining Group refer to the solar farm projects in different stages of construction and development with different milestones achieved prior to completion of construction and grid connection. Some of the pipeline solar farm projects may have achieved moderate progress with the commencement of feasibility study for construction, while others may have completed the critical phases of development and feasibility study before construction and have obtained the preliminary approval from the NDRC for conducting preliminary work or the supporting documents for land resumption, environmental impact assessment, water reservation, and grid connection. All pipeline solar farm projects are developed and constructed under the national quota system in the PRC. Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed and constructed under the national quota system in the PRC will in principle be entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years for grid-connected electricity generation.

The table below sets forth a list of pipeline solar farm projects under development and construction by the Remaining Group as of the Latest Practicable Date, which will be subject to the Solar Farm Call Option and the Solar Farm ROFR. These pipeline solar farm projects will be available for acquisition by us following the Spin-Off and the Listing upon grid connection and substantial completion of construction.

	Approved capacity (MW)	Resource Zone	Current status	National quota obtained [(1)]	Expected year of completion of grid connection and substantial completion of construction	Approved Feed-in-Tariff rate
						RMB
Wangjiang Solar Farm	100	III	Construction in progress	Yes	2019	0.945 (Phase 1) 0.660 (Phase 2)
Jinzhai Solar Farm (Phase 3)	100	III	Construction in progress	Yes	2019	0.925
Huaibei Solar Farm	100	III	Construction in progress	Yes	2019	0.78
Bozhou Solar Farm (Phase 4)	50	III	Construction in progress	Yes	2019	0.63
Baicheng Solar Farm	30	II	Construction in progress	Yes	2019	0.88 (Phase 1) 0.75 (Phase 2)
Hainan Solar Farm	300	III	Construction in progress	Yes	2020	0.70
Huainan Solar Farm (Phase 2)	50	III	Construction in progress	Yes	2020	0.70
Zhanjiang Solar Farm (Phase 1)[(2)]	30	III	Construction in progress	Yes	2020	0.86
Zhanjiang Solar Farm (Phase 2)[(2)]	70	III	Planning for development	Yes	2020	—[(1)]
Chaohu Jindao Solar Farm	20	III	Construction in progress	No[(3)]	2020	—[(3)]
Total	850					

Notes:

(1) Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years for grid-connected electricity generation. However, the actual Feed-in-Tariff rate is subject to final determination upon grid-connection.

(2) Xinyi Solar is interested in 90.0% of the equity interest in the relevant solar farm project and the remaining 10.0% is held by an Independent Third Party.

(3) Chaohu Jindao Solar Farm Project is not constructed under the national quota system of the PRC and is not entitled to tariff adjustment in respect of the electricity generated by this solar farm project. The price for sale of electricity charged by Chaohu Jindao Solar Farm Project will be equivalent to the local benchmark price of conventional coal-fired power and is therefore a grid parity solar farm project. Chaohu Jindao Solar Farm Project is constructed prior to the implementation of the 2019 Grid Parity Notice.

On December 5, 2018, we entered into the Solar Farm Agreement. For details on the Solar Farm Agreement, see the paragraphs under "Solar Farm Agreement" below. We are granted the Solar Farm Call Option and the Solar Farm ROFR pursuant to the Solar Farm Agreement, which will be effective from the Listing Date until Xinyi Solar ceases to be a Controlling Shareholder. The Solar Farm Agreement is important to our growth as it allows us to acquire the construction completed and grid-connected utility-scale ground-mounted solar farm projects from Xinyi Solar on a preferential basis. Our Director believe that such agreement will provide us with significant opportunities to acquire solar farm projects that can expand our project portfolio and support our future business growth.

We are not able to estimate the construction commencement date, grid-connection, and the COD of the solar farm pipeline projects of the Remaining Group and we are not able to estimate when the Remaining Group could obtain preliminary and final governmental approvals for such solar farm projects. Obtaining governmental approvals for utility-scale ground-mounted solar farm projects may take time and may vary significantly for different projects and factors that may affect the timing for the issue of the government approvals include timing of land lease or land use right approvals, capacity of power grid, availability of grid connection, construction plan in the area nearby, and the government development plan and policy.

In deciding whether or not to exercise the Solar Farm Option for the acquisition of construction completed and grid connected utility-scale ground-mounted solar farm projects from the Remaining Group, we will consider the following factors:

(1) the location, approved capacity, and the Feed-in-Tariff rates of the grid connected utility-scale ground-mounted solar farm projects are consistent with our growth strategy;

(2) the technical aspects of the relevant utility-scale ground-mounted solar farm projects;

(3) the industry outlook and the performance of solar farm industry in the PRC and the valuation of similar solar farm projects in the PRC;

(4) our available financial resources and the cost of finance for such acquisition; and

(5) the other growth opportunities in the PRC and abroad and such other factors as we consider appropriate.

Acquisition of solar farm projects from Independent Third Parties

We also intend to expand our portfolio of solar farm projects by acquiring solar farm projects from Independent Third Parties in the future.

In addition to the pipelines of utility-scale ground-mounted solar farm projects developed or constructed by Xinyi Solar, our Directors believe that we would be able to identify suitable solar farm projects in the PRC from Independent Third Parties because of the following reasons:

(1) ***Continuous economic growth in the PRC.*** The continuous economic growth in the PRC accelerates the demand for renewable energy across the country and facilitates the getting of additional funding for the acquisition of solar farm projects. In 2018, the PRC led the world as the largest solar power installation market for the fifth consecutive year, with 44.26 GW of new installation. The rapid growth of solar power installation is driven by the continuous technological advancements which improves the efficiency of solar power generation leading to declining cost of solar power technology.

(2) ***Lower installation cost and increasing use of solar power.*** The PRC is the largest and fastest growing solar energy market in the world, and is expected to lead the global demand in terms of annual solar power installation and capital investment in solar farm projects between 2017 and 2020. The cost of solar power system and solar modules have undergone significant decline during the period from 2011 to 2018 and are expected to continue to decline going forward, which we believe will further accelerate the use of solar power around the world.

(3) ***Active trading market solar farm projects in the PRC.*** The aggregate capacity of the solar farm projects acquired by certain Hong Kong listed companies during the three years ended December 31, 2018 was approximately 1,965 MW. In light of the market size, our Directors consider that we would be able to source suitable solar farm projects from Independent Third Parties following the Listing that can meet our requirements with comparable terms, conditions, and prices.

(4) ***Continuous favorable government policies in the PRC.*** The PRC Government has in recent years promulgated a series of laws and regulations to support and encourage the development of renewable energy. In 2014, as part of its Strategic Energy Action Plan, the NDRC aimed to achieve a total of 100 GW of installed solar capacity by 2020. In December 2016, as part of the 13th Five-Year Plan, the NDRC increased the target to 105 GW of newly installed solar capacity by 2020.

There are a large number of solar farm projects in the PRC that can meet and satisfy our geographical and capacity requirements, and qualify for the Feed-in-Tariff regime. There is an active trading market for solar farm projects in the PRC.

We believe it is strategically and commercially attractive and viable for us to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects developed or constructed by the Remaining Group, and the transactions between our Group and the Remaining Group have been, and will continue to be, carried out upon normal commercial terms after arm's length negotiations between the parties. Our Directors are also satisfied that there are valid and sound commercial reasons for us to continue to source solar farm projects from the Remaining Group in terms of the years of our cooperation during the Track Record Period, and the fact that Xinyi Solar has a proven track record in developing and constructing solar farm projects (including our Initial Portfolio and the Target Portfolio) which consistently meet the geographical and capacity requirements and standards, contributing to the consistent performance of our solar farm projects in commercial operation. Our Directors consider that it will be in our interests and the interest of our Shareholders to continue to source construction completed and grid-connected utility-scale ground-mounted solar farm projects from the Remaining Group. Hence, given our established relationship with Xinyi Solar, its experience, market position, and the fact that Xinyi Solar will continue to be our holding company following completion of the Spin-Off and the Listing, our Directors consider that it would be in our interest to accept the Solar Farm Call Option and the Solar Farm ROFR to be provided by Xinyi Solar.

Nevertheless, our Directors believe that we are not unduly relying on Xinyi Solar in our business operations. We will also acquire solar farm projects from Independent Third Parties if there are suitable opportunities with commercial terms acceptable to us. Because of the standard components and modules used in solar panels, our Directors consider that there is not much difference between the utility-scale ground-mounted solar farm projects owned or developed by the Remaining Group and Independent Third Parties. For acquisition of solar farm projects from Independent Third Parties, we may need to conduct additional due diligence on their operations, compliance records and the terms and the payment history of the receivables from sale of electricity and tariff adjustment.

The table below sets forth a summary of the aggregate installed capacity of solar farm projects in selected provinces/municipality in the PRC as of June 30, 2018:

	Aggregate installed capacity as of June 30, 2018		
	Utility-scale ground-mounted solar farm projects	**Distributed solar farm projects**	**All solar farm projects**
	(10 MW)	*(10 MW)*	*(10 MW)*
(A) Regions where existing projects of our Initial Portfolio and the Target Portfolio are located	1,653	991	2,644
Anhui Province	636	405	1,041
Hubei Province	317	144	461
Fujian Province	36	87	123
Henan Province	585	333	918
Tianjin Municipality	79	22	101
(B) Other regions	7,907	3,179	11,086
(A) + (B)	9,560	4,170	13,730
Regions with curtailment issue in first half of 2018 [(1)]	1,700	21	1,721
Total	11,260	4,191	15,451

Note:

(1) Include PRC provinces of Gansu and Xinjiang.

According to the NEA, the total aggregate installed capacity of all solar farm projects in the PRC was 174,510 MW as of December 31, 2018.

We will focus on acquiring utility-scale ground-mounted solar farm projects located in areas where there are no electricity supply and demand imbalance and potential curtailment issues. According to the NEA, there were 112.6 GW of utility-scale ground-mounted solar farm projects in the PRC as of June 30, 2018. Excluding regions with reported curtailment issues (17.0 GW), which was released by the NDRC in the PRC in August 2018 with the objective of addressing potential curtailment issues, there were 95.6 GW of utility-scale ground-mounted solar farm projects, of which 16.5 GW were located in regions where our Initial Portfolio and the Target Portfolio are located, as of June 30, 2018.

Under the Feed-in-Tariff regime, utility-scale ground-mounted solar farm projects developed under the national quota system in the PRC are in principle entitled to receive the Feed-in-Tariff at the same applicable rate for 20 years for grid-connected electricity generation. As part of our acquisition strategy, we will focus on acquiring solar farm projects that are developed under the national quota system in the PRC and will conduct technical, financial, and legal due diligence to ensure that the solar farm projects to be acquired are under good operating condition and that such solar farm projects are established and operated in accordance with the applicable laws and regulations in the PRC. There are no material differences between acquiring solar farm projects from Xinyi Solar and from Independent Third Parties.

SOLAR FARM AGREEMENT

Our Company has entered into the Solar Farm Agreement with Xinyi Solar. Pursuant to the Solar Farm Agreement, we are granted the Solar Farm Call Option and the Solar Farm ROFR on the utility-scale ground-mounted solar farm projects which have substantially completed construction and are grid-connected (the "**Completed Solar Farm Projects**") developed or constructed by the Remaining Group. A summary of the principle terms and conditions is set forth below:

Term:	The term will commence from the Listing Date and will end when Xinyi Solar ceases to be a substantial shareholder (as such term is defined under the Listing Rules) of our Company. **Exercise of the Solar Farm Call Right**: We may give written notice to the Xinyi Solar Group to exercise the Call Right at any time during the Call Right Period.
Call Right Assets:	**Call Right Assets**: Completed Solar Farm Projects set forth in a list (the "**Solar Farm List**") to be provided by Xinyi Solar to us on a quarterly basis throughout the Term.

__The Solar Farm List__: The Solar Farm List shall contain specified information and categorize the Call Right Assets into Completed Solar Farm Projects located in the PRC (the "**PRC Call Right Assets**") and Completed Solar Farm Projects located outside the PRC (the "**Non-PRC Call Right Assets**").

__Terminated Call Right Asset__: A Call Right Asset may be removed from the Solar Farm List if there is any legal or regulatory restriction on the part of the Remaining Group that prohibits the transfer of such Call Right Asset to any third party or that it is under Solar Farm ROFR.

Solar Farm Call Right:

__Solar Farm Call Option__: Our Group has the right to purchase, in our sole discretion at any time during the Call Right Period (as defined below), the Call Right Assets. Such Call Right Assets include (a) all Non-PRC Call Right Assets and (b) all PRC Call Right Assets developed under the national quota subject to the same benchmark rates under the Feed-in-Tariff regime or in such other categorization as from time to time agreed by the parties to the Solar Farm Agreement.

__Call Right Period__: (a) with respect to each PRC Call Right Asset, the period commencing on the date that is 90 days prior to the expected completion date of such PRC Call Right Asset in the same batch or categorization, and terminating on the Call Right Period Expiration Date (as defined below) and (b) with respect to each Non-PRC Call Right Asset, the period commencing on the date that is 90 days prior to the expected completion date of such Non-PRC Call Right Asset, and terminating on the Call Right Period Expiration Date.

The "**Call Right Period Expiration Date**" means, with respect to each Call Right Asset, the earliest of (a) the date on which our Company receives written notice from Xinyi Solar that such Call Right Asset constitutes a Terminated Call Right Asset; (b) the date on which our Company gives notice to Xinyi Solar to exercise its Solar Farm ROFR; (c) solely with respect to PRC Call Right Assets in the same batch or categorization, in the event we have acquired or agreed to acquire a subsequent batch of PRC Call Right Asset, the date on which the closing of the transaction occurs; or (d) the date which is 36 months after the date on which the construction of such Call Right Asset has substantially completed.

Call Right Price:

The Call Right Price shall be determined in accordance with the following formula:

Call Right Price = the greater of (a) and (b),

(a) is equal to (Adjusted EBITDA during Designated 12-month of Operation + Sales revenue VAT*) x Implied Multiple

and

(b) is equal to such amount representing one hundred ten percent (110%) of the actual reasonable and documented construction costs of such Call Right Asset.

* Representing the cash flow benefit arising from the set-off of VAT incurred on sales (Sales revenue VAT, charged on revenue derived from the electricity generated and transmitted as well as tariff adjustment) against the VAT incurred on purchases (VAT receivable, previously incurred when the capital expenditure was paid during the construction period of the solar farm project).

"*Implied Multiple*" = 7.2 which is based on the Adjusted EBITDA + Sales revenue VAT of the Target Portfolio and the valuation of the Target Portfolio which is in turn determined by the parties to the Target Sale and Purchase Agreement on an arm's length basis with reference to the valuation of comparable companies/transactions in the PRC. This implied multiple will be fixed until Xinyi Solar and us have agreed that it should be adjusted with reference to advice from third-party advisor as an expert which is an Independent Third Party. In such event, we will comply with the applicable requirements under the Listing Rules.

The Call Right Price will be deducted by such amount representing the net liabilities as of the date of completion of the transaction.

If the proposed acquisition of the Completed Solar Farm Projects is to be conducted by way of acquisition of the shares of the holding company of the relevant Completed Solar Farm Projects, the Call Right Price shall be deducted accordingly by such amount representing the net liabilities of the holding company of the Completed Solar Farm Projects as of the date of completion of the transaction.

where "**Adjusted EBITDA**" is defined as the consolidated EBITDA after eliminating the effect of the Adjustments, if applicable, for that year.

"Adjustments" refer to adjustments of certain items which are charged or credited to the consolidated income statements for the relevant year, being:

— other gain/(loss), net;

— other income;

— unrealized revaluation gains, including impairment provisions or reversal of impairment provisions;

— impairment of goodwill/recognition of negative goodwill;

— material non-cash gains/losses; and

— costs of any offering of Shares that are expensed through the consolidated income statements but are funded by proceeds from the issuance of Shares.

"**Designated 12-month of Operation**" shall commence from the first calendar day of the calendar month immediately after the targeted date of completion of the acquisition of the Completed Solar Farm Projects. If there is any unexpected delay of more than one month to the targeted completion date, the parties to the Solar Farm Agreement shall discuss on the postponement of the commencement date of the Designated 12-month of Operation.

If the parties are unable to agree on any of the basis of the Call Right Price, including any of the pricing variables and the implied multiple in the equation set forth in the Solar Farm Agreement, within 90 days from the date of the relevant Call Right Notice, the parties may engage a third-party advisor in the capacity as an expert to determine such pricing variables and the implied multiple . The cost of engaging the third-party advisor shall be borne by the parties in equal shares.

In such event, we will comply with the applicable requirements under the Listing Rules. Payment of the Call Right Price shall be made in accordance with the terms and conditions mutually agreed upon by the parties in the Project Agreement of the applicable Call Right Asset. The Call Right Price shall be payable in such currency as determined with reference to the location of the solar farm projects to be acquired.

Payment of the Call Right Price: Subject to mutual agreement by the parties, the Call Right Price may be payable by instalments with reference to the payment of the tariff adjustment under the Feed-in-Tariff regime (if applicable) in relation to the solar farm projects to be acquired. The exchange rate to be used for the purpose of determining the Agreed Purchase Price in Hong Kong dollars shall be the average exchange rate between RMB and Hong Kong dollars during a period of 10 days immediately preceding the date of the settlement of the Agreed Purchase Price.

Signing of definitive agreements: Upon the parties' mutual agreement (or a third party advisor's determination) of the basis of the Call Right Price, including any of all the pricing variables and the Call Right Price, the parties to the Solar Farm Agreement shall within 90 days from the relevant Call Right Notice enter into the definitive agreement.

Completion: Completion of the transaction under the definitive agreement shall be taken place within 12 months from the date of the relevant Call Right Notice, provided that we may postpone the closing period up to 60 days if we are not in breach of the definitive agreement and is continuing to use its best efforts to work toward completion of the transaction.

No exercise of the Solar Farm Call Option:	If, for any reason, any Call Right Asset is not purchased or committed to be purchased by us pursuant to the terms of the Solar Farm Agreement within three (3) years from the date on which such Call Right Asset is construction completed and grid-connected, the Remaining Group shall dispose of such Call Right Asset before the expiration of the four (4) year period from the date on which such Call Right Asset is construction completed and grid-connected. If the Remaining Group is not able to dispose such Call Right Asset within the four-year period, such Call Right Asset would continue to be managed by our Group under the Solar Farm O&M Agreement until the disposal of such Call Right Asset to the interested buyer. In the event that the Remaining Group is not able to dispose of any of such Call Right Asset within the four-year period, the Remaining Group and our Company shall appoint a Third Party Advisor for appraisal of the then market value of such Call Right Asset and the Remaining Group shall dispose of such Call Right Asset through the appropriate methods (including, but without limitation to, public or private tender) to Independent Third Parties or our Group (including domestic companies in the PRC and foreign companies) within a period of six months.
Solar Farm ROFR:	If Xinyi Solar receives a bona fide offer from a third party (the "**Third Party Offer**") for acquisition of any Completed Solar Farm Project (the "**Solar Farm ROFR Asset**"), the Remaining Group shall first provide us with the right to acquire such Completed Solar Farm ROFR Asset prior to proceeding with disposal of such Completed Solar Farm Projects to the third party. Within 10 days after the receipt of a Third Party Offer by the Remaining Group, Xinyi Solar shall deliver to us a notice (the "**ROFR Notice**") describing (with reasonably sufficient details and supporting information) such Third Party Offer and all material terms, including: (a) a description of the applicable Solar Farm ROFR Asset along with information on the expected revenue to be generated from such ROFR Asset during its expected life cycle; (b) the purchase price and other material terms related to pricing and payments in respect of such Third Party Offer; (c) the identity of the Third Party that submitted such Third Party Offer; and (d) the proposed timing for the execution of the definitive agreement(s) based on such Third Party Offer.

We shall elect to accept the transfer of the Solar Farm ROFR Asset described in such ROFR Notice on terms and conditions specified in the ROFR Notice by delivering a written notice (a "**ROFR Acceptance Notice**") to the Remaining Group within 90 days (or such long period of time as agreed by the parties) after our receipt of the ROFR Notice (the "**ROFR Acceptance Period**").

If we intend to purchase the Solar Farm ROFR Asset, the parties to the Solar Farm Agreement shall enter into the relevant definitive agreement and shall complete the acquisition within 120 days from the date of the ROFR Acceptance Notice.

If we fail to provide a ROFR Acceptance Notice during the ROFR Acceptance Period, Xinyi Solar may, within 120 days after the expiration of such ROFR Acceptance Period, sell the relevant Solar Farm ROFR Asset to the Third Party on terms and conditions no more favorable than those set forth in the original Third Party Offer. If Xinyi Solar fails to complete the sale of the relevant Solar Farm ROFR Asset to the Third Party within such prescribed period, the Solar Farm ROFR shall be revived and Xinyi Solar shall not complete any transfer of such revived ROFR Asset to any third party unless Xinyi Solar delivers a new ROFR Notice to our Group.

Costs and expenses: Each party shall bear its own costs and expenses incidental to the exercise of the Solar Farm Call Option and the Solar Farm ROFR.

Termination: We shall have the right to terminate the Solar Farm Agreement if the Remaining Group is in material breach or default in the performance of its obligations thereunder or any transaction agreement entered into by the parties in connection with any of the Call Right Assets or the Solar Farm ROFR Assets and such breach or default is continuing for a prescribed period of time.

Liability: Neither party shall be liable for any consequential, incidental, indirect, special or punitive damages, including loss of future revenue, or income or profits, or any diminution of value or multiples of earnings damages relating to the breach or alleged breach.

The estimated Listing expenses of HK$131.6 million, assuming that the Offer Price is HK$2.12, being the mid-point of the indicative range of the Offer Price and that the Over-allotment Option is not exercised, includes underwriting fees and other related expenses payable by our Company and take no account of any discretionary incentive bonus, any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any option that may be granted under the Post-IPO Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares set forth in the section headed "Share Capital" in this prospectus.

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting commission and estimated expenses in relation to the Listing and the Global Offering in the amount of:

— HK$3,433.6 million, if the Over-allotment Option is not exercised, or HK$3,955.0 million, if the Over-allotment Option is exercised in full, assuming that the Offer Price is HK$1.89, being the low-end of the indicative range of the Offer Price;

— HK$3,859.6 million, if the Over-allotment Option is not exercised, or HK$4,444.4 million, if the Over-allotment Option is exercised in full, assuming that the Offer Price is HK$2.12, being the mid-point of the indicative range of the Offer Price; or

— HK$4,285.5 million, if the Over-allotment Option is not exercised, or HK$4,933.8 million, if the Over-allotment Option is exercised in full, assuming that the Offer Price is HK$2.35, being the high-end of the indicative range of the Offer Price.

We intend to use these net proceeds for the following purposes, assuming that the Offer Price is HK$2.12, being the mid-point of the indicative range of the Offer Price and that the Over-allotment Option is not exercised:

— HK$3,473.6 million, or 90.0% of the net proceeds, for the payment of the Agreed Purchase Price, of which an upfront payment of 50.0% will be settled upon completion of the Target Acquisition and the remaining balance, being the Outstanding Amount, will be settled on the earlier of (a) the fourth anniversary of the Listing Date and (b) by instalments following the receipt of the tariff adjustment receivables relating to the solar farm projects under the Target Portfolio pursuant to the Target Sale and Purchase Agreement; and

— HK$386.0 million, or 10.0% of the net proceeds, for our working capital and loan refinancing for the purpose of reducing our interest expense.

In light of foregoing, the remaining balance, being the Outstanding Amount, will only be deferred to the respective time periods when the delayed payment of the tariff adjustment is to be settled by the local subsidiaries of the State Grid. This payment arrangement of the Outstanding Amount is designed to match with the expected receipt of the delayed tariff adjustment incurred by the Target Portfolio from the PRC Government. As of the date of this prospectus, one solar farm project under the Target Portfolio, namely Huainan Solar Farm, has been enlisted on the seventh batch of the Subsidy Catalogue. Following the enlisting, the solar farm operators will in principle be entitled to receive the tariff adjustment due from the commencement of grid connection onwards. The tariff adjustment will thus be recognized as revenue at the time of electricity sales. The tariff adjustment receivables are settled in accordance with the policies of the PRC Government and the prevalent payment trends of the Ministry of Finance and the State Grid. As of the date of this prospectus, the eighth batch of the Subsidy Catalogue has not yet been announced by the NDRC, Ministry of Finance, and the NEA. We will arrange for enlisting of the remaining five solar farm projects under the Target Portfolio on the eighth batch of the Subsidy Catalogue as soon as the same is announced.

The objective of setting aside the cash balance out of the net proceeds from the Global Offering is to reduce the possible impact arising from or in connection with the prolonged settlement of the tariff adjustment of the electricity generated by the Target Portfolio. The cash balance would not be required for our daily business operations, and the cash revenue generated from the sale of electricity of our solar farm projects, excluding the tariff adjustment, will be sufficient to meet our daily operation requirement and working capital purposes.

If the Offer Price is determined at a price higher than HK$2.12, being the mid-point of the indicative range of the Offer Price, assuming that the Over-allotment Option is not exercised, the additional net proceeds from the Global Offering would be up to HK$426.0 million (if the Offer Price is determined at HK$2.35, being the high-end of the indicative range of the Offer Price). In such event, we will use the additional net proceeds for loan refinancing purpose. For the principal reasons for the Global Offering, see the section headed "Spin-Off and Listing" in this prospectus for further information.

If the Offer Price is determined at HK$1.89, being the low-end of the indicative range of the Offer Price, assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering would decrease by HK$426.0 million. In such event or if the net proceeds from the Global Offering are less than the Agreed Purchase Price, we will use our internal resources and/or bank financing to pay for the shortfall.

If the Over-allotment Option is exercised in full, and assuming that the Offer Price is HK$2.12, (being the mid-point of the indicative range of the Offer Price), the net proceeds from the Global Offering would increase by HK$584.9 million. In such event, we will use the additional net proceeds for loan refinancing purpose.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes (including the payment of the remaining balance of the Agreed Purchase Price), our Directors may allocate part or all of the net proceeds from the Global Offering for (a) making short-term interest-bearing deposits; (b) purchasing money-market instruments issued by authorized financial institutions and/or licensed banks in Hong Kong or the PRC; and (c) purchasing investment-grade bond products.

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BNP Paribas Securities (Asia) Limited
China International Capital Corporation Hong Kong Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
Kingsway Financial Services Group Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to include:

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BNP Paribas Securities (Asia) Limited
China International Capital Corporation Hong Kong Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
Kingsway Financial Services Group Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 188,300,000 Hong Kong Offer Shares and the International Offering of initially 1,694,309,471 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by members of the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms, and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or

(iv) the imposition of any general moratorium on commercial banking activities by the competent government authorities in Hong Kong, New York, London or any of the other Relevant Jurisdictions, or any disruption to commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of Xinyi Glass or Xinyi Solar listed or quoted on a stock exchange or an over-the-counter market;

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions (other than the international sanction programs in place as of the date of the Hong Kong Underwriting Agreement); or

(vii) any new laws, statutes, ordinances, legal codes, regulations or rules, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any of the Relevant Jurisdictions; or

(viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or the chief executive officer of our Company vacating his or her office; or

(xii) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) a contravention by any member of our Group of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties in any of the Hong Kong Underwriting Agreement and the International Underwriting Agreement; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings

By our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Hong Kong Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except:

(a) pursuant to the Global Offering and the Over-allotment Option; or

(b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters that (except pursuant to the Global Offering), at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the **"First Six-Month Period"**), our Company shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules and whether conditionally or unconditionally:

(a) allot, issue, offer, sell, contract to sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, hedge, grant or sell any option, warrant or right to subscribe for or purchase, contract to purchase or create any interests or encumbrance in respect of, transfer or otherwise dispose of, directly or indirectly, any Shares or any securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(b) enter into a transaction or an arrangement (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer or agree or announce any intention to do any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions as described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering or the exercise of any option that may be granted under the Post-IPO Share Option Scheme.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period"**) our Company enters into any of the transactions as described in paragraphs (a), (b) and (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholders also undertook to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

By each of our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement

Each of our Controlling Shareholders has undertaken with our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters that, our Controlling Shareholders will not, without the prior written consent of the Joint Bookrunners (on behalf of the Underwriters), at any time:

(a) during the First Six-Month Period:

(i) offer, pledge, charge, sell, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our share or debt capital or our other securities or any interest in our Share or debt capital whether now owned or subsequently acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders has beneficial ownership.

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share or debt capital or our other securities or any interest therein or any voting right or any other right attaching thereto; or

(iii) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a)(i) or (a)(ii) above; or

(iv) publicly announce any intention to enter into, any transaction described in (a)(i), (a)(ii) or (a)(iii) above,

whether any transaction described in (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Shares or such other securities in cash or otherwise (whether or not the issue of such Shares or other securities with be completed within the First Six-Month Period); and

(b) during the Second Six-Month Period enter into any of the transactions in paragraphs (a)(i), (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to effect any such transactions if, immediately following any transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, our Controlling Shareholders will cease to be our Controlling Shareholders. Each of our Controlling Shareholders further agrees that, until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, our Controlling Shareholders will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares.

Each of our Controlling Shareholder has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters that at any time during the period from the commencement of the First Six-month Period to the date on which the Second Six-month Period expires, it/he shall:

(i) if it/he pledges or charges or otherwise creates encumbrances over any Shares or securities of our Company or interests therein in respect of which it/he/she is the beneficial owner, whether directly or indirectly, immediately inform each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters in writing of any such pledges or charges or encumbrances and the number of Shares or securities of our Company so pledged or charged or encumbered; and

(ii) if it/he receives any indication, either verbal or written, from any pledgee or chargee or encumbrance or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters in writing of any such indication.

By our Controlling Shareholders to the Stock Exchange

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he or it will not and will procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of his or its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it or our Controlling Shareholders acting together as a group would cease to be a group of controlling shareholders of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, he or it will:

(i) when he or it pledges or charges any Shares beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, including the interest of the Sole Sponsor set forth in the paragraph under "E. Other information — 3. Sole Sponsor" in Appendix V to this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree severally and not jointly to procure purchasers for, or to purchase, International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Prospective investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 282,391,000 additional Offer Shares representing approximately 15% of the initial number of the Offer Shares, at the same price per Offer Share under the International Offering to cover over allocations in the International Offering.

Commissions and expenses and Sole Sponsor's fee

Our Company will pay a commission of 2.3% of the aggregate Offer Price in respect of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Global Coordinators and the relevant International Underwriters.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to HK$131.6 million (assuming an Offer Price of HK$2.12 per Offer Share (being the mid-point of the indicative range of the Offer Price stated in this prospectus) and the full payment of the discretionary incentive fee and no exercise of the Over-allotment Option), are payable and borne by our Company.

An aggregate amount of approximately HK$4.9 million is payable by our Company as Sponsor fees to the Sole Sponsor.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to our Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our Shares (which financing may be secured by our Shares) in the Global Offering, proprietary trading in our Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares, which may have a negative impact on the trading price of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

CORNERSTONE INVESTMENT

As part of the International Offering, our Company, certain Joint Global Coordinators, and each of the Cornerstone Investors entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**" or together, the "**Cornerstone Investment Agreements**")**,** pursuant to which each of Mr. LAW Kar Po and Splendid Steed Investments Limited has agreed to invest HK$500 million and HK$390 million, respectively, for the subscription for 235,848,000 International Offer Shares and 183,962,000 International Offer Shares, respectively, assuming that the Offer Price is HK$2.12 per Share (being the mid-point of the indicative range of the Offer Price). The aggregate amount of the investment contributed by the Cornerstone Investors does not include brokerage, SFC transaction levy, and Hong Kong Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Offer Shares to be subscribed) by them.

NUMBER OF INTERNATIONAL OFFER SHARES TO BE SUBSCRIBED BY THE CORNERSTONE INVESTORS

Based on the Offer Price of HK$1.89, HK$2.12, and HK$2.35 (being the low-end, mid-point, and high-end of the indicative range of the Offer Price, respectively), the aggregate number of our International Offer Shares agreed to be subscribed for by the Cornerstone Investors would be 470,898,000, 419,810,000, and 378,720,000 Offer Shares, respectively, representing (a) 25.0%, 22.3%, and 20.1% of the initial number of our Offer Shares or (b) 7.1%, 6.3% and 5.7% of the enlarged number of our Shares in issue following completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme is not exercised).

The tables below set forth a summary of further information on the investment made by each of the Cornerstone Investors, and the number of International Offer Shares that would be subscribed by them:

	Assuming that the Offer Price of HK$1.89 (being the low-end of the indicative range of the Offer Price)				
Name of the Cornerstone Investors	**Amount of Investment**	**Number of Shares agreed to be subscribed for(1)**	**Percentage to the initial number of our International Offer Shares(2)**	**Percentage to the initial number of our Offer Shares(2)**	**Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue(2)**
	(HK$ million)		*(%)*	*(%)*	*(%)*
LAW Kar Po	500.0	264,550,000	15.6	14.1	4.0
Splendid Steed Investments Limited .	390.0	206,348,000	12.2	11.0	3.1
Total	890.0	470,898,000	27.8	25.0	7.1

Name of the Cornerstone Investors	Amount of Investment	Assuming that the Offer Price of HK$2.12 (being the mid-point of the indicative range of the Offer Price)			
		Number of Shares agreed to be subscribed for(1)	Percentage to the initial number of our International Offer Shares(2)	Percentage to the initial number of our Offer Shares(2)	Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue(2)
	(HK$ million)		*(%)*	*(%)*	*(%)*
LAW Kar Po	500.0	235,848,000	13.9	12.5	3.6
Splendid Steed Investments Limited .	390.0	183,962,000	10.9	9.8	2.8
Total	890.0	419,810,000	24.8	22.3	6.3

Name of the Cornerstone Investors	Amount of Investment	Assuming that the Offer Price of HK$2.35 (being the high-end of the indicative range of the Offer Price)			
		Number of Shares agreed to be subscribed for(1)	Percentage to the initial number of our International Offer Shares(2)	Percentage to the initial number of our Offer Shares(2)	Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue(2)
	(HK$ million)		*(%)*	*(%)*	*(%)*
LAW Kar Po	500.0	212,764,000	12.6	11.3	3.2
Splendid Steed Investments Limited .	390.0	165,956,000	9.8	8.8	2.5
Total	890.0	378,720,000	22.4	20.1	5.7

Note:

(1) According to the Cornerstone Investment Agreements, the number of Shares agreed to be subscribed for shall be rounded down to the nearest whole board lot of 2,000 Shares.

(2) The percentages are based on such number of Shares without taking into consideration Shares that may be issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme.

The actual number of our International Offer Shares to be allocated to each of the Cornerstone Investors are subject to clawback, further information on which is set forth in the section headed "Structure of Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus, and will be disclosed in our announcement of results of allocations of our Offer Shares under the Global Offering on or around Monday, May 27, 2019.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is not our connected person (as defined under the Listing Rules) or existing Shareholder, is not a close associate of any of our existing shareholders, and is independent of our connected persons and their respective close associates. Each of the Cornerstone Investors is independent from each other (save as disclosed below) and makes independent investment decisions.

The investment contributed by the Cornerstone Investors will form part of the International Offering. The International Offer Shares to be subscribed for by the Cornerstone Investors (i) will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and the Capitalization issue and (ii) will be counted towards the public float of our Company.

None of Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. Immediately following completion of the Global Offering and the Capitalization Issue, none of the Cornerstone Investors will have any representation on the Board, nor will any of the Cornerstone Investors become a substantial shareholder (as defined under the Listing Rules) of our Company. No special rights have been granted to the Cornerstone Investors pursuant to the investment made by the Cornerstone Investors.

INFORMATION ON THE CORNERSTONE INVESTORS

We set forth below a brief description of each of the Cornerstone Investors, which has been provided by the respective Cornerstone Investors:

LAW Kar Po

Mr. LAW Kar Po, aged 70, is currently the managing director of Lobo Investment Limited. Mr. LAW came from a prominent family and an experienced investor. In his early years, Mr. LAW and his brothers assisted his family in the successful listing of Law's International Holdings Limited on the Hong Kong Stock Exchange.

As an experienced investor, Mr. LAW also holds a number of equity investments in various companies and businesses.

Splendid Steed Investments Limited

Splendid Steed Investments Limited is a company incorporated under the laws of the British Virgin Islands with limited liability and is an investment holding company. Splendid Steed Investments Ltd. is wholly-owned by Mr. MA Jianrong, who is an executive director and the controlling shareholder of Shenzhou International Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2313).

CONDITIONS PRECEDENT

The obligations of the Cornerstone Investors to subscribe for the International Offer Shares under the Cornerstone Investment Agreements are subject to, among other things, the following conditions precedent:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of these underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, our Shares and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(d) no Laws (as defined therein) shall have been enacted or promulgated by any Governmental Authority (as defined therein) which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings, and confirmations of the Cornerstone Investors are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Pursuant to the Cornerstone Investment Agreements, the Cornerstone Investors have agreed and undertaken that, without the prior written consent of our Company and the Joint Global Coordinators will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), directly or indirectly, (i) dispose of, in any way, any Shares or other securities of our Company which are derived from our Shares (pursuant to any rights issue, Capitalization Issue or other form of capital reorganization) (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares or (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Notwithstanding the above, the Cornerstone Investors may transfer all or part of the Relevant Shares to their respective wholly-owned subsidiaries, provided that the transferee will undertake that it will abide by the obligations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of, initially, 188,300,000 Shares (subject to reallocation as described below) for subscription by the public in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of, initially, 1,694,309,471 Shares (subject to reallocation and the Over-allotment Option as described below) outside the United States (including to professional, institutional investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Of the 1,694,309,471 Offer Shares initially being offered under the International Offering, 804,736,584 Offer Shares are initially available for subscription by XYS Qualifying Shareholders under the XYS Assured Offering as XYS Qualifying Shareholders' Assured Entitlement (subject to the reallocation as described in the section headed "Structure and Conditions of the Global Offering — The XYS Assured Offering — Basis of allocation for applications for XYS Reserved Shares" in this prospectus).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

Our Directors (or their close associates) and our Controlling Shareholders who are XYS Qualifying Shareholders may apply for the XYS Reserved Shares under the XYS Assured Offering but may not apply for the Hong Kong Offer Shares as members of the public in Hong Kong or apply for or indicate an interest for International Offer Shares.

XYS Qualifying Shareholders who are not Qualifying Directors (or their close associates) or our Controlling Shareholders may make an application for the XYS Reserved Shares either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares. XYS Qualifying Shareholders who are not (i) close associates of XYS, (ii) interested in 10% or more of the issued shares of XYS, or (iii) our Directors or their close associates or our Controlling Shareholders, may apply for or indicate an interest for the International Offer Shares (in additional to their participation in the XYS Assured Offering). However, no XYS Qualifying Shareholders may apply for both Hong Kong Offer Shares under the Hong Kong Public Offering and International Offer Shares under the International Offering (other than for the XYS Reserved Shares under the XYS Assured Offering).

The Offer Shares will represent 28.4% of the number of Shares in issue immediately following completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent 31.3% of the enlarged number of Shares in issue immediately after completion of the Global Offering and the exercise of the Over-allotment Option.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering and the XYS Assured Offering.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares

We are initially offering 188,300,000 Shares for subscription by members of the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, initial number of the Hong Kong Offer Shares will represent approximately 2.8% of the enlarged number of Shares immediately following completion of the Global Offering, assuming that the Over-allotment Option and the options that may be granted under the Post-IPO Share Option Scheme are not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Joint Global Coordinators, subject to the following:

(a) where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 188,300,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 376,600,000 Offer Shares, representing approximately 20.0% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 564,784,000 Offer Shares (in the case of (1)), 753,044,000 Offer Shares (in the case of (2)) and 941,308,000 Offer Shares (in the case of (3)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Offer Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 188,300,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 376,600,000 Offer Shares, representing approximately 20.0% of the total number of the Offer Shares initially available under the Global Offering.

In the event of any reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering above, such allocation will be conducted in accordance with Practice Note 18 of the Listing Rules. In accordance with HKEx Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double of the initial allocation to the Hong Kong Public Offering (i.e. 376,600,000 Shares).

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

The XYS Assured Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering (except in respect of XYS Reserved Shares applied for under the XYS Assured Offering), and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$2.35 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and allocation" below, is less than the maximum Offer Price of HK$2.35 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set forth in the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares" in this prospectus.

THE XYS ASSURED OFFERING

Basis of the XYS Qualifying Shareholders' Assured Entitlement

In order to enable XYS Qualifying Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, our Shares on the Main Board of the Hong Kong Stock Exchange and the Global Offering becoming unconditional, XYS Qualifying Shareholders are invited to apply for an aggregate of 804,736,584 XYS Reserved Shares under the XYS Assured Offering, representing approximately 47.50% and 42.75% of the initial number of the Offer Shares under the International Offering and the Global Offering, respectively. The XYS Reserved Shares are being offered out of the International Offer Shares and are not subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" above.

The basis of the XYS Qualifying Shareholders' Assured Entitlement is one XYS Reserved Share for every integral multiple of 10 XYS Shares held by XYS Qualifying Shareholders as at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date.

XYS Qualifying Shareholders' Assured Entitlement are not transferable and there will be no trading in nil-paid entitlements on the Hong Kong Stock Exchange.

XYS Qualifying Shareholders should note that their XYS Qualifying Shareholders' Assured Entitlement may not represent a number of a full board lot of 2,000 Shares. Further, the XYS Reserved Shares allocated to the XYS Qualifying Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of our Shares may be at a price below the prevailing market price for full board lots.

XYS has appointed Kingsway Financial Services Group Limited to provide matching services, on a best efforts basis, to the XYS Qualifying Shareholders to facilitate the trading of odd lots of Shares which the XYS Qualifying Shareholders may receive under the XYS Assured Offering. For details, please refer to the relevant announcement issued by XYS.

XYS Qualifying Shareholders who hold less than 10 XYS Shares on the XYS Qualifying Shareholders' Assured Entitlement Record Date and therefore will not have an XYS Qualifying Shareholders' Assured Entitlement will still be entitled to participate in the XYS Assured Offering by applying for excess XYS Reserved Shares as further described below.

Basis of allocation for applications for XYS Reserved Shares

XYS Qualifying Shareholders may apply for a number of XYS Reserved Shares which is greater than, less than or equal to their XYS Qualifying Shareholders' Assured Entitlement or may apply only for excess XYS Reserved Shares under the XYS Assured Offering. A valid application for a number of XYS Reserved Shares which is less than or equal to a XYS Qualifying Shareholder's XYS Qualifying Shareholders' Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the **BLUE** Application Forms or the **Blue Form eIPO** service via **www.eipo.com.hk** and assuming that the conditions of the XYS Assured Offering are satisfied.

XYS Qualifying Shareholders (other than HKSCC Nominees) who intend to apply for less than their XYS Qualifying Shareholders' Assured Entitlement using the **BLUE** Application Forms or who intend to apply for excess XYS Reserved Shares using the **BLUE** Application Forms, should apply for a number which is one of the numbers set forth in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If XYS Qualifying Shareholders intend to apply for a number of XYS Qualifying Shareholders' Assured Entitlement or excess XYS Reserved Shares which is not one of the numbers set forth in the table in the **BLUE** Application Form, the XYS Qualifying Shareholders MUST apply by using **Blue Form eIPO** only. If XYS Qualifying Shareholders wish to apply for excess XYS Reserved Shares in addition to the XYS Qualifying Shareholders' Assured Entitlement, the XYS Qualifying Shareholders should complete and sign the **BLUE** Application Form for excess XYS Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess XYS Reserved Shares applied for or apply for through the **Blue Form eIPO** service via **www.eipo.com.hk**.

Where XYS Qualifying Shareholders apply for a number of XYS Reserved Shares which is greater than its or his or her XYS Qualifying Shareholders' Assured Entitlement, the relevant XYS Qualifying Shareholders' Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above and set forth on the **BLUE** Application Forms) but the excess portion of such application will only be met to the extent that there are sufficient Available XYS Reserved Shares (as defined below) resulting from other XYS Qualifying Shareholders declining to take up some or all of their XYS Qualifying Shareholders' Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis ("**XYS Reserved Shares Excess Application Allocation Basis**") is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess XYS Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Where XYS Qualifying Shareholders apply for excess XYS Reserved Shares only under the XYS Assured Offering, such applications will only be satisfied to the extent that there are sufficient Available XYS Reserved Shares (as described below).

To the extent that the excess applications for the XYS Reserved Shares are:

(a) less than the XYS Reserved Shares not taken up by the XYS Qualifying Shareholders (the "**Available XYS Reserved Shares**"), the Available XYS Reserved Shares will first be allocated to satisfy such excess applications for the XYS Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

(b) equal to the Available XYS Reserved Shares, the Available XYS Reserved Shares will be allocated to satisfy such excess applications for the XYS Reserved Shares in full; or

(c) more than the Available XYS Reserved Shares, the Available XYS Reserved Shares will be allocated by the Joint Global Coordinators on the XYS Reserved Shares Excess Application Allocation Basis set out above.

Save for the above, the XYS Assured Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial XYS Qualifying Shareholders whose XYS Shares are held by a nominee company should note that our Company will regard the nominee company as a single XYS Qualifying Shareholder according to the register of members of Xinyi Solar. Accordingly, such beneficial XYS Qualifying Shareholders whose XYS Shares are held by a nominee company should make arrangements with such nominee company in relation to the applications for XYS Reserved Shares under the XYS Assured Offering.

We have applied to the Hong Kong Stock Exchange for, the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules and a consent under Paragraph 5(2) of Appendix 6 to Listing Rules for the inclusion of the XYS Non-Independent Participants, who are XYS Qualifying Shareholders, subject to the following conditions:

(a) no preferential allocation of the XYS Reserved Shares will be made to any of the XYS Non-Independent Participants in their capacity as XYS Qualifying Shareholders;

(b) the XYS Non-Independent Participants in their capacity as XYS Qualifying Shareholders will not apply for such number of XYS Reserved Shares which is more than the total number of XYS Reserved Shares;

(c) save as the XYS Assured Offering, none of the XYS Non-Independent Participants will participate or indicate any interest in the International Offering and the Hong Kong Public Offering;

(d) the allocation of the XYS Reserved Shares will be on a pro rata basis amongst all XYS Qualifying Shareholders (who have applied for the XYS Reserved Shares) and no preferential treatment (in terms of allocation) will be given to the XYS Non-Independent Participants (who have applied for the XYS Reserved Shares and in their capacity as XYS Qualifying Shareholders) as compared to other XYS Qualifying Shareholders; and

(e) the minimum public float requirement under Rule 8.08(1) of the Listing Rules will be complied with immediately after completion of the Global Offering and the Capitalization Issue.

XYS Qualifying Shareholders and XYS Non-Qualifying Shareholders

Only XYS Shareholders whose names appeared on the register of members of Xinyi Solar at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date, excluding the XYS Non-Qualifying Shareholders, are entitled to subscribe for the XYS Reserved Shares under the XYS Assured Offering.

XYS Non-Qualifying Shareholders are those XYS Shareholders whose addresses as shown on the register of members of Xinyi Solar are in, or who are otherwise known by Xinyi Solar to be residents of, any of the Excluded Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Form, our Company reserves the right to permit any XYS Shareholder to take up his XYS Qualifying Shareholders' Assured Entitlement if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to or can otherwise be lawfully made to him without contravention of any relevant or legal regulatory requirements.

Intention of Xinyi Glass

Our Board has been advised by Xinyi Solar that one of its controlling shareholders (as such term is defined under the Listing Rules), i.e. Xinyi Glass, would participate in the XYS Assured Offering by subscribing for such number of the XYS Reserved Shares pro rata to its XYS Qualifying Shareholders' Assured Entitlement and that Xinyi Glass may apply for the excess XYS Reserved Shares in full compliance with the requirements under the Listing Rules and the XYS Assured Offering.

Distribution of this prospectus and the BLUE Application Forms

A **BLUE** Application Form is dispatched to each XYS Qualifying Shareholder. Printed copies of this prospectus shall be available at the designated branches of the Hang Seng Bank Limited, see the paragraphs under "3. Applying for Hong Kong Offer Shares" below.

XYS Qualifying Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of the Hong Kong Underwriters as set forth in the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares" in this prospectus.

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

Applications by XYS Qualifying Shareholders for Hong Kong Offer Shares

Our Directors (and/or their close associates) and our Controlling Shareholders who are XYS Qualifying Shareholders may apply for XYS Reserved Shares under but may not apply for Hong Kong Offer Shares as members of the public in Hong Kong or apply for or indicate an interest for International Offer Shares.

XYS Qualifying Shareholders who are not (i) our Directors (or their close associates) or (ii) our Controlling Shareholders may make an application for the XYS Reserved Shares either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instruction** to HKSCC via CCASS or by apply through the **White Form eIPO** service under the Hong Kong Public Offering but such XYS Qualifying Shareholders who have applied for Hong Kong Offer Shares may not apply for or indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for XYS Reserved Shares under the XYS Assured Offering). Such XYS Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instruction** to HKSCC via CCASS or by apply through the **White Form eIPO** service under the Hong Kong Public Offering.

Application procedures

The procedures for application under and the terms and conditions of the XYS Assured Offering are set forth in the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares — B. Applications for XYS Reserved Shares" and on the **BLUE** Application Forms.

The documents to be issued in connection with the Hong Kong Public Offering and the XYS Assured Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit an offering of the Hong Kong Offer Shares and the XYS Reserved Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE INTERNATIONAL OFFERING

Number of International Offer Shares

The International Offering will consist of an initial offering of 1,694,309,471 Offer Shares, representing approximately 90% of the initial number of the Offer Shares. The XYS Reserved Shares being offered pursuant to the XYS Assured Offering form part of the International Offer Shares.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance in Regulation S and to QIBs in the United States in reliance on Rule 144A. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraphs under "Pricing and allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters exercisable by the Stabilizing Manager. Pursuant to the Over-allotment Option, the Stabilizing Manager has the right exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 282,391,000 additional Offer Shares, representing approximately 15.0% of the initial number of the Offer Shares, at the same Offer Price to cover over-allocation in the International Offering or the obligation under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.1% of our Company's enlarged number of Shares in issue immediately following completion of the Global Offering and the exercise of the Over-allotment Option (assuming that the options that may be granted under the Post-IPO Share Option Scheme are not exercised). In the event that the Over-allotment Option is exercised, an announcement will be made.

The Stabilizing Manager may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraphs under "The Hong Kong Public Offering — Reallocation" above and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective professional and institutional investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Monday, May 20, 2019 and in any event no later than 8:00 a.m. on Friday, May 24, 2019.

The Offer Price will not be more than HK$2.35 per Offer Share and is expected to be not less than HK$1.89 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the low-end of the indicative range of the Offer Price stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the Offer Price range but no more than 10% below the bottom and of the indicative Offer Price range, that is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.xinyienergy.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) notices of the reduction and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set forth in the section headed "Summary and Highlights" in this prospectus and any other financial information which may change as a result of such reduction. Upon the issue of such a notice and the supplemental prospectus, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice and the supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice and any such supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of the Hong Kong Public Offering and the XYS Assured Offering are expected to be announced on Monday, May 27, 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of (a) our Company (**www.xinyienergy.com**) and (b) the Hong Kong Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the Capitalization Issue and our Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options that may be granted under the Post-IPO Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Hong Kong Stock Exchange;

(b) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) at or before 8:00 a.m. on Friday, May 24, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.xinyienergy.com** on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Hong Kong Offer Shares and XYS Reserved Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering, the Capitalization Issue and our Shares which may be issued pursuant to the exercise of the Over-allotment Options or the options that may be granted under the Post-IPO Share Option Scheme.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering, i.e. on Wednesday, June 19, 2019. The number of the Offer Shares that may be over-allocated will not exceed the number of our Shares that may be sold under the Over-allotment Option, namely, 282,391,000 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;

(b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of our Shares for longer than the stabilizing period, which begins on the day on which trading of our Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, June 19, 2019. As a result, demand for our Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of our Shares. As a result, the price of our Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of our Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its affiliate(s)) may choose to borrow up to 282,391,000 Shares (being the maximum number of Shares which may be sold upon the exercise of the Over-allotment Option) from Xinyi Power pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set forth in Listing Rules 10.07(3).

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable our Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, May 28, 2019, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, May 28, 2019.

Our Shares will be traded in board lots of 2,000 Shares each. The stock code of our Shares is 3868.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of XYS Reserved Shares applied for pursuant to the XYS Assured Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares and/or shares of any of its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately following completion of the Global Offering and the Capitalization Issue (except our Directors and/or their associates who are XYS Qualifying Shareholders who may apply for the XYS Reserved Shares); and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering (other than the XYS Assured Offering).

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, May 15, 2019 until 12:00 noon on Monday, May 20, 2019 from:

(1) the following addresses of the Joint Global Coordinators:

BNP Paribas Securities (Asia) Limited
62/F, Two International Financial Centre
8 Finance Street
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

(2) or any of the following branches of Hang Seng Bank Limited:

District	Branch Name	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central, Central, Hong Kong
	Wan Chai Branch	1/F, Allied Kajima Building, 138 Gloucester Road, Hong Kong
Kowloon	Tsimshatsui Branch	18 Carnarvon Road, Kowloon
New Territories	Yuen Long (Kau Yuk Road) Branch	1/F, Fu Ho Building, 5 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, May 15, 2019 until 12:00 noon on Monday, May 20, 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

Time for lodging the Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Hang Seng (Nominee) Limited — Xinyi Energy Holdings Limited Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, May 15, 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, May 16, 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, May 17, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, May 18, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, May 20, 2019 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, May 20, 2019, the last application day or such later time as described in "F. Effect of bad weather on the opening of the Application Lists" in this section.

4. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply for Hong Kong Offer Shares" above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, May 15, 2019 until 11:30 a.m. on Monday, May 20, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, May 20, 2019 or such later time under the "F. Effect of bad weather on the opening of the Applications Lists" in this section.

No multiple applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means (except where you are applied as or for a XYS Qualifying Shareholder under the XYS Assured Offering), all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "Xinyi Energy Holdings Limited" White Form eIPO application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you **are not a CCASS Investor Participant,** you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering (except in respect of the XYS Reserved Shares applied for under the XYS Assured Offering);

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the

Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, May 15, 2019 — 9:00 a.m. to 8:30 p.m.

- Thursday, May 16, 2019 — 8:00 a.m. to 8:30 p.m.

- Friday, May 17, 2019 — 8:00 a.m. to 8:30 p.m.

- Monday, May 20, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, May 15, 2019 until 12:00 noon on Monday, May 20, 2019 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, May 20, 2019, the last application day or such later time as described in the section headed "F. Effect of bad weather on the opening of the Application Lists" below.

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(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section in the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a XYS Qualifying Shareholder applying for XYS Reserved Shares either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the abovementioned methods, you will not enjoy the preferential treatment accorded to you under the XYS Assured Offering as described in the section headed "Structure and Conditions of the Global Offering — The XYS Assured Offering" in this prospectus. If you submit applications both through the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via **Blue Form eIPO** will be accepted and the other will be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions) (other than any application made in respect of the XYS Assured Offering in your capacity as a XYS Qualifying Shareholder). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR XYS RESERVED SHARES

1. WHO CAN APPLY FOR XYS RESERVED SHARES

Only XYS Shareholders whose names appeared on the register of members of Xinyi Solar at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date, and who are XYS Qualifying Shareholders, are entitled to subscribe for the XYS Reserved Shares under the XYS Assured Offering.

XYS Qualifying Shareholders are entitled to apply on the basis of an XYS Qualifying Shareholders' Assured Entitlement of one XYS Reserved Share for every integral multiple of 10 XYS Shares held by them as at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date. Any XYS Qualifying Shareholder holding less than 10 XYS Shares as at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date will not be entitled to apply for the XYS Reserved Shares but will still be entitled to participate in the XYS Assured Offering by applying for excess XYS Reserved Shares.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

2. CHANNEL FOR APPLYING FOR THE XYS RESERVED SHARES

An application for XYS the Reserved Shares may only be made by XYS Qualifying Shareholders either through the **Blue Form eIPO** service via **www.eipo.com.hk** or using **BLUE** Application Forms which have been dispatched to XYS Qualifying Shareholders.

XYS Qualifying Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of those Hong Kong Underwriters as set forth in the paragraphs under "— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to collect the Application Forms" above.

Where a XYS Qualifying Shareholder applies for a number of XYS Reserved Shares which is greater than the XYS Qualifying Shareholders' Assured Entitlement, the relevant XYS Qualifying Shareholders' Assured Entitlement will be satisfied in full (subject to terms and conditions of an application mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available XYS Reserved Shares (as defined in the section headed "Structure and Conditions of the Global Offering — The XYS Assured Offering" in this prospectus) resulting from other XYS Qualifying Shareholders declining to take up some or all of their XYS Qualifying Shareholders' Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis.

Where a XYS Qualifying Shareholder applies for excess XYS Reserved Shares only, such application will only be satisfied to the extent that there are sufficient Available XYS Reserved Shares.

XYS Qualifying Shareholders (other than HKSCC Nominees) who intend to apply for less than their XYS Qualifying Shareholders' Assured Entitlement using the **BLUE** Application Forms for or who intend to apply for excess XYS Reserved Shares using the **BLUE** Application Forms, should apply for a number which is one of the numbers set forth in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If XYS Qualifying Shareholders intend to apply for a number of XYS Qualifying Shareholders' Assured Entitlement or excess XYS Reserved Shares which is not one of the numbers set forth in the table in the **BLUE** Application Form, the XYS Qualifying Shareholders MUST apply by using **Blue Form eIPO** only. If XYS Qualifying Shareholders wish to apply for excess XYS Reserved Shares in addition to the XYS Qualifying Shareholders' Assured Entitlement, the XYS Qualifying Shareholders should complete and sign the **BLUE** Application Form for excess XYS Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess XYS Reserved Shares applied for or apply for through the **Blue Form eIPO** service via **www.eipo.com.hk**.

Save for the above, the XYS Assured Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

XYS Qualifying Shareholders who have applied for XYS Reserved Shares either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, XYS Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **WHITE Form eIPO** service under the Hong Kong Public Offering.

3. DISPATCH OF THE PROSPECTUS AND THE BLUE APPLICATION FORMS

The **BLUE** Application Form has been dispatched, if you are a XYS Qualifying Shareholder, to your address recorded on the register of members of Xinyi Solar, at 4:30 p.m. on the XYS Qualifying Shareholders' Assured Entitlement Record Date. An electronic copy of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at **www.xinyienergy.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk**, respectively.

Persons holding their XYS Shares in CCASS indirectly through a broker or custodian and would like to participate in the XYS Assured Offering should instruct their broker or custodian to apply for the XYS Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker or custodian for the timing on the processing of their instructions, and submit their instructions to their broker or custodian as required by them. Persons holding their XYS Shares in CCASS directly as a CCASS Investor Participant and would like to participate in the XYS Assured Offering should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees.

XYS Qualifying Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline at 2862 8555.

4. APPLYING THROUGH THE BLUE FORM eIPO SERVICE

If you apply for XYS Reserved Shares online through the **Blue Form eIPO** service:

(a) detailed instructions for application through the **Blue Form eIPO** service are set forth on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **Blue Form eIPO** Service Provider and may not be submitted to our Company;

(b) you must also be willing to provide a valid e-mail address; and

(c) once payment is completed via **electronic application instructions** given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

5. APPLYING BY USING BLUE APPLICATION FORM

(a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on the **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.

(b) The **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order for each of the **BLUE** Application Form for XYS Qualifying Shareholders' Assured Entitlement and the **BLUE** Application Form for excess XYS Reserved Shares. You should read the detailed instructions set forth on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set forth in the Application Form.

(c) Lodge the **BLUE** Application Form(s) in one of the collection boxes by the time and at one of the locations as described in the paragraphs under "— B. Applications for XYS Reserved Shares — 6. When may applications be made" below.

(d) XYS Qualifying Shareholders may apply for a number of XYS Qualifying Shareholders' Assured Entitlement equal to or less than the number stated in box B of the **BLUE** Application Form for. If XYS Qualifying Shareholders intend to apply for less than your XYS Qualifying Shareholders' Assured Entitlement, the XYS Qualifying Shareholders MUST apply for a number which is one of the numbers set forth in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). If XYS Qualifying Shareholders intend to apply for a number of XYS Qualifying Shareholders' Assured Entitlement which is not one of the numbers set forth in the table in the **BLUE** Application Form, the XYS Qualifying Shareholders MUST apply by using **Blue Form eIPO** only. XYS Qualifying Shareholders need to complete and sign **BLUE** Application Form for XYS Qualifying Shareholders' Assured Entitlement and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set forth in the table in the **BLUE** Application Form.

(e) Other than XYS Qualifying Shareholders' Assured Entitlement, XYS Qualifying Shareholders may apply for excess XYS Reserved Shares. If XYS Qualifying Shareholders intend to apply for excess XYS Reserved Shares, the XYS Qualifying Shareholders MUST apply for a number which is one of the numbers set forth in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC

Nominees). If XYS Qualifying Shareholders intend to apply for a number of excess XYS Reserved Shares which is not one of the numbers set forth in the table in the **BLUE** Application Form, the XYS Qualifying Shareholders MUST apply by using **Blue Form eIPO** only. If XYS Qualifying Shareholders are applying by using the **BLUE** Application Form for excess XYS Reserved Shares, the XYS Qualifying Shareholders MUST apply for a number which is one of the numbers set forth in the table in the **BLUE** Application Form and make a payment of the corresponding amount.

(f) If XYS Qualifying Shareholders intend to apply for both XYS Qualifying Shareholders' Assured Entitlement and excess XYS Reserved Shares, the XYS Qualifying Shareholders MUST submit both **BLUE** Application Form for XYS Qualifying Shareholders' Assured Entitlement and **BLUE** Application Form for excess XYS Reserved Shares. Each **BLUE** Application Form must be accompanied by a separate cheque (or banker's cashier order) for the exact amount of remittance.

(g) The **BLUE** Application Form will be rejected by our Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
- the cheque/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form for either XYS Qualifying Shareholders' Assured Entitlement or excess XYS Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;
- the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the cheque/banker's cashier order is not "Hang Seng (Nominee) Limited — Xinyi Energy Holdings Limited Assured Offering";
- the cheque has not be crossed "Account payee only";
- the cheque was post-dated;

- the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;

- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;

- alteration(s) to the application details on the Application Form has not been authorized by the signature(s) of the applicant(s);

- the application is completed by pencil;

- our Company believes that by accepting the application, our Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the application is received; or

- our Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

Instead of using the **BLUE** Application Form, you may apply for XYS Reserved Shares through the **Blue Form eIPO** service at **www.eipo.com.hk**.

6. WHEN MAY APPLICATIONS BE MADE

Application through the Blue Form eIPO service

XYS Qualifying Shareholders may submit application via the **Blue Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Wednesday, May 15, 2019 until 11:30 a.m., Monday, May 20, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Monday, May 20, 2019 or such later time set forth in the paragraphs under "F. Effect of bad weather on the opening of the Applications Lists" in this section.

If XYS Qualifying Shareholders do not complete payment of the application monies (including any related fees) in time, the **Blue Form eIPO** Service Provider will reject the application and the application monies will be returned to the XYS Qualifying Shareholders in the manner described in the designated website at **www.eipo.com.hk**.

Applications on BLUE Application Forms

XYS Qualifying Shareholders completed **BLUE** Application Form, together with a cheque/banker's cashier order attached and marked payable to "Hang Seng (Nominee) Limited — Xinyi Energy Holdings Limited Assured Offering", should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed in the paragraphs under "— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to collect the Application Forms" at the specified times on the following dates:

- Wednesday, May 15, 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, May 16, 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, May 17, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, May 18, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, May 20, 2019 — 9:00 a.m. to 12:00 noon

If XYS Qualifying Shareholders submit applications both through the **Blue Form eIPO** service and by **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

Application Lists

The Application Lists will open from 11:45 a.m. to 12:00 noon on Monday, May 20, 2019, the last application day or such later time as described in the paragraphs under "— F. Effect of bad weather on the opening of the Application Lists" below.

No proceedings will be taken on applications for XYS Reserved Shares and no allotment of any such XYS Reserved Shares will be made until after the closing of the Application Lists.

How many applications may be made

You should refer to the paragraphs under "— A. Applications for Hong Kong Offer Shares — 6. How many applications can you make" above for the situations where you may make an application for Hong Kong Offer Shares in addition to application(s) for the XYS Reserved Shares.

C. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service or the **Blue Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares and/or XYS Reserved Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Offering (except in respect of XYS Reserved Shares applied for under the XYS Assured Offering);

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares and/or XYS Reserved Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares and/or XYS Reserved Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares and/or XYS Reserved Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares and/or XYS Reserved Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that except for an application made by a XYS Qualifying Shareholder under the XYS Assured Offering, this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares and/or XYS Reserved Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that, except where you are a XYS Qualifying Shareholder applying through completing and submitting a **BLUE** Application Form or the **Blue Form eIPO** service, no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that, except where the other person for whose benefit you are applying is a XYS Qualifying Shareholder and you are making an application for him through completing and submitting a **BLUE** Application Form or the **Blue Form eIPO** service, (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for YELLOW and BLUE Application Forms

You may refer to the **YELLOW** Application Form and the **BLUE** Application Form for details.

D. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service, or for the XYS Reserved Shares through the **Blue Form eIPO** service, is also only a facility provided to public investors and XYS Qualifying Shareholders. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service and the **Blue Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Monday, May 20, 2019.

E. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE XYS RESERVED SHARES

The **WHITE**, **YELLOW** and **BLUE** Application Forms have tables showing the exact amount payable for Shares. You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the **WHITE** or **YELLOW** Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Pricing and allocation" in this prospectus.

F. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, May 20, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Monday, May 20, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

G. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the XYS Assured Offering, and the basis of allocation of the Hong Kong Offer Shares and the XYS Reserved Shares on Monday, May 27, 2019 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on our Company's website at **www.xinyienergy.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the XYS Assured Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.xinyienergy.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, May 27, 2019;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, May 27, 2019 to 12:00 midnight on Sunday, June 2, 2019;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, May 27, 2019 to Thursday, May 30, 2019;

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, May 27, 2019 to Wednesday, May 29, 2019 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and the XYS Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

H. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES AND/OR XYS RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or XYS Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or via the **White Form eIPO** service or the **Blue Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares and the XYS Reserved Shares is void:

The allotment of Hong Kong Offer Shares and XYS Reserved Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the Application Lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company that longer period within three weeks of the closing date of the Application Lists.

(iv) If:

- you make multiple applications or suspected multiple applications as described in the paragraphs under "— A. Applications for Hong Kong Offer Shares — 6. How many applications can you make" above;

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect of XYS Reserved Shares);

- your Application Form is not completed in accordance with the stated instructions;

- your electronic application instructions through the **White Form eIPO** or **Blue Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 94,150,000 Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

I. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.35 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, May 27, 2019.

J. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions t**o HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one Share certificate for all XYS Reserved Shares allotted to you under the XYS Assured Offering.

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares and/or XYS Reserved Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or XYS Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, May 27, 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, May 28, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE or BLUE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or for 1,000,000 or more XYS Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, May 27, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or for less than 1,000,000 XYS Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, May 27, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, May 27, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, May 27, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS participant (other than a CCASS Investor Participant)***

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS Investor Participant***

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "G. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, May 27, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service or the Blue Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more, or for 1,000,000 XYS Reserved Shares or more, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, May 27, 2019, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or for less than 1,000,000 XYS Reserved Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, May 27, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, May 27, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— G. Publication of results" above on Monday, May 27, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, May 27, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, May 27, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, May 27, 2019.

K. ADMISSION OF OUR SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set forth on pages IA-1 to IA-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINYI ENERGY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Xinyi Energy Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-63 which comprises the consolidated and the company balance sheets as of December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated May 15, 2019 in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of December 31, 2016, 2017 and 2018 and the consolidated financial position of the Group as of December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by Xinyi Energy Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
May 15, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report of the Group.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") .

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
Revenue	5	968,291	1,116,044	1,200,556
Cost of sales	7	(248,487)	(288,246)	(300,570)
Gross profit		719,804	827,798	899,986
Other income	5	13,840	6,356	19,771
Other (losses)/gains, net	6	(7,167)	(251)	5,119
Administrative expenses	7	(15,842)	(21,437)	(54,013)
Operating profit		710,635	812,466	870,863
Finance income	8	1,604	3,002	6,759
Finance costs	8	(53,172)	(80,659)	(84,966)
Profit before income tax		659,067	734,809	792,656
Income tax expense	11	(62)	(15,170)	(47,629)
Profit for the year attributable to equity holders of the Company		659,005	719,639	745,027
Basic and diluted earnings per share (HK$ per share)	12	133.68	137.86	137.39

Note: The earnings per share as presented above is calculated using the weighted average number of ordinary shares for each of the years ended December 31, 2016, 2017 and 2018. The earnings per share calculation has not yet accounted for the proposed capitalization issue of 4,739,317,440 shares pursuant to the written resolution passed by the shareholders on May 10, 2019, because the proposed capitalization issue has not become effective as of the date of the report.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit for the year	659,005	719,639	745,027
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(417,607)	595,686	(446,007)
Total comprehensive income for the year attributable to equity holders of the Company	241,398	1,315,325	299,020

CONSOLIDATED BALANCE SHEETS

		As of December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	6,163,732	6,630,993	6,084,338
Prepayments for property, plant and equipment and operating leases	15	122,218	56,361	44,571
Total non-current assets		6,285,950	6,687,354	6,128,909
Current assets				
Trade and other receivables	15	1,590,715	2,057,372	1,845,482
Cash and cash equivalents	16	468,066	472,243	421,263
Total current assets		2,058,781	2,529,615	2,266,745
Total assets		8,344,731	9,216,969	8,395,654
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	17	49	54	54
Other reserves	18	3,933,345	4,611,931	4,247,676
Retained earnings	18	857,962	1,494,696	2,157,971
Total equity		4,791,356	6,106,681	6,405,701
LIABILITIES				
Non-current liabilities				
Other payables	20	21,257	24,586	19,107
Bank borrowings	21	2,614,837	1,285,254	1,034,622
Total non-current liabilities		2,636,094	1,309,840	1,053,729
Current liabilities				
Accruals and other payables	20	462,869	358,671	261,232
Current income tax liabilities		—	12,194	22,414
Bank borrowings	21	454,412	1,429,583	652,578
Total current liabilities		917,281	1,800,448	936,224
Total liabilities		3,553,375	3,110,288	1,989,953
Total equity and liabilities		8,344,731	9,216,969	8,395,654

BALANCE SHEETS

		As of December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current asset				
Investment in a subsidiary	19	166,209	166,209	166,209
Current assets				
Prepayments for listing expenses	15	—	—	8,838
Amounts due from subsidiaries	19, 26	4,423,831	4,423,806	4,421,170
Cash and cash equivalents	16	100	79	77
Total current assets		4,423,931	4,423,885	4,430,085
Total assets		4,590,140	4,590,094	4,596,294
EQUITY				
Equity attributable to the Company's equity holders				
Share capital	17	49	54	54
Other reserves	18	4,592,649	4,592,644	4,592,644
Accumulated losses	18	(2,558)	(2,604)	(32,752)
Total equity		4,590,140	4,590,094	4,559,946
LIABILITIES				
Current liabilities				
Accrued listing expenses	20	—	—	5,902
Amount due to a subsidiary	26	—	—	30,446
Total current liabilities and liabilities		—	—	36,348
Total equity and liabilities		4,590,140	4,590,094	4,596,294

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital (Note 17)	Other reserves (Note 18)	Retained earnings	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2016	49	4,279,769	270,140	4,549,958
Comprehensive income				
Profit for the year	—	—	659,005	659,005
Other comprehensive loss				
Currency translation differences	—	(417,607)	—	(417,607)
Total comprehensive income	—	(417,607)	659,005	241,398
Transactions with the owner of the Company				
Appropriation to statutory reserve	—	71,183	(71,183)	—
Balance at December 31, 2016	49	3,933,345	857,962	4,791,356
Balance at January 1, 2017	49	3,933,345	857,962	4,791,356
Comprehensive income				
Profit for the year	—	—	719,639	719,639
Other comprehensive income				
Currency translation differences	—	595,686	—	595,686
Total comprehensive income	—	595,686	719,639	1,315,325
Transactions with the owner of the Company				
Appropriation to statutory reserve	—	82,905	(82,905)	—
Special interim dividend (Note 13)	—	(959,799)	—	(959,799)
Issuance of shares	5	959,794	—	959,799
Balance at December 31, 2017	54	4,611,931	1,494,696	6,106,681
Balance at January 1, 2018	54	4,611,931	1,494,696	6,106,681
Comprehensive income				
Profit for the year	—	—	745,027	745,027
Other comprehensive loss				
Currency translation differences	—	(446,007)	—	(446,007)
Total comprehensive income	—	(446,007)	745,027	299,020
Transactions with the owner of the Company				
Appropriation to statutory reserve	—	81,752	(81,752)	—
Balance at December 31, 2018	54	4,247,676	2,157,971	6,405,701

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2016 HK$'000	2017 HK$'000	2018 HK$'000
Cash flows from operating activities				
Cash generated from operations	22(a)	197,105	600,422	1,235,136
Interest paid		(60,346)	(83,744)	(87,784)
Income tax paid		(11,492)	(2,976)	(37,409)
Net cash generated from operating activities		125,267	513,702	1,109,943
Cash flows from investing activities				
Purchases of property, plant and equipment		(2,371,174)	(177,831)	(110,616)
Interest received		1,604	3,002	6,759
Net cash used in investing activities		(2,369,570)	(174,829)	(103,857)
Cash flows from financing activities				
Proceeds from bank borrowings		2,307,914	100,000	1,125,000
Repayments of bank borrowings		(114,286)	(454,412)	(2,152,637)
Advances from related parties		297,714	—	—
Repayments to related parties		(200,007)	—	—
Payments for professional fee in connection with the listing of the company		—	—	(9,267)
Net cash generated from/(used in) financing activities		2,291,335	(354,412)	(1,036,904)
Net increase/(decrease) in cash and cash equivalents		47,032	(15,539)	(30,818)
Cash and cash equivalents at beginning of the year		427,435	468,066	472,243
Exchange differences on cash and cash equivalents		(6,401)	19,716	(20,162)
Cash and cash equivalents at end of the year	16	468,066	472,243	421,263

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and group reorganization

1.1 General information

The Company was incorporated in the British Virgin Islands (the "BVI") on June 26, 2015 as an exempted company with limited liability. The address of the Company's registered office is Jayla Place, Wickhams Cay I, Road Town, Tortola, VG 1110, British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the management and operations of solar farms in the People's Republic of China (the "PRC") (the "Solar Farm Business").

The ultimate holding company of the Company is Xinyi Solar Holdings Limited ("Xinyi Solar"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Xinyi Solar and its subsidiaries, other than those in the Group, are collectively referred to as the "Xinyi Solar Group". The business conducted by Xinyi Solar Group other than Solar Farm Business are collectively referred as "Non-Solar Farm Business". During the Track Record Period, Xinyi Solar was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "Ultimate Controlling Shareholders").

On December 5, 2018, the Company entered into an agreement with Xinyi Solar Farm (Group 1) Limited to acquire the entire issued share capital of New Wisdom International Limited ("New Wisdom"), Sky Falcon Development Limited ("Sky Falcon"), Perfect Alliance Development Limited ("Perfect Alliance"), Profit Noble Development Limited ("Profit Noble") and Sky Cheer Investments Limited ("Sky Cheer") at an aggregate consideration of RMB4,090,790,000 ("Target Acquisition"). Pursuant to the agreement, all net balances with New Wisdom and its subsidiaries, Sky Falcon and its subsidiary, Perfect Alliance and its subsidiary, Profit Noble and its subsidiary and Sky Cheer and its subsidiary will be capitalized before completion of the Target Acquisition.

Target Acquisition has not been completed up to the date of this report.

1.2 Group reorganization

Prior to the group reorganization (the "Reorganization") as described below, the Solar Farm Business was principally conducted through Xinyi Solar's indirect wholly owned subsidiaries, namely, Lu'an Xinyi Renewable Energy Limited ("Lu'an Xinyi Renewable Energy") and Wuhu Xinyi Renewable Energy Limited ("Wuhu Xinyi Renewable Energy") (these companies are together referred as the "Existing Solar Farm Business Companies") and certain departments of Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products") (these departments are together referred as "Solar Farm Departments"), which commenced the planning and development of the first utility-scale ground mounted solar farm in the fourth quarter of 2013.

For the purpose of preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Reorganization was undertaken, pursuant to which the Solar Farm Business was transferred to the Group. The major steps which have been undertaken to effect the Reorganization were as follows:

(a) From March 31, 2014 to May 12, 2015, six companies were incorporated in Hong Kong (the "Hong Kong Subsidiaries") as investment holding companies of companies engaging in the Solar Farm Business, each with Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)"), a wholly owned subsidiary of Xinyi Solar, as the sole shareholder, and six companies were incorporated in the PRC (the "PRC Subsidiaries") engaging in Solar Farm Business, with the Hong Kong Subsidiaries as their respective shareholders. The Hong Kong Subsidiaries and the PRC Subsidiaries are collectively referred to as the "Solar Farm Business Companies".

(b) On May 14, 2015, Xinyi Energy (BVI) Limited ("Xinyi Energy (BVI)") was incorporated in the BVI as an exempted company with limited liability. On the same date, 200 shares were allotted and issued to Xinyi Solar.

(c) On June 24, 2015, Xinyi Solar (BVI) transferred all its equity interests in Hong Kong Subsidiaries to Xinyi Energy (BVI) at HK$60,000 which is equivalent to the issued and fully paid up share capital of the Hong Kong Subsidiaries.

(d) On June 26, 2015, the Company was established with Xinyi Power (BVI) Limited ("Xinyi Power (BVI)"), a wholly owned subsidiary of Xinyi Solar, as the sole shareholder.

(e) On June 29, 2015, Xinyi PV Products transferred 100% equity interest in Lu'an Xinyi Renewable Energy to Xinyi Solar (Wuhu) Limited ("Xinyi Solar (Wuhu)"), one of the PRC Subsidiaries, for a consideration of Chinese Renminbi ("RMB") 304,377,000 (equivalent to HK$377,715,000).

(f) On June 30, 2015, Xinyi PV Products transferred 100% equity interest in Wuhu Xinyi Renewable Energy to Xinyi Solar (Wuhu) for a consideration of RMB300,000,000 (equivalent to HK$372,283,000).

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

(h) On December 31, 2015, the Group transferred certain related company balances due by the Group to Xinyi Solar, Xinyi Solar (HK) Limited ("Xinyi Solar (HK)"), a wholly owned subsidiary of Xinyi Solar, and Xinyi PV Products to Xinyi Power (BVI), the immediate holding company of the Company. By a shareholders' resolution dated December 7, 2015, the Company allotted and issued 4,540 shares of US$1 each to Xinyi Power (BVI) for the settlement of related company balances due by the Group to Xinyi Power (BVI) with an aggregate amount of approximately HK$2,846,489,000.

(i) For the year ended December 31, 2015, Xinyi PV Products transferred the relevant assets of HK$104,374,000 and relevant liabilities of the same amount of the Solar Farm Business previously owned by Solar Farm Departments to the Group.

Upon completion of the Reorganization and as of the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective interest held by the Group as of December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Directly held:									
Xinyi Energy (BVI)	May 14, 2015	BVI, limited liability company	200 ordinary shares	100%	100%	100%	100%	Investment holding	(i)
Indirectly held:									
Cheer King Investments Limited ("Cheer King").	March 31, 2014	Hong Kong, limited liability company	10,000 ordinary shares	100%	100%	100%	100%	Investment holding	(ii)
Mega Gain Investments Limited ("Mega Gain") . .	March 31, 2014	Hong Kong, limited liability company	10,000 ordinary shares	100%	100%	100%	100%	Investment holding	(ii)
Wise Regal Investments Limited ("Wise Regal) . .	March 31, 2014	Hong Kong, limited liability company	10,000 ordinary shares	100%	100%	100%	100%	Investment holding	(ii)
Eagle Luck International Limited ("Eagle Luck") .	July 18, 2014	Hong Kong, limited liability company	10,000 ordinary shares	100%	100%	100%	100%	Investment holding	(iii)
Glory City International Limited ("Glory City") . .	July 18, 2014	Hong Kong, limited liability company	10,000 ordinary shares	100%	100%	100%	100%	Investment holding	(iii)
Full Wisdom Development Limited ("Full Wisdom") .	February 6, 2015	Hong Kong, limited liability company	10,000 ordinary shares	100%	100%	100%	100%	Investment holding	(iii)
Xinyi Energy (Hong Kong) Limited	February 6, 2017	Hong Kong, limited liability company	1 ordinary shares	—	100%	100%	100%	Investment holding	(iv)
Nanping Xinyi Renewable Energy Limited	June 17, 2014	The PRC, limited liability company	Registered and paid up capital of US$18,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)
Hong'an Xinyi Renewable Energy Limited	August 12, 2014	The PRC, limited liability company	Registered and paid up capital of US$35,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)
Xinyi Solar (Wuhu)	December 17, 2014	The PRC, limited liability company	Registered and paid up capital of US$35,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)
Xinyi Renewable Energy (Bozhou) Limited	December 29, 2014	The PRC, limited liability company	Registered and paid up capital of US$35,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)
Xinyi Solar (Fanchang) Limited	May 12, 2015	The PRC, limited liability company	Registered and paid up capital of US$75,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)

Name of subsidiaries	Date of incorporation/ establishment	Place of incorporation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective interest held by the Group as of December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Xinyi Solar (Tianjin) Limited	November 24, 2014	The PRC, limited liability company	Registered capital of US$53,000,000 and paid up capital of US$48,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)
Xinyi Solar (Shouxian) Limited	April 21, 2015	The PRC, limited liability company	Registered and paid up capital of RMB215,000,000	100%	100%	100%	100%	Management and operation of solar farm	(v)
Wuhu Xinyi Renewable Energy	December 30, 2013	The PRC, limited liability company	Registered and paid up capital of RMB300,000,000	100%	100%	100%	100%	Management and operation of solar farm	(vi)
Lu'an Xinyi Renewable Energy	March 24, 2014	The PRC, limited liability company	Registered and paid up capital of RMB300,000,000	100%	100%	100%	100%	Management and operation of solar farm	(vi)
Xinyi Energy Technology (Wuhu) Limited ("Xinyi Technology (Wuhu)")	April 25, 2017	The PRC, limited liability company	Registered capital of RMB6,800,000 and paid up capital of nil	—	100%	100%	100%	Provision of operation and management services	(vii)

Notes:

(i) No audited financial statement was issued for this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(ii) The statutory financial statements of these companies for the years ended December 31, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and audited by PricewaterhouseCoopers, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of these companies for the year ended December 31, 2018 are yet to be issued.

(iii) The statutory financial statements of these companies for the years ended December 31, 2016 and 2017 were prepared in accordance with HKFRSs and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of these companies for the year ended December 31, 2018 are yet to be issued.

(iv) The statutory financial statements of this company for the period from the date of incorporation to December 31, 2017 were prepared in accordance with HKFRSs and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of this company for the year ended December 31, 2018 are yet to be issued.

(v) The statutory financial statements of these companies for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

(vi) The statutory financial statements of these companies for the year ended December 31, 2016 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC. No statutory financial statements of these companies for the years ended December 31, 2017 and 2018 were issued as they are not required to issue audited financial statements under the statutory requirement.

(vii) The statutory financial statements of this company for the period from the date of establishment to December 31, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

(viii) All companies comprising the Group have adopted December 31 as their financial year end date.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants are set out below.

The preparation of financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has applied HKFRS 15 consistently throughout the Track Record Period.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognize revenue when each performance obligation is satisfied.

There is no impact on the accounting policies and Historical Financial Information of the Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 9 "Financial Instruments"

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018.

The Group has applied HKFRS 9 consistently throughout the Track Record Period.

The new standard replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

There is no impact on the accounting policies and Historical Financial Information of the Group upon the adoption of HKFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

New standards, amendments to standards and interpretations

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period, and have not been early adopted. The Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 — 2017 Cycle	January 1, 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKAS 28 (Amendments)	Long Term Interests in Associates and Joint Ventures	January 1, 2019

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	January 1, 2019
HKFRS 17	Insurance Contract	January 1, 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 will primarily affect the accounting for the Group's operating leases. As of December 31, 2016, 2017 and 2018, the Group had non-cancellable operating lease commitments of HK$609,095,000, HK$644,476,000 and HK$627,477,000 respectively, see Note 23. The Group expects to recognize right-of-use assets of approximately HK$275,668,000 on January 1, 2019 and lease liabilities of HK$261,523,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets will be approximately HK$12,806,000 lower, and net current assets will be HK$11,327,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for 2019 as a result of adoption the new rules are immaterial.

The Group has no activity as a lessor and hence the Group does not expect any significant impact on the Historical Financial Information.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the full retrospective approach. The discount rate used to discount the lease payments is the discount rate on the lease commencement date. The right-of-use asset for property lease and the lease liability will be retrospectively restated to the lease commencement date. The right-of-use asset for property lease will then be depreciated on a straight-line basis.

At this stage, the Group does not intend to early adopt the standard.

For new standards, amendments to existing standards and new interpretations other than HKFRS 16 "Leases" aforementioned above, management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and interpretations and considered on a preliminary basis that, these new standards and interpretations and amendments to standards will not result in any substantive changes of the Group's existing accounting policies and presentation of Historical Financial Information.

2.2 Subsidiaries

2.2.1 Consolidation

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortized cost.

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

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

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

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

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

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Accruals and other payables

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

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

2.14 Borrowings

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

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

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

2.15 Borrowing costs

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

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

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

2.16 Government grant

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

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

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

2.17 Provisions

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2.19 Revenue recognition

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

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

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

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

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

(a) Sales of electricity

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

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

(b) Tariff adjustment

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

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

2.20 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

***2.21* Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.22 Dividend distribution

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

2.23 Interest income

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

As of December 31, 2016, 2017 and 2018, if RMB had strengthened/weakened by 5% against HK$, which is the functional currency of the Hong Kong subsidiaries, with all other variables held constant, profit after income tax for the years of the Hong Kong subsidiaries would have been approximately HK$28,000, HK$7,785,000 and HK$57,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents.

As of December 31, 2016, 2017 and 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the years of the PRC subsidiaries would have been approximately HK$1,252,000, HK$84,000 and HK$45,000, lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 16 and Note 21 to the Historical Financial Information.

As of December 31, 2016, 2017 and 2018, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the years would have been approximately HK$5,500,000, HK$5,338,000 and HK$3,019,000 lower/higher, respectively, mainly as a result of higher/lower net interest income/expense being earned/incurred.

(b) Credit risk

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

Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade and other receivables excluding prepayments and other tax receivables (Note 15)	863,176	1,442,556	1,445,879
Cash at bank (Note 16)	467,549	472,243	421,263
Maximum exposure to credit risk	1,330,725	1,914,799	1,867,142

Company

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Amounts due from subsidiaries (Note 26)	4,423,831	4,423,806	4,421,170
Cash at bank (Note 16)	100	79	77
Maximum exposure to credit risk	4,423,931	4,423,885	4,421,247

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

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

As of December 31, 2016, 2017 and 2018, most of the bank deposits were deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

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

Trade and tariff adjustment receivables arising from sales of electricity were all due from customers which are state-owned enterprises. Since August 2016, the Group has two ground-mounted Solar Farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250 MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"). In June 2018, the remaining seven ground-mounted Solar Farms, located in Nanping in

Fujian Province, Bozhou, Wuhu, Fanchang and Shouxian in Anhui Province, Hong'an in Hubei Province, and Binhai in Tianjin Municipality, with an aggregate capacity of 704 MW, have also been successfully enlisted on the seventh batch of the Catalogue. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

The Group's sales are made to several major customers and there is some concentration of credit risks. Sales to the top five customers constituted approximately 83%, 85% and 82% of the Group's total revenue of the years ended December 31, 2016, 2017 and 2018. They accounted for approximately 82%, 81% and 82% of the gross trade receivable balances as of December 31, 2016, 2017 and 2018.

The credit quality of the amounts due from related parties and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the amounts due from related parties and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

(c) Liquidity risk

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

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

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

Group

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Bank borrowings and interest	501,310	1,393,621	1,305,830	3,200,761
Accruals and other payables excluding accruals of staff costs and other taxes payable	461,910	21,257	—	483,167
Total	963,220	1,414,878	1,305,830	3,683,928
At December 31, 2017				
Bank borrowings and interest	1,507,140	1,309,458	—	2,816,598
Accruals and other payables excluding accruals of staff costs and other taxes payable	354,542	24,586	—	379,128
Total	1,861,682	1,334,044	—	3,195,726
At December 31, 2018				
Bank borrowings and interest	677,898	493,997	581,656	1,753,551
Accruals and other payables excluding accruals of staff costs and other taxes payable	258,746	19,107	—	277,853
Total	936,644	513,104	581,656	2,031,404

Company

The Company had no financial liabilities as of December 31, 2016 and 2017.

	On demand or less than 1 year
	HK$'000
At December 31, 2018	
Accrued listing expenses	5,902
Amount due to a subsidiary	30,446
Total	36,348

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "total equity" as shown in the consolidated balance sheets plus net debt. Net debt is calculated as bank borrowings less cash and cash equivalents. The gearing ratios at December 31, 2016, 2017 and 2018 were as follows:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Bank borrowings (Note 21)	3,069,249	2,714,837	1,687,200
Less: cash and cash equivalents (Note 16)	(468,066)	(472,243)	(421,263)
Net debt	2,601,183	2,242,594	1,265,937
Total equity	4,791,356	6,106,681	6,405,701
Total capital	7,392,539	8,349,275	7,671,638
Gearing ratio	35.2%	26.9%	16.5%

The decreases in gearing ratio as of December 31, 2017 compared to December 31, 2016 and the decreases in gearing ratio as of December 31, 2018 compared to December 31, 2017 were mainly due to increase in equity contributed by profits generated and reduction in debt as there was tariff receipts which increased the working capital.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as of December 31, 2016, 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax liabilities of the Group mainly arise from the unremitted earnings of its PRC subsidiaries. The realizability of the deferred income tax liabilities mainly depend on its subsidiaries' dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 Revenue, other income and segment information

Revenue and other income recognized during the Track Record Period are as follows:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Revenue			
Recognized at a point in time:			
Sales of electricity	360,291	416,035	457,068
Tariff adjustment	608,000	700,009	743,488
	968,291	1,116,044	1,200,556
Other income			
Government grants (Note)	—	392	7,872
Other income	13,840	5,964	11,899
	13,840	6,356	19,771

Note: Government grants mainly represent grants received from the PRC government in subsidizing the Group's general operations.

Segment information

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

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

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

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Customer A	156,508	190,870	249,537
Customer B	147,059	220,756	232,325
Customer C	133,354	140,790	143,001
Customer D	273,014	276,377	141,808
Customer E (Note)	83,823	79,483	137,456
Customer F (Note)	95,616	123,290	126,838

Note: The revenue from Customer E for the years ended December 31, 2016 and 2017, and Customer F for the year ended December 31, 2016 did not exceed 10% of total revenue. The amounts shown above are for the comparative purpose only.

6 Other (losses)/gains , net

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Foreign exchange (losses)/gains, net	(7,167)	(251)	5,119

7 Expenses by nature

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charge of property, plant and equipment (Note 14)	218,170	247,527	259,101
Employee benefit expenses (including directors' emoluments) (Note 9)	10,242	18,902	19,568
Electricity	5,918	10,338	8,453
Operating lease expenses	20,496	21,644	23,700
Auditor's remuneration			
- statutory audits	35	87	72
Legal and professional fees	731	94	70
Listing expenses	—	—	31,216
Insurance expenses	2,987	3,747	4,749
Other expenses	5,750	7,344	7,654
	264,329	309,683	354,583

8 Finance income and costs

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance income			
Interest income from bank deposits	1,604	3,002	6,759
Finance costs			
Interest expense on bank borrowings	61,164	84,101	88,236
Less: Amount capitalized on qualifying assets (Note 14)	(7,992)	(3,442)	(3,270)
	53,172	80,659	84,966

9 Employee benefit expenses (including directors' emoluments)

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages and salaries	10,100	18,621	19,245
Retirement benefits scheme contribution (Note)	142	281	323
	10,242	18,902	19,568

The wages and salaries of employees and directors incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business amounted to HK$5,018,000, HK$2,363,000 and HK$2,804,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

The retirement benefits of directors incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business amounted to HK$18,000, HK$2,000 and HK$3,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

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

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

10 Benefits and interests of directors and five highest paid individuals

(a) Directors' and chief executive's emoluments

(a) No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to retirement benefit scheme and other emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking were paid to the directors in their capacity as directors of the

Company or its subsidiaries and no emoluments were paid by the Company or its subsidiaries to the directors as an inducement to join the Company or its subsidiaries, or as compensation for loss of office during the year ended December 31, 2016.

The remuneration of every director for the years ended December 31, 2017 and 2018 are set out below:

For the year ended December 31, 2017:

	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. LEE Yau Ching	—	—	—	—	—	—	—
Mr. TUNG Fong Ngai	—	1,440	—	—	18	—	1,458
	—	1,440	—	—	18	—	1,458

For the year ended December 31, 2018:

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

(b) During the Track Record Period, no retirement benefits, payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable. No consideration was provided to or receivable by third parties for making available director's services.

(c) The retirement benefits incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business amounted to HK$18,000, HK$2,000 and HK$3,000, respectively for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

(d) Mr. Leung Ting Yuk, The Hon. Ip Kwok Him, G.B.M., G.B.S., J.P. and Ms. Lyu Fang were appointed as the Company's independent non-executive directors on November 22, 2018. During the Track Record Period, the independent non-executive directors had not received any remuneration.

(e) During the Track Record Period, Mr. Lee Yau Ching made available his service as a director of the Company for the Solar Farm Business.

The fees of Mr. Lee Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$32,000, HK$29,000, and HK$39,000, respectively for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Group to Xinyi Solar. Details of these related party transactions are stated in Note 26(b)(ii).

The salaries and discretionary bonus of Mr. Lee Yau Ching incurred by Xinyi Solar (HK), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$3,801,000, HK$2,363,000, and HK$2,804,000, respectively for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 26(b)(iii).

During the Track Record Period, there were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of the Company.

(f) During the Track Record Period, there were no significant transactions, agreements and contracts in relation to the Group's business to which the Company was a party and in which the directors of the Company had material interest, whether directly or indirectly, other than those disclosed in Note 26.

(g) During the Track Record Period, there were no loans, quasi-loans and other dealing arrangements in favor of the directors, or controlled body corporates and connected entities of such directors, other than those disclosed in Note 26(c).

(b) Five highest paid individuals

None, one and two of the five highest paid individual was a director of the Company for the years ended December 31, 2016, 2017 and 2018, respectively.

Details of the remuneration of the remaining five, four and three non-director highest paid individuals for the years ended December 31, 2016, 2017 and 2018, respectively, are analyzed as follows:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Salaries, allowances and benefits in kind	416	2,337	1,956
Retirement benefit scheme contributions	59	41	51
	475	2,378	2,007

The emoluments of the remaining five, four and three non-director highest paid individuals for the years ended December 31, 2016, 2017 and 2018, respectively, fell within the following bands:

	Year ended December 31,		
	2016	2017	2018
Nil to HK$1,000,000	5	4	3

11 Income tax expense

(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 Track Record Period as the Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

(c) Provision made for PRC corporate income tax ("CIT") amounted to HK$62,000, HK$15,170,000, and HK$47,629,000, respectively, for the years ended December 31, 2016, 2017 and 2018. The statutory income tax rate applicable to the PRC subsidiaries of the Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Technology (Wuhu), are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants and insurance claim received during the Track Record Period are subject to the CIT with the statutory income tax rate of 25%. Xinyi Technology (Wuhu) is subject to the CIT with the statutory income tax rate of 25%.

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	659,067	734,809	792,656
Calculated at tax rate of 25%	164,767	183,702	198,164
Preferential tax rates on income of certain PRC subsidiaries	(179,905)	(189,219)	(179,562)
Effect of different tax rates in other countries	12,925	16,995	5,001
Expenses not deductible for tax purposes	2,275	3,692	24,026
	62	15,170	47,629

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

As of December 31, 2016, 2017 and 2018, deferred income tax liabilities of approximately HK$46,154,000, HK$82,275,000 and HK$121,217,000, respectively, were not recognized for withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to approximately HK$923,089,000, HK$1,645,508,000 and HK$2,423,073,000 as of December 31, 2016, 2017 and 2018, respectively.

12 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended December 31,		
	2016	**2017**	**2018**
Profit attributable to owners of the Company (HK$'000)	659,005	719,639	745,027
Adjusted weighted average number of ordinary shares in issue	4,929,600	5,219,974	5,422,560
Basic earnings per share (HK$ per share)	133.68	137.86	137.39

Note: The earnings per share as presented above is calculated using the weighted average number of ordinary shares for each of the years ended December 31, 2016, 2017 and 2018. The above calculation has not accounted for the proposed capitalization issue of 4,739,317,440 shares pursuant to the written resolution passed by the shareholders on May 10, 2019, because the proposed capitalization issue has not become effective as of the date of the report.

(b) Diluted

For the years ended December 31, 2016, 2017 and 2018, diluted earnings per share equals basic earnings per share as there was no potential dilutive share.

13 Dividends

Except for a special interim dividend of HK$959,799,000 declared by the Company to its shareholders out of share premium account on March 22, 2017 (Note 22(b)(iii)), no dividend has been paid or declared by the Company since its incorporation up to December 31, 2018.

Except for a dividend of HK$315,949,000 declared by the Company to its shareholders out of share premium account on January 21, 2019 and paid on January 29, 2019, no dividend has been paid or declared by the Company in respect of any period subsequent to December 31, 2018.

14 Property, plant and equipment

	Solar Farms	Buildings	Motor vehicles, furniture and fixtures, equipment and others	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016					
Cost	3,964,305	—	770	720,928	4,686,003
Accumulated depreciation	(77,398)	—	(37)	—	(77,435)
Net book amount	3,886,907	—	733	720,928	4,608,568
Year ended December 31, 2016					
Opening net book amount	3,886,907	—	733	720,928	4,608,568
Additions	1,133,344	3,458	1,788	970,601	2,109,191
Transfers	1,492,876	168,730	—	(1,661,606)	—
Depreciation charge	(214,940)	(3,033)	(197)	—	(218,170)
Exchange differences	(321,858)	(7,906)	(114)	(5,979)	(335,857)
Closing net book amount	5,976,329	161,249	2,210	23,944	6,163,732
At December 31, 2016					
Cost	6,255,695	164,140	2,432	23,944	6,446,211
Accumulated depreciation	(279,366)	(2,891)	(222)	—	(282,479)
Net book amount	5,976,329	161,249	2,210	23,944	6,163,732
Year ended December 31, 2017					
Opening net book amount	5,976,329	161,249	2,210	23,944	6,163,732
Additions	—	—	5,651	249,623	255,274
Transfers	226,058	6,653	—	(232,711)	—
Depreciation charge	(241,151)	(6,087)	(289)	—	(247,527)
Exchange differences	444,584	12,078	381	2,471	459,514
Closing net book amount	6,405,820	173,893	7,953	43,327	6,630,993
At December 31, 2017					
Cost	6,954,786	183,326	8,493	43,327	7,189,932
Accumulated depreciation	(548,966)	(9,433)	(540)	—	(558,939)
Net book amount	6,405,820	173,893	7,953	43,327	6,630,993

	Solar Farms	Buildings	Motor vehicles, furniture and fixtures, equipment and others	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended December 31, 2018					
Opening net book amount	6,405,820	173,893	7,953	43,327	6,630,993
Additions	—	—	453	22,541	22,994
Transfers	62,851	2,612	—	(65,463)	—
Depreciation charge	(251,817)	(6,426)	(858)	—	(259,101)
Exchange differences	(301,508)	(8,265)	(370)	(405)	(310,548)
Closing net book amount	5,915,346	161,814	7,178	—	6,084,338
At December 31, 2018					
Cost	6,680,709	176,964	8,518	—	6,866,191
Accumulated depreciation	(765,363)	(15,150)	(1,340)	—	(781,853)
Net book amount	5,915,346	161,814	7,178	—	6,084,338

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charged in consolidated income statements:			
- Cost of sales	217,879	247,079	258,554
- Administrative expenses	291	448	547
	218,170	247,527	259,101

Finance costs on bank borrowings of HK$7,992,000, HK$3,442,000, and HK$3,270,000 are capitalized as direct cost of construction in progress during the years ended December 31, 2016, 2017 and 2018, respectively.

Borrowing costs were capitalized at the weighted average rates of its general borrowings of 2.15%, 2.89% and 3.65% for the years ended December 31, 2016 and 2017 and 2018, respectively.

As of December 31, 2016 and 2017, construction in progress consisted of developing Solar Farms projects.

15 Trade and other receivables

Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables (Note (a))	860,002	1,437,411	1,429,020
Bills receivables	2,596	4,248	16,373
Trade and bills receivables	862,598	1,441,659	1,445,393
Deposits and other receivables (Note (c))	578	897	486
Other tax receivables (Note (d))	720,532	601,832	384,235
Prepayments for listing expenses	—	7,761	9,267
Prepayments for property, plant and equipment	78,344	16,658	12,527
Prepayments for operating leases	50,881	44,926	37,956
Other prepayments	—	—	189
	1,712,933	2,113,733	1,890,053
Less: Non-current portion:			
Prepayments for property, plant and equipment	(78,344)	(16,658)	(12,527)
Prepayments for operating leases	(43,874)	(39,703)	(32,044)
	(122,218)	(56,361)	(44,571)
Current portion	1,590,715	2,057,372	1,845,482

Company

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments for listing expenses	—	—	8,838

(a) Trade receivables

As of December 31, 2016, 2017 and 2018, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Receivables from sales of electricity	38,861	35,595	18,472
Tariff adjustment receivables	821,141	1,401,816	1,410,548
	860,002	1,437,411	1,429,020

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

The ageing analysis of trade receivables is as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
0 to 90 days	140,087	200,388	210,367
91 days to 180 days	222,068	225,967	238,878
181 days to 365 days	364,318	454,130	398,078
Over 365 days	133,529	556,926	581,697
	860,002	1,437,411	1,429,020

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

(b) Provision for impairment of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2016 and up to December 2017, the Group has two ground-mounted Solar Farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250 MW, successfully enlisted on the sixth batch of the Catalogue. In June 2018, the remaining seven ground-mounted Solar Farms, located in Nanping in Fujian Province, Bozhou, Wuhu, Fanchang and Shouxian in Anhui Province, Hong'an in Hubei Province, and Binhai in Tianjin Municipality, with an aggregate capacity of 704 MW, have been successfully enlisted on the seventh batch of the Catalogue. During the years ended December 31, 2016 and 2017, the Group received aggregate payment of RMB61,425,000 (equivalent to HK$68,879,000) and RMB272,281,000 (equivalent to HK$318,143,000) for the subsidies incurred up to December 2016 of these two Solar Farms projects enlisted on the sixth batch of the Catalogue. During the year ended December 31, 2018, the Group received aggregate payment of RMB670,590,000 (equivalent to HK$758,710,000) for the subsidies incurred up to March 2017 of the Solar Farms project enlisted on the sixth batch and seventh batch of the Catalogue. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognized as of December 31, 2016, 2017 and 2018.

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Tariff adjustment receivables:			
Expected to be recoverable after more than 12 months	518,067	1,191,515	—
Expected to be recoverable within 12 months	303,074	210,301	1,410,548
	821,141	1,401,816	1,410,548

(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 as of December 31, 2016, 2017 and 2018, respectively, was within one year.

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

(d) Other tax receivables

Other tax receivables mainly represent value added tax ("VAT") recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress) 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.

16 Cash and cash equivalents

Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank	467,549	472,243	421,263
Cash on hand	517	—	—
	468,066	472,243	421,263
Maximum exposure of credit risk	467,549	472,243	421,263

As of December 31, 2016, 2017 and 2018, funds of the Group amounting to HK$97,949,000, HK$293,190,000 and HK$394,269,000, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$369,600,000, HK$179,053,000 and HK$26,994,000, respectively, as of December 31, 2016, 2017 and 2018 were deposited in reputable banks in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
RMB	73,975	447,192	394,514
HK$	391,391	22,567	24,023
US$	2,700	2,484	2,726
	468,066	472,243	421,263

Company

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	100	79	77

As of December 31, 2016, 2017 and 2018, all funds of the Company were deposited in bank accounts opened with a reputable bank in Hong Kong.

The carrying amounts of the Company's cash and cash equivalents are denominated in HK$.

17 Share capital

	Number of ordinary shares	Ordinary shares of US$1 each	Ordinary shares of HK$0.01 each	Total
		US$	HK$	HK$'000
Authorized:				
At January 1 and December 31, 2016 and 2017	50,000	50,000	N/A	390
Redesignation of shares (Note a)	799,950,000	(50,000)	8,000,000	7,610
At December 31, 2018	800,000,000	—	8,000,000	8,000
Issued and fully paid:				
At January 1, 2016, December 31, 2016 and January 1, 2017	6,320	6,320	N/A	49
Issuance of shares (Note 18(b))	632	632	N/A	5
At December 31, 2017 and January 1, 2018	6,952	6,952	N/A	54
Redesignation of shares (Note a)	5,415,608	(6,952)	54,156	—
At December 31, 2018	5,422,560	—	54,156	54

Note:

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

18 Other reserves

Group

	Share premium	Statutory reserve (Note (a))	Capital reserve (Note 1.2(g))	Exchange reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016	4,592,649	30,328	(166,207)	(177,001)	270,140	4,549,909
Profit for the year	—	—	—	—	659,005	659,005
Currency translation differences	—	—	—	(417,607)	—	(417,607)
Appropriation to statutory reserve	—	71,183	—	—	(71,183)	—
At December 31, 2016	4,592,649	101,511	(166,207)	(594,608)	857,962	4,791,307
At January 1, 2017	4,592,649	101,511	(166,207)	(594,608)	857,962	4,791,307
Profit for the year	—	—	—	—	719,639	719,639
Currency translation differences	—	—	—	595,686	—	595,686
Appropriation to statutory reserve	—	82,905	—	—	(82,905)	—
Special interim dividend (Note 13)	(959,799)	—	—	—	—	(959,799)
Issuance of shares (Note (b))	959,794	—	—	—	—	959,794
At December 31, 2017	4,592,644	184,416	(166,207)	1,078	1,494,696	6,106,627
At January 1, 2018	4,592,644	184,416	(166,207)	1,078	1,494,696	6,106,627
Profit for the year	—	—	—	—	745,027	745,027
Currency translation differences	—	—	—	(446,007)	—	(446,007)
Appropriation to statutory reserve	—	81,752	—	—	(81,752)	—
At December 31, 2018	4,592,644	266,168	(166,207)	(444,929)	2,157,971	6,405,647

Company

	Share premium	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2016	4,592,649	(2,552)	4,590,097
Loss for the year	—	(6)	(6)
At December 31, 2016	4,592,649	(2,558)	4,590,091
At January 1, 2017	4,592,649	(2,558)	4,590,091
Loss for the year	—	(46)	(46)
Special interim dividend (Note 13)	(959,799)	—	(959,799)
Issuance of shares (Note (c))	959,794	—	959,794
At December 31, 2017	4,592,644	(2,604)	4,590,040
At January 1, 2018	4,592,644	(2,604)	4,590,040
Loss for the year	—	(30,148)	(30,148)
At December 31, 2018	4,592,644	(32,752)	4,559,892

Notes:

(a) Statutory reserve

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

During the years ended December 31, 2016, 2017 and 2018, the boards of directors of the Company's PRC subsidiaries resolved to appropriate approximately HK$71,183,000, HK$82,905,000 and HK$81,752,000, respectively, from retained earnings to statutory reserve.

(b) Issuance of shares

On May 31, 2017, the Company allotted and issued 632 shares of US$1 each to its shareholders for the settlement of dividend payable of HK$959,799,000 due by the Company to its shareholders.

19 Interests in subsidiaries

Company

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Investment in a subsidiary			
Unlisted shares, at cost (Note (i))	166,209	166,209	166,209
Amounts due from:			
- a subsidiary held directly (Note (ii))	4,418,387	4,418,407	4,418,396
- subsidiaries held indirectly (Note (ii))	5,444	5,399	2,774
	4,423,831	4,423,806	4,421,170

Notes:

(i) Unlisted investment in a direct subsidiary is stated at the aggregate net investment book value of the subsidiary acquired.

(ii) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of balances are denominated in HK$ and approximate their fair values.

(iii) Details of the subsidiaries are stated in Note 1.2.

20 Accruals and other payables

Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Payables for property, plant and equipment	474,809	370,668	257,850
Accrued listing expenses	—	—	6,130
Others (Note (b))	9,317	12,589	16,359
	484,126	383,257	280,339
Less: Non-current portion:			
Retention payables for property, plant and equipment	(21,257)	(24,586)	(19,107)
Current portion	462,869	358,671	261,232

Company

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accrued listing expenses	—	—	5,902

Notes:

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

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

21 Bank borrowings

The bank borrowings are unsecured and repayable as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	454,412	1,429,583	652,578
Between 1 and 2 years	1,329,583	1,285,254	462,672
Between 2 and 5 years	1,285,254	—	571,950
	3,069,249	2,714,837	1,687,200
Less: Non-current portion	(2,614,837)	(1,285,254)	(1,034,622)
Current portion	454,412	1,429,583	652,578

As of December 31, 2016, 2017 and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2021. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as of December 31, 2016, 2017 and 2018, as the impact of discounting is not significant. The effective interest rates as of December 31, 2016, 2017 and 2018 were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	2.66%	3.05%	3.93%

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company and Xinyi Solar (BVI), a fellow subsidiary. The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and its subsidiaries upon separate listing of the Company.

22 Cash flow information

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	659,067	734,809	792,656
Adjustments for:			
Interest income (Note 8)	(1,604)	(3,002)	(6,759)
Interest expense (Note 8)	53,172	80,659	84,966
Depreciation of property, plant and equipment (Note 14)	218,170	247,527	259,101
	928,805	1,059,993	1,129,964
Changes in working capital:			
Trade and other receivables	(727,093)	(462,486)	92,867
Accruals and other payables	(4,607)	2,915	12,305
Cash generated from operations	197,105	600,422	1,235,136

(b) Non-cash transactions

(i) During the year ended December 31, 2017, additions of plant and equipment amounting to HK$12,315,000, respectively, were purchased through increase in other payables without any cash paid.

(ii) Finance costs on bank borrowing of HK$7,992,000, HK$3,442,000 and HK$3,270,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2016, 2017 and 2018, respectively.

(iii) On May 31, 2017, dividend of HK$959,799,000 declared by the Company on March 22, 2017 was settled by 632 shares of US$1 each allotted and issued to the Company's shareholders.

(c) Net debt reconciliation

		Liabilities from financing activities			
	Cash and cash equivalents	Amounts due from related parties	Bank borrowings due within 1 year or on demand	Bank borrowings due after 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as of January 1, 2016	427,435	97,707	(114,269)	(761,352)	(350,479)
Cash flows	47,032	(97,707)	(340,143)	(1,853,485)	(2,244,303)
Foreign exchange adjustments	(6,401)	—	—	—	(6,401)
Net debt as of December 31, 2016	468,066	—	(454,412)	(2,614,837)	(2,601,183)
Net debt as of January 1, 2017	468,066	—	(454,412)	(2,614,837)	(2,601,183)
Cash flows	(15,539)	—	(975,171)	1,329,583	338,873
Foreign exchange adjustments	19,716	—	—	—	19,716
Net debt as of December 31, 2017	472,243	—	(1,429,583)	(1,285,254)	(2,242,594)
Net debt as of January 1, 2018	472,243	—	(1,429,583)	(1,285,254)	(2,242,594)
Cash flows	(30,818)	—	777,005	250,632	996,819
Foreign exchange adjustments	(20,162)	—	—	—	(20,162)
Net debt as of December 31, 2018	421,263	—	(652,578)	(1,034,622)	(1,265,937)

23 Operating lease commitments

The Group leases certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017 and 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Not later than one year	21,145	22,389	22,601
Later than 1 year and not later than 5 years	85,914	91,055	92,388
More than 5 years	502,036	531,032	512,488
	609,095	644,476	627,477

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

24 Capital commitments

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Property, plant and equipment:			
- Contracted but not provided for	529,236	5,405	5,144

25 Banking facilities

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Banking facilities granted to subsidiaries of the Company without securities:			
- Available facilities	3,095,714	2,728,571	1,992,143
- Facilities utilized	(3,095,714)	(2,728,571)	(1,692,143)
Unutilized facilities	—	—	300,000

26 Related party transactions

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

Name of related parties	Relationship with the Group
Xinyi Solar	Ultimate holding company
Xinyi PV Products	Fellow subsidiary
Xinyi Solar (HK)	Fellow subsidiary
Xinyi Power (BVI)	Fellow subsidiary
Xiny Solar (BVI)	Fellow subsidiary
Xinyi Glass Holdings Limited ("Xinyi Glass")	Note (i)
Cheer Wise Investment Limited ("Cheer Wise")	Note (ii)
Xinyi Energy Smart (Wuhu) Company Limited ("Xinyi Energy Smart")	Note (iii)

Notes:

(i) A shareholder of Xinyi Solar.

(ii) A company under control of Xinyi Solar which has a significant influence on the Group.

(iii) A company under control of Xinyi Glass, a shareholder of Xinyi Solar, which has a significant influence on the Group.

(b) Related party transactions

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

Discontinued transactions

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Purchases of glass products from a fellow subsidiary (Note i)			
- Xinyi PV Products	27	—	—
Purchase of glass products from a related party (Note i)			
- Xinyi Energy Smart	—	—	4
Employee benefits paid by the ultimate holding company (Note ii)			
- Xinyi Solar	32	29	39
Employee benefits paid by a fellow subsidiary (Note iii)			
- Xinyi Solar (HK)	5,036	2,365	2,807
Interest savings enjoyed by a fellow subsidiary through the use of treasury arrangement with the Group (Note iv)			
- Xinyi PV Products	—	8	—
Interest savings enjoyed by the Group through the use of treasury arrangement with a fellow subsidiary (Note iv)			
- Xinyi PV Products	156	—	—

Continuing transactions

(i) Rental expenses to related companies:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Rental expenses payable to related companies			
- Cheer Wise (note v)	—	—	120
- Xinyi Energy Smart (note vi)	—	—	219
	—	—	339

Notes:

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

(ii) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business include compensation for a director amounting HK$3,819,000, HK$2,365,000 and HK$2,807,000 for the years ended December 31, 2016, 2017 and 2018, and for certain senior management other than a director amounting to HK$1,217,000, nil and nil for the year ended December 31, 2016, 2017 and 2018, which are calculated based on the estimated time spent by the employees on the Solar Farm Business for the Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iv) Interest savings were recognized through proper endorsement and transfer of financial instruments between members of the Group and Xinyi PV Products during the years ended December 31, 2016 and 2017. The ultimate holding company of the Company has adopted a centralized approach for its treasury arrangement in order to optimize the use of ready-available financial resources and minimize the overall financing cost.

(v) Approximate 30 sq.m. office area in Hong Kong was provided by Cheer Wise, a related company owned as to 40% by Xinyi Solar, for the Group's occupation starting from October 2016 till April 2018 without consideration paid. From May 2018, the leases of premises have been charged at mutually agreed rental.

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

(c) Balances with Subsidiaries

Company

	As of December 31,		
	2016	2017	2018
	HK$'000		HK$'000
Due from subsidiaries:			
- Xinyi Energy (BVI)	4,418,387	4,418,407	4,418,396
- Cheer King	1,137	1,137	1,137
- Mega Gain	1,472	1,472	1,472
- Wise Regal	2,670	2,625	—
- Glory City	102	102	102
- Eagle Luck	55	55	55
- Full Wisdom	8	8	8
Total	4,423,831	4,423,806	4,421,170
Due to a subsidiary:			
- Wise Regal	—	—	30,446

The amounts due from/(to) subsidiaries are unsecured, interest-free, non-trade in nature and repayable on demand.

The carrying amounts of the Company's balances with subsidiaries are denominated in HK$.

(d) Key management compensation

Key management includes directors of the Company and certain senior management. The compensation of directors of the Company paid or payable is disclosed in Note 10. The compensation of certain senior management incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 26(b)(ii) and (iii), respectively.

(e) Guarantee of bank borrowings

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, Xinyi Power (BVI) and Xinyi Solar (BVI). The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and its subsidiaries upon separate listing of the Company.

27 Financial instruments by category

Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Assets - amortized cost			
Trade and other receivables excluding prepayments and other tax receivables	863,176	1,442,556	1,445,879
Cash and cash equivalents	468,066	472,243	421,263
	1,331,242	1,914,799	1,867,142
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff costs and other taxes payables	483,167	379,128	277,853
Bank borrowings	3,069,249	2,714,837	1,687,200
	3,552,416	3,093,965	1,965,053

Company

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Assets - amortized cost			
Amounts due from subsidiaries	4,423,831	4,423,806	4,421,170
Cash and cash equivalents	100	79	77
	4,423,931	4,423,885	4,421,247
Liabilities - amortized cost			
Accrued listing expenses	—	—	5,068
Amount due to a subsidiary	—	—	30,446
	—	—	35,514

28 Contingencies

The Company and the Group did not have any contingent liabilities as of December 31, 2016, 2017 and 2018.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2018 and up to the date of this report. Except for a dividend of HK$315,949,000 declared by the Company to its shareholders out of share premium account on January 21, 2019 and paid on January 29, 2019 (Note 13), no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2018.

The following is the text of a report set forth on pages IB-1 to IB-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINYI ENERGY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of New Wisdom International Limited ("New Wisdom") and its subsidiaries (together, the "New Wisdom Group") set out on pages IB-4 to IB-57, which comprises the consolidated and company balance sheets as of December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 (the "New Wisdom Group's Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Xinyi Energy Holdings Limited (the "Company") dated May 15, 2019 in connection with the proposed acquisition of New Wisdom by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the New Wisdom Group for the New Wisdom Group's Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of New Wisdom and its subsidiaries now comprising the New Wisdom Group for the New Wisdom Group's Track Record Period. The directors of the respective companies now comprising the New Wisdom Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of New Wisdom as of December 31, 2016, 2017 and 2018 and the consolidated financial position of the New Wisdom Group as of December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the New Wisdom Group's Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
May 15, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE NEW WISDOM GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report of the New Wisdom Group.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$").

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
Revenue	5	31,047	99,067	152,217
Cost of sales	7	(7,385)	(24,077)	(35,680)
Gross profit		23,662	74,990	116,537
Other income	5	557	871	5,740
Other gains/(losses), net	6	492	(658)	(437)
Administrative expenses	7	(987)	(2,882)	(1,690)
Operating profit		23,724	72,321	120,150
Finance income	8	3	4,996	99
Finance costs	8	(417)	(8,212)	(9,671)
Profit before income tax		23,310	69,105	110,578
Income tax expense	11	—	—	(1,371)
Profit for the year attributable to equity holder of New Wisdom		23,310	69,105	109,207

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit for the year	23,310	69,105	109,207
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(11,667)	35,572	(53,946)
Total comprehensive income for the year attributable to equity holder of New Wisdom	11,643	104,677	55,261

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31, 2016 HK$'000	2017 HK$'000	2018 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	418,262	710,626	857,275
Prepayments for property, plant and equipment	14	14,144	12,169	2,691
Total non-current assets		432,406	722,795	859,966
Current assets				
Trade and other receivables	14	87,708	193,136	278,934
Amounts due from related parties	19, 26	131,538	4,987	5,080
Cash and cash equivalents	15	16,012	11,221	9,234
Total current assets		235,258	209,344	293,248
Total assets		667,664	932,139	1,153,214
EQUITY				
Capital and reserves attributable to New Wisdom's equity holder				
Share capital	16	10	10	10
Other reserves	17	(9,674)	264,098	221,441
Retained earnings	17	20,983	82,661	180,579
Total equity		11,319	346,769	402,030
LIABILITIES				
Non-current liabilities				
Other payables	20	5,319	3,420	9,001
Bank borrowings	21	311,322	235,302	—
Total non-current liabilities		316,641	238,722	9,001
Current liabilities				
Accruals and other payables	20	91,770	93,277	114,278
Amounts due to related parties	19, 26	247,934	175,986	391,237
Current income tax liabilities		—	—	1,366
Bank borrowings	21	—	77,385	235,302
Total current liabilities		339,704	346,648	742,183
Total liabilities		656,345	585,370	751,184
Total equity and liabilities		667,664	932,139	1,153,214

BALANCE SHEETS

		As of December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current asset				
Investments in subsidiaries	18	209,172	254,172	254,172
Current assets				
Amounts due from subsidiaries	18, 26	—	305,574	507,155
Amounts due from related parties	19, 26	131,538	4,987	5,080
Cash and cash equivalents	15	4,716	676	2,818
Total current assets		136,254	311,237	515,053
Total assets		345,426	565,409	769,225
EQUITY				
Equity attributable to New Wisdom's equity holder				
Share capital	16	10	10	10
Other reserves	17	—	230,773	230,773
(Accumulated losses)/retained earnings	17	(2,124)	8,151	(33,395)
Total (deficit)/equity		(2,114)	238,934	197,388
LIABILITIES				
Non-current liabilities				
Bank borrowings	21	311,322	235,302	—
Current liabilities				
Accruals	20	213	251	243
Amounts due to related parties	19, 26	36,005	13,537	336,292
Bank borrowings	21	—	77,385	235,302
Total current liabilities		36,218	91,173	571,837
Total liabilities		347,540	326,475	571,837
Total deficit/equity and liabilities		345,426	565,409	769,225

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of New Wisdom			
	Share capital (Note 16)	Other reserves (Note 17)	(Accumulated losses)/retained earnings (Note 17)	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2016	10	(321)	(13)	(324)
Comprehensive income				
Profit for the year	—	—	23,310	23,310
Other comprehensive loss				
Currency translation differences	—	(11,667)	—	(11,667)
Total comprehensive income	—	(11,667)	23,310	11,643
Transactions with the owner of New Wisdom				
Appropriation to statutory reserve	—	2,314	(2,314)	—
Balance at December 31, 2016	10	(9,674)	20,983	11,319
Balance at January 1, 2017	10	(9,674)	20,983	11,319
Comprehensive income				
Profit for the year	—	—	69,105	69,105
Other comprehensive income				
Currency translation differences	—	35,572	—	35,572
Total comprehensive income	—	35,572	69,105	104,677
Transactions with the owner of New Wisdom				
Appropriation to statutory reserve	—	7,427	(7,427)	—
Shareholder contribution (Note 17(b))	—	230,773	—	230,773
Balance at December 31, 2017	10	264,098	82,661	346,769
Balance at January 1, 2018	10	264,098	82,661	346,769
Comprehensive income				
Profit for the year	—	—	109,207	109,207
Other comprehensive loss				
Currency translation differences	—	(53,946)	—	(53,946)
Total comprehensive income	—	(53,946)	109,207	55,261
Appropriation to statutory reserve	—	11,289	(11,289)	—
Balance at December 31, 2018	10	221,441	180,579	402,030

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
Cash flows from operating activities				
Cash (used in)/generated from operations	22(a)	(57,095)	(12,875)	67,691
Interest paid		(1,892)	(8,649)	(10,067)
Income tax paid		—	—	(5)
Net cash (used in)/generated from operating activities		(58,987)	(21,524)	57,619
Cash flows from investing activities				
Purchases of property, plant and equipment		(360,989)	(271,303)	(188,100)
Interest received		3	9	6
Advances to related parties		(121,538)	(176,431)	(3,153)
Repayments from related parties		—	307,969	3,153
Net cash used in investing activities		(482,524)	(139,756)	(188,094)
Cash flows from financing activities				
Proceeds from bank borrowings		311,322	1,365	—
Repayments of bank borrowings		—	—	(77,385)
Advances from related parties		230,235	155,084	206,138
Net cash generated from financing activities		541,557	156,449	128,753
Net increase/(decrease) in cash and cash equivalents		46	(4,831)	(1,722)
Cash and cash equivalents at beginning of the year		16,009	16,012	11,221
Exchange differences on cash and cash equivalents		(43)	40	(265)
Cash and cash equivalents at end of the year	15	16,012	11,221	9,234

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

New Wisdom was incorporated as an investment holding company with limited liability in Hong Kong on February 6, 2015 with Xinyi Power (BVI) Limited ("Xinyi Power (BVI)") as the sole shareholder. The address of its registered office is Unit 2109-2115, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

On November 16, 2015, Xinyi Solar (Xiaochang) Limited ("Xinyi Solar (Xiaochang)") was established with New Wisdom as the sole shareholder while Xinyi Solar (Xiaogan) Limited ("Xinyi Solar (Xiaogan)") was established on February 2, 2017 with New Wisdom as the sole shareholder. These subsidiaries are principally engaged in the management and operations of solar farms in the People's Republic of China (the "PRC") (the "Solar Farm Business").

Up to June 30, 2017, the immediate holding company of New Wisdom was Xinyi Power (BVI) and the ultimate holding company of New Wisdom was Xinyi Solar Holdings Limited ("Xinyi Solar"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the New Wisdom Group's Track Record Period, Xinyi Solar was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung.

On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in New Wisdom to Xinyi Solar Farm (Group 1) Limited ("Solar Farm (Group 1)"), a wholly-owned subsidiary of Xinyi Power (BVI) and Xinyi Solar, at a consideration of HK$10,000. Since then, the immediate holding company of New Wisdom has been changed to Solar Farm (Group 1) while Xinyi Power (BVI) has been changed to be the intermediate holding company of New Wisdom, and the ultimate holding company of New Wisdom (i.e. Xinyi Solar) has been remained the same.

On December 5, 2018, the Company entered into an agreement with Solar Farm (Group 1) to acquire the entire issued share capital of New Wisdom, Sky Falcon Development Limited, Perfect Alliance Development Limited ("Perfect Alliance"), Profit Noble Development Limited and Sky Cheer Investments Limited, which held the operating companies of the utility-scale ground-mounted solar farm projects in the PRC, at an aggregate consideration of RMB4,090,790,000 ("Target Acquisition").

The statutory financial statements of New Wisdom for the years ended December 31, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of New Wisdom for the year ended December 31, 2018 are yet to be issued.

New Wisdom and its subsidiaries have adopted December 31 as their financial year end date.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information of the New Wisdom Group are set out below. These policies have been consistently applied to all the years and period presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with HKFRSs issued by the HKICPA are set out below.

The preparation of Historical Financial Information 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 New Wisdom Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As of December 31, 2018, the New Wisdom Group's current liabilities exceeded its current assets by approximately HK$448,935,000. On the same date, the New Wisdom Group had bank borrowings of HK$235,302,000, of which the whole amounts are scheduled to be repayable within the coming 12 months from December 31, 2018. The New Wisdom Group also had capital commitment of HK$90,772,000 as of December 31, 2018.

As of December 31, 2018, New Wisdom's current liabilities exceeded its current assets by approximately HK$56,784,000. On the same date, New Wisdom had bank borrowings of HK$235,302,000, of which the whole amounts are scheduled to be repayable within the coming 12 months from December 31, 2018.

Xinyi Solar, the ultimate holding company, has confirmed its intention to provide the New Wisdom Group with continuous financial support for a period of at least 12 months from December 31, 2018, or upon completion of the Target Acquisition, whichever is earlier. Management has prepared cash flow projections which cover a period of 12 months from the date of this report. Based on the cash flow projections, taking into account the continuous availability of financial support from Xinyi Solar, the sole director of New Wisdom considered the New Wisdom Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from December 31, 2018. Accordingly, the sole director of New Wisdom is satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The New Wisdom Group applied HKFRS 15 consistently throughout the New Wisdom Group's Track Record Period.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognize revenue when each performance obligation is satisfied.

There is no impact on the accounting policies and Historical Financial Information of the New Wisdom Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs. Early adoption of HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments"

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018.

The New Wisdom Group has applied HKFRS 9 consistently throughout the New Wisdom Group's Track Record Period.

The new standard replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

There is no impact on the accounting policies and Historical Financial Information of the New Wisdom Group upon the adoption of HKFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

New standards, amendments to standards and interpretations

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the New Wisdom Group's Track Record Period, and have not been early adopted. The New Wisdom Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 — 2017 Cycle	January 1, 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKAS 28 (Amendments)	Long Term Interests in Associates and Joint Ventures	January 1, 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	January 1, 2019
HKFRS 17	Insurance Contract	January 1, 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 will primarily affect the accounting for the New Wisdom Group's operating leases. As of December 31, 2016, 2017 and 2018, the New Wisdom Group had non-cancellable operating lease commitments of HK$65,674,000, HK$135,595,000 and HK$125,723,000 respectively, see Note 23. The New Wisdom Group expects to recognize right-of-use assets of approximately HK$51,206,000 on January 1, 2019 and lease liabilities of HK$58,036,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets will be approximately HK$4,109,000 lower, and net current assets will be HK$5,181,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for 2019 as a result of adoption the new rules are immaterial.

The New Wisdom Group has no activity as a lessor and hence the New Wisdom Group does not expect any significant impact on the financial statements.

Date of adoption by the New Wisdom Group

The New Wisdom Group will apply the standard from its mandatory adoption date of January 1, 2019. The New Wisdom Group intends to apply the full retrospective approach. The discount rate used to discount the lease payments is the discount rate on the lease commencement date. The right-of-use asset for property lease and the lease liability will be retrospectively restated to the lease commencement date. The right-of-use asset for property lease will then be depreciated on a straight-line basis.

At this stage, the New Wisdom Group does not intend to early adopt the standard.

For new standards, amendments to existing standards and new interpretations other than HKFRS 16 "Leases" aforementioned above, management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and interpretations and considered on a preliminary basis that, these new standards and amendments to standards and interpretations will not result in any substantive changes of the New Wisdom Group's existing accounting policies and presentation of Historical Financial Information.

2.2 Subsidiaries

2.2.1 Consolidation

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

The New Wisdom Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the New Wisdom Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the New Wisdom Group's accounting policies.

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortized cost.

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

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

The New Wisdom Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

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

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

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

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Accruals and other payables

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

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

2.14 Borrowings

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

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

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

2.15 Borrowing costs

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

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

All other borrowing costs are recognized in consolidated income statements in the period in which they are incurred.

2.16 Provisions

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

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

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

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2.18 Revenue recognition

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

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

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

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

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

(a) Sales of electricity

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

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

(b) Tariff adjustment

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

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

2.19 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the New Wisdom's shareholder is recognized as a liability in the New Wisdom Group's financial statements in the period in which the dividends are approved by the New Wisdom's shareholder or directors, where appropriate.

2.22 Interest income

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

The New Wisdom Group had investment in a foreign operation, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As of December 31, 2016, 2017 and 2018, New Wisdom does not have significant foreign exchange risk on RMB against HK$, which is the functional currency of New Wisdom.

As of December 31, 2016, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year of the PRC subsidiaries would have been approximately HK$293,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

As of December 31, 2017, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year of the PRC subsidiaries would have been approximately HK$517,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

As of December 31, 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, there was no significant foreign exchange risk on profit after income tax for the year of the PRC subsidiaries.

As of December 31, 2016, if US$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year of the PRC subsidiaries would have been approximately HK$224,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of US$ denominated cash and cash equivalents.

As of December 31, 2017 and 2018, the New Wisdom Group does not have significant foreign exchange risk on US$ against RMB.

(ii) Cash flow and fair value interest rate risk

The New Wisdom Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the New Wisdom Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the New Wisdom Group to fair value interest rate risk. Details of the New Wisdom Group's cash and cash equivalents and bank borrowings have been disclosed in Note 15 and Note 21 to the Historical Financial Information.

As of December 31, 2016, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$114,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

As of December 31, 2017, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$712,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

As of December 31, 2018, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$542,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

(b) Credit risk

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

New Wisdom Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade and other receivables excluding prepayments and other tax receivables (Note 14)	35,089	106,919	198,554
Amounts due from related parties	131,538	4,987	5,080
Cash at bank (Note 15)	16,012	11,221	9,234
Maximum exposure to credit risk	182,639	123,127	212,868

New Wisdom

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amounts due from subsidiaries	—	305,574	507,155
Amounts due from related parties	131,538	4,987	5,080
Cash at bank (Note 15)	4,716	676	2,818
Maximum exposure to credit risk	136,254	311,237	515,053

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

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

As of December 31, 2016, 2017 and 2018, most of the bank deposits are deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

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

Trade and tariff adjustment receivables arising from sales of electricity were all due from a customer which is a state-owned enterprise. The New Wisdom Group has two ground-mounted Solar Farms with aggregate approved grid-connection capacity of 160 MW ready for applying the Renewable Energy Tariff Subsidy Catalogue when the registration period open. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the director is of the opinion that the risk of default by this customer is not significant and does not expect any losses from non-performance by the customer. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

The credit quality of the amounts due from related parties and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the director is of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the amounts due from related parties and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

(c) Liquidity risk

Finance department of the New Wisdom Group monitors rolling forecasts of the New Wisdom Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 25) at all times so that the New Wisdom Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast takes into consideration the New Wisdom Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

The New Wisdom Group maintains liquidity by a number of means including orderly realization of short term financial assets, receivables and certain assets that the New Wisdom Group considers appropriate. The New Wisdom Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the New Wisdom Group's available cash and other credit lines available and the funding available from holding companies. The New Wisdom Group monitors rolling forecasts of its working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow. The New Wisdom Group has no significant liquidity risk as it has obtained continued financial support from Xinyi Solar, the ultimate holding company, to finance its operation.

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

New Wisdom Group

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Bank borrowings and interests	8,021	83,824	239,051	330,896
Amounts due to related parties	247,934	—	—	247,934
Accruals and other payables excluding accruals of staff costs and other taxes payables	91,758	5,319	—	97,077
Total	347,713	89,143	239,051	675,907
At December 31, 2017				
Bank borrowings and interests	84,949	241,309	—	326,258
Amounts due to related parties	175,986	—	—	175,986
Accruals and other payables excluding accruals of staff costs and other taxes payables	93,268	3,420	—	96,688
Total	354,203	244,729	—	598,932
At December 31, 2018				
Bank borrowings and interests	240,279	—	—	240,279
Amounts due to related parties	391,237	—	—	391,237
Accruals and other payables excluding accruals of staff costs and other taxes payables	114,268	9,001	—	123,269
Total	745,784	9,001	—	754,785

New Wisdom

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Bank borrowings and interests	8,021	83,824	239,051	330,896
Amounts due to related parties	36,005	—	—	36,005
Accruals	213	—	—	213
Total	44,239	83,824	239,051	367,114
At December 31, 2017				
Bank borrowings and interests	84,949	241,309	—	326,258
Amount due to a related party	13,537	—	—	13,537
Accruals	251	—	—	251
Total	98,737	241,309	—	340,046
At December 31, 2018				
Bank borrowings and interests	240,279	—	—	240,279
Amounts due to related parties	336,292	—	—	336,292
Accruals	243	—	—	243
Total	576,814	—	—	576,814

3.2 Capital risk management

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

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

Consistent with others in the industry, the New Wisdom Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus net debt. Net debt is calculated as bank borrowings less cash and cash equivalents. The gearing ratios at December 31, 2016, 2017 and 2018 were as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Bank borrowings (Note 21)	311,322	312,687	235,302
Less: cash and cash equivalents (Note 15)	(16,012)	(11,221)	(9,234)
Net debt	295,310	301,466	226,068
Total equity	11,319	346,769	402,030
Total capital	306,629	648,235	628,098
Gearing ratio	96.3%	46.5%	36.0%

The decrease in gearing ratio as of December 31, 2017 compared to December 31, 2016 was mainly due to increase in equity contributed by the shareholder and by profit generated. The decrease in gearing ratio as of December 31, 2018 compared to December 31, 2017 was mainly due to increase in equity contributed by profit generated and repayments of bank borrowings.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the New Wisdom Group has no financial instruments measured on such basis in the consolidated balance sheets as of December 31, 2016, 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

The New Wisdom Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax liabilities of the New Wisdom Group mainly arise from the unremitted earnings of its PRC subsidiaries. The realizability of the deferred income tax liabilities mainly depend on its subsidiaries' dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 Revenue, other income and segment information

Revenue and other income recognized during the New Wisdom Group's Track Record Period are as follows:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue			
Recognized at a point in time:			
Sales of electricity	12,360	38,636	67,690
Tariff adjustment	18,687	60,431	84,527
	31,047	99,067	152,217
Other income			
Government grants (Note)	—	—	5,486
Other income	557	871	254
	557	871	5,740

Note: Government grants mainly represent grants received from the PRC government in subsidizing the New Wisdom Group's general operations.

Segment information

The New Wisdom Group is mainly engaged in the management and operation of solar farms in the PRC since March 2016. Information reported to the New Wisdom Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the New Wisdom Group as a whole as the New Wisdom Group's resources are integrated and no discrete operating segment financial information is available.

No segment of assets and liabilities are presented as no discrete financial information is available. All of the non-current assets of the New Wisdom Group are located in the PRC and with country of domicile being the PRC.

All revenue for the New Wisdom Group's Track Record Period were from one single customer which is a state grid company.

6 Other gains/(losses), net

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Foreign exchange gains/(losses), net	492	(658)	(437)

7 Expenses by nature

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charge of property, plant and equipment (Note 13)	6,421	20,179	32,592
Employee benefit expenses (including directors' emoluments) (Note 9)	98	270	294
Electricity	306	854	1,412
Operating lease expenses	659	3,049	1,678
Auditor's remuneration - statutory audits	1	20	12
Legal and professional fees	2	34	3
Insurance expenses	—	221	604
Other expenses	885	2,332	775
	8,372	26,959	37,370

8 Finance income and costs

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance income			
Interest income from bank deposits	3	9	6
Interest income from advances to fellow subsidiaries (Note 26(b))	—	4,987	93
	3	4,996	99
Finance costs			
Interest expense on bank borrowings	2,105	8,679	10,059
Less: Amount capitalized on qualifying assets (Note 13)	(1,688)	(467)	(388)
	417	8,212	9,671

9 Employee benefit expenses (including directors' emoluments)

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages and salaries	98	270	294
Retirement benefits scheme contribution (Note)	—	—	—
	98	270	294

The wages and salaries of employees incurred by Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$33,000, HK$843,000 and HK$1,055,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

The retirement benefits of employees incurred by Xinyi PV Products on behalf of the Solar Farm Business amounted to HK$7,000, HK$167,000 and HK$110,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

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

10 Benefits and interests of directors

(a) No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to a retirement benefit scheme and other emoluments in respect of director's other services in connection with the management of the affairs of New Wisdom or its subsidiary undertaking were paid to the director in his capacity as a director of New Wisdom or its subsidiaries and no emoluments were paid by New Wisdom or its subsidiaries to the director as an inducement to join New Wisdom or its subsidiaries, or as compensation for loss of office during the New Wisdom Group's Track Record Period.

(b) During the New Wisdom Group's Track Record Period, no retirement benefits, payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable. No consideration was provided to or receivable by third parties for making available director's services.

There were no material retirement benefits, payments or benefits in respect of termination of director's services incurred by Xinyi Solar or Xinyi Solar (HK) on behalf of the Solar Farm Business for the New Wisdom Group's Track Record Period.

(c) During the Track Record Period, Mr. Lee Yau Ching made available his service as a director of New Wisdom for the Solar Farm Business.

The fees of Mr. Lee Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$1,000, HK$3,000 and HK$5,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the New Wisdom Group to Xinyi Solar. Details of these related party transactions are stated in Note 26(b)(i).

The salaries and discretionary bonuses of Mr. Lee Yau Ching incurred by Xinyi Solar (HK) Limited ("Xinyi Solar (HK)"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$69,000, HK$210,000 and HK$356,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the New Wisdom Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 26(b)(ii).

During the Track Record Period, there were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of New Wisdom.

(d) During the New Wisdom Group's Track Record Period, there were no significant transactions, agreements and contracts in relation to the New Wisdom Group's business to which New Wisdom was a party and in which the director of New Wisdom had material interest, whether directly or indirectly, other than those disclosed in Note 26.

(e) During the New Wisdom Group's Track Record Period, there were no loans, quasi-loans and other dealing arrangements in favor of the director, or controlled body corporates and connected entities of such director, other than those disclosed in Note 26(c).

11 Income tax expense

(a) No provision for Hong Kong profits tax has been made for the New Wisdom Group's Track Record Period as the New Wisdom Group did not generate any assessable profits arising in Hong Kong during the New Wisdom Group's Track Record Period.

(b) Provision made for PRC corporate income tax ("CIT") of the New Wisdom Group amounted to HK$1,371,000 for the year ended December 31, 2018. The statutory income tax rate applicable to the PRC subsidiaries of the New Wisdom Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years.

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

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Profit before income tax	23,310	69,105	110,578
Calculated at tax rate of 25%	5,828	17,276	27,645
Preferential tax rates on income of certain PRC subsidiaries	(5,933)	(18,097)	(28,769)
Effect of different tax rates in other countries	36	279	848
Expenses not deductible for tax purposes	69	542	1,647
	—	—	1,371

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

As of December 31, 2016, 2017 and 2018, deferred income tax liabilities of approximately HK$1,071,000, HK$4,319,000 and HK$9,763,000, respectively, were not recognized for withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by the New Wisdom Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to approximately HK$21,420,000, HK$86,379,000 and HK$193,892,000 as of December 31, 2016, 2017 and 2018, respectively.

12 Dividends

No dividend has been paid or declared by the New Wisdom Group since its incorporation.

13 Property, plant and equipment

	Solar Farms	Motor vehicles, furniture and fixtures, equipment and others	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016				
Cost	—	—	97	97
Accumulated depreciation	—	—	—	—
Net book amount	—	—	97	97
Year ended December 31, 2016				
Opening net book amount	—	—	97	97
Additions	318,763	52	126,022	444,837
Transfers	126,117	—	(126,117)	—
Depreciation charge	(6,420)	(1)	—	(6,421)
Exchange differences	(20,247)	(2)	(2)	(20,251)
Closing net book amount	418,213	49	—	418,262
At December 31, 2016				
Cost	424,427	50	—	424,477
Accumulated depreciation	(6,214)	(1)	—	(6,215)
Net book amount	418,213	49	—	418,262
Year ended December 31, 2017				
Opening net book amount	418,213	49	—	418,262
Additions	466	—	270,748	271,214
Transfers	270,748	—	(270,748)	—
Depreciation charge	(20,174)	(5)	—	(20,179)
Exchange differences	41,325	4	—	41,329
Closing net book amount	710,578	48	—	710,626

	Solar Farms	Motor vehicles, furniture and fixtures, equipment and others	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2017				
Cost	738,162	54	—	738,216
Accumulated depreciation	(27,584)	(6)	—	(27,590)
Net book amount	710,578	48	—	710,626
Year ended December 31, 2018				
Opening net book amount	710,578	48	—	710,626
Additions	388	133	220,417	220,938
Transfers	215,931	—	(215,931)	—
Depreciation charge	(32,581)	(11)	—	(32,592)
Exchange differences	(41,512)	(8)	(177)	(41,697)
Closing net book amount	852,804	162	4,309	857,275
At December 31, 2018				
Cost	910,358	179	4,309	914,846
Accumulated depreciation	(57,554)	(17)	—	(57,571)
Net book amount	852,804	162	4,309	857,275

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charged in consolidated income statements:			
- Cost of sales	6,420	20,174	32,590
- Administrative expenses	1	5	2
	6,421	20,179	32,592

Finance costs on bank borrowings of HK$1,688,000, HK$467,000 and HK$388,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2016, 2017 and 2018, respectively.

Borrowing costs were capitalized at the weighted average rates of its general borrowings of 1.20%, 2.83% and 3.21% for the years ended December 31, 2016, 2017 and 2018, respectively.

As of December 31, 2017, construction in progress consisted of developing Solar Farms projects, as of December 31, 2018, construction in progress consisted of solar farm improvement projects.

14 Trade and other receivables

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade receivables (Note (a))	35,045	106,739	198,524
Deposits and other receivables (Note (c))	44	180	30
Other tax receivables (Note (d))	52,619	86,217	80,380
Prepayments for property, plant and equipment	14,144	12,169	2,691
	101,852	205,305	281,625
Less: Non-current portion:			
Prepayments for property, plant and equipment	(14,144)	(12,169)	(2,691)
Current portion	87,708	193,136	278,934

(a) Trade receivables

As of December 31, 2016, 2017 and 2018, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Receivables from sales of electricity	12,445	11,281	16,218
Tariff adjustment receivables	22,600	95,458	182,306
	35,045	106,739	198,524

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

The ageing analysis of trade receivables is as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
0 to 90 days	13,868	23,390	24,424
91 days to 180 days	21,156	27,794	33,305
181 days to 365 days	21	32,882	50,120
Over 365 days	—	22,673	90,675
	35,045	106,739	198,524

The carrying amounts of the New Wisdom Group's trade receivables are denominated in RMB.

(b) Provision for impairment of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, there is no due date for settlement. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognized as of December 31, 2016, 2017 and 2018.

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Tariff adjustment receivables:			
Expected to be recoverable after more than 12 months	22,600	95,458	159,189
Expected to be recoverable within 12 months	—	—	23,117
	22,600	95,458	182,306

(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 as of December 31, 2016, 2017 and 2018, respectively, was within one year.

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

(d) Other tax receivables

Other tax receivables mainly represented valued added tax ("VAT") recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress) 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.

15 Cash and cash equivalents

New Wisdom Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	16,012	11,221	9,234

As of December 31, 2016, 2017 and 2018, funds of the New Wisdom Group amounting to HK$11,296,000, HK$10,545,000 and HK$6,416,000, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$4,716,000, HK$676,000 and HK$2,818,000, respectively, as of December 31, 2016, 2017 and 2018 were deposited in reputable banks in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
HK$	10,195	10,629	2,429
RMB	956	203	6,416
US$	4,861	389	389
	16,012	11,221	9,234

New Wisdom

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Cash at bank and maximum exposure of credit risk	4,716	676	2,818

As of December 31, 2016, 2017 and 2018, all funds of New Wisdom were deposited in bank accounts opened with reputable banks in Hong Kong.

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

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
HK$	4,327	287	2,429
US$	389	389	389
	4,716	676	2,818

16 Share capital

	Number of ordinary shares	Total
		HK$'000
Issued and fully paid:		
At January 1 and December 31, 2016, 2017 and 2018	10,000	10

17 Other reserves

New Wisdom Group

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Exchange reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	—	(321)	(13)	(334)
Profit for the year	—	—	—	23,310	23,310
Currency translation differences	—	—	(11,667)	—	(11,667)
Appropriation to statutory reserve	2,314	—	—	(2,314)	—
At December 31, 2016	2,314	—	(11,988)	20,983	11,309
At January 1, 2017	2,314	—	(11,988)	20,983	11,309
Profit for the year	—	—	—	69,105	69,105
Currency translation differences	—	—	35,572	—	35,572
Appropriation to statutory reserve	7,427	—	—	(7,427)	—
Shareholder contribution	—	230,773	—	—	230,773
At December 31, 2017	9,741	230,773	23,584	82,661	346,759
At January 1, 2018	9,741	230,773	23,584	82,661	346,759
Profit for the year	—	—	—	109,207	109,207
Currency translation differences	—	—	(53,946)	—	(53,946)
Appropriation to statutory reserve	11,289	—	—	(11,289)	—
At December 31, 2018	21,030	230,773	(30,362)	180,579	402,020

New Wisdom

	Capital reserve (Note (b))	(Accumulated losses)/retained earnings	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	(13)	(13)
Loss for the year	—	(2,111)	(2,111)
At December 31, 2016	—	(2,124)	(2,124)
At January 1, 2017	—	(2,124)	(2,124)
Profit for the year	—	10,275	10,275
Shareholder contribution	230,773	—	230,773
At December 31, 2017	230,773	8,151	238,924
At January 1, 2018	230,773	8,151	238,924
Loss for the year	—	(41,546)	(41,546)
At December 31, 2018	230,773	(33,395)	197,378

Notes:

(a) Statutory reserve

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

During the years ended December 31, 2016, 2017 and 2018, the board of directors of New Wisdom's PRC subsidiaries resolved to appropriate approximately HK$2,314,000, HK$7,427,000 and HK$11,289,000, respectively, from retained earnings to statutory reserve.

(b) Capital reserve

On May 31, 2017, New Wisdom was indebted to Xinyi Power (BVI) for HK$230,773,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and New Wisdom capitalized the amount as a shareholder contribution.

18 Interests in subsidiaries

New Wisdom

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Investments in subsidiaries			
Unlisted shares, at cost	209,172	254,172	254,172
Amounts due from subsidiaries:			
- Xinyi Solar (Xiaochang)	—	305,574	507,154
- Xinyi Solar (Xiaogan)	—	—	1
	—	305,574	507,155

Unlisted investments in subsidiaries are stated at the aggregate investment costs of the subsidiaries.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of balances are denominated in RMB and approximates their fair value.

Details of the subsidiaries are as follows:

Company name	Date of establishment	Place of incorporation and kind of legal entity	Registered capital	Effective interest attributable to the New Wisdom Group: December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Directly held:									
Xinyi Solar (Xiaochang)	November 16, 2015	The PRC, limited liability company	Registered capital of US$35,000,000 and paid up capital of US$32,722,000	100%	100%	100%	100%	Operation of solar farm in the PRC	(i)
Xinyi Solar (Xiaogan)	February 6, 2017	The PRC, limited liability company	Registered capital of US$3,500,000 and paid up capital of nil	N/A	100%	100%	100%	Operation of solar farm in the PRC	(ii)

Notes:

(i) The statutory financial statements of the subsidiary for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

(ii) No statutory financial statements of the subsidiary for the period from the date of establishment to December 31, 2017 and the year ended December 31, 2018 were issued as it is not required to issue audited financial statements under the statutory requirement.

19 Amounts due from/to related parties

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values.

20 Accruals and other payables

New Wisdom Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Payables for property, plant and equipment	96,304	95,830	121,673
Others	785	867	1,606
	97,089	96,697	123,279
Less: Non-current portion:			
Retention payables for property, plant and equipment	(5,319)	(3,420)	(9,001)
Current portion	91,770	93,277	114,278

New Wisdom

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	213	251	243

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

21 Bank borrowings

New Wisdom Group and New Wisdom

The bank borrowings are repayable as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	—	77,385	235,302
Between 1 and 2 years	77,385	235,302	—
Between 2 and 5 years	233,937	—	—
	311,322	312,687	235,302
Less : Non-current portion	(311,322)	(235,302)	—
Current portion	—	77,385	235,302

As of December 31, 2016, 2017 and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2019. The carrying amounts of the New Wisdom Group's bank borrowings are denominated in HK$ and approximate their fair values as of December 31, 2016, 2017 and 2018, as the impact of discounting is not significant. The effective interest rates at reporting date were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	2.55%	2.99%	4.09%

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017 and Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)"), a fellow subsidiary. The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and Xinyi Energy (BVI) Limited ("Xinyi Energy (BVI)"), a fellow subsidiary, upon separate listing of the Company.

22 Cash flow information

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	23,310	69,105	110,578
Adjustments for:			
Interest income (Note 8)	(3)	(4,996)	(99)
Interest expense (Note 8)	417	8,212	9,671
Depreciation of property, plant and equipment (Note 13)	6,421	20,179	32,592
	30,145	92,500	152,742
Changes in working capital:			
Trade and other receivables	(87,708)	(105,428)	(85,798)
Accruals and other payables	468	53	747
Cash (used in)/generated from operations	(57,095)	(12,875)	67,691

(b) Non-cash transactions

(i) During the years ended December 31, 2016 and 2018, additions of plant and equipment amounting to HK$96,304,000 and HK$22,973,000 were purchased through increase in other payables without any cash paid.

(ii) Finance costs on bank borrowing of HK$1,688,000, HK$467,000 and HK$388,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2016, 2017 and 2018, respectively.

(iii) During the year ended December 31, 2017 there was a shareholder contribution arose from forgiveness of debt by Xinyi Power (BVI), totaled HK$230,773,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and New Wisdom capitalized the amount as a shareholder contribution.

(iv) During the years ended December 31, 2017 and 2018, interest income from advances to related parties amounting to HK$4,987,000 and HK$93,000, respectively, were directly recorded in amounts due from related parties without any cash received.

(v) On May 31, 2018, New Wisdom was indebted to Xinyi Power (BVI) for HK$273,692,000. By a deed of novation dated May 31, 2018, Perfect Alliance assumed aforementioned indebtedness of New Wisdom, while Xinyi Power (BVI) released New Wisdom from the indebtedness, as if Perfect Alliance had originally been indebted to Xinyi Power (BVI). As such, New Wisdom was indebted to Perfect Alliance for HK$273,692,000, while Perfect Alliance was indebted to Xinyi Power (BVI) for HK$273,692,000.

(c) Net debt reconciliation

	Liabilities from financing activities				
	Cash and cash equivalents	Amounts due to related parties	Bank borrowings due within 1 year	Bank borrowings due after 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as of January 1, 2016	16,009	(26,326)	—	—	(10,317)
Cash flows	46	(230,235)	—	(311,322)	(541,511)
Foreign exchange adjustments	(43)	8,627	—	—	8,584
Net debt as of December 31, 2016	16,012	(247,934)	—	(311,322)	(543,244)
Net debt as of January 1, 2017	16,012	(247,934)	—	(311,322)	(543,244)
Cash flows	(4,831)	(155,084)	(77,385)	76,020	(161,280)
Foreign exchange adjustments	40	(3,741)	—	—	(3,701)
Other non-cash movements (Note (b)(iii))	—	230,773	—	—	230,773
Net debt as of December 31, 2017	11,221	(175,986)	(77,385)	(235,302)	(477,452)
Net debt as of January 1, 2018	11,221	(175,986)	(77,385)	(235,302)	(477,452)
Cash flows	(1,722)	(206,138)	(157,917)	235,302	(130,475)
Foreign exchange adjustments	(265)	(9,113)	—	—	(9,378)
Net debt as of December 31, 2018	9,234	(391,237)	(235,302)	—	(617,305)

23 Operating lease commitments

The New Wisdom Group leases certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017 and 2018, the New Wisdom Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Not later than 1 year	1,781	3,709	3,575
Later than 1 year and not later than 5 years	7,347	15,445	14,970
More than 5 years	56,546	116,441	107,178
	65,674	135,595	125,723

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

24 Capital commitments

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

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Property, plant and equipment:			
- Contracted but not provided for	152,152	175,703	90,772

25 Banking facilities

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

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Banking facilities granted to New Wisdom without securities:			
- Available facilities	315,000	315,000	236,250
- Facilities utilized	(315,000)	(315,000)	(236,250)
Unutilized facilities	—	—	—

26 Related party transactions

(a) *The directors of New Wisdom are of the view that the following companies that had transactions or balances with the New Wisdom Group are related parties:*

Name of related parties	Relationship with the New Wisdom Group
Xinyi Solar	Ultimate holding company
Xinyi Power (BVI)	Former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017
Perfect Alliance	Fellow subsidiary
Power Sky Development Limited ("Power Sky")	Fellow subsidiary
Sun Harbour International Limited ("Sun Harbour")	Fellow subsidiary
Xinyi PV Products	Fellow subsidiary
Xinyi Solar (BVI)	Fellow subsidiary
Xinyi Solar (HK)	Fellow subsidiary
Xinyi Solar (Huainan) Limited ("Xinyi Solar (Huainan)")	Fellow subsidiary
Xinyi Solar (Wuwei) Limited ("Xinyi Solar (Wuwei)")	Fellow subsidiary
Xinyi Renewable Energy (Shouxian) Limited ("Xinyi Energy (Shouxian)")	Fellow subsidiary
Xinyi Energy (BVI)	Felllow subsidiary

(b) Related party transactions

The following is a summary of the significant transactions carried out between the New Wisdom Group and its related parties in the ordinary course of business during the New Wisdom Group's Track Record Period.

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Employee benefits paid by the ultimate holding company (Note i)			
- Xinyi Solar	1	3	5
Employee benefits paid by fellow subsidiaries			
- Xinyi Solar (HK) (Note ii)	69	210	356
- Xinyi PV Products (Note iii)	40	1,010	1,165
	109	1,220	1,521
Finance income receivable from fellow subsidiaries (Note iv)			
- Xinyi Energy (Shouxian)	—	2,683	—
- Xinyi Solar (Wuwei)	—	2,270	63
- Xinyi Solar (Huainan)	—	34	30
	—	4,987	93

Notes:

(i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the New Wisdom Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(ii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business represent salaries and discretionary bonus of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business during the New Wisdom Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iii) Employee benefit expenses incurred by Xinyi PV Products on behalf of the Solar Farm Business represent wages and salaries and retirement benefits of employees, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the New Wisdom Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iv) Finance income represents interest income arose from the advances to fellow subsidiaries. The interest income was charged at mutually agreed rates. The advances to fellow subsidiaries maintained at a range from HK$168,053,000 to HK$176,431,000 from January to December 2017 and from HK$1,870,000 to HK$3,153,000 from January to December 2018, respectively, and were repaid by fellow subsidiaries in full as of December 31, 2017 and 2018. The effective interest rates were 2.83% and 3.21%, during the years ended December 31, 2017 and 2018, respectively.

(c) Balances with related parties

New Wisdom Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Due from related parties:			
- Xinyi Energy (Shouxian)	—	2,683	2,683
- Xinyi Solar (Wuwei)	—	2,270	2,333
- Xinyi Solar (Huainan)	—	34	64
- Xinyi Solar (HK)	121,538	—	—
- Power Sky	10,000	—	—
Total	131,538	4,987	5,080
Due to related parties:			
- Xinyi PV Products	211,929	162,449	54,945
- Xinyi Solar (HK)	—	13,537	59,600
- Perfect Alliance	—	—	276,692
- Xinyi Power (BVI)	26,005	—	—
- Sun Harbour	10,000	—	—
- Xinyi Solar (Huainan)	—	—	—
Total	247,934	175,986	391,237

The amounts due from/to related parties are unsecured, interest free, non-trade in nature and repayable on demand.

Subsequent to December 31, 2018, the outstanding balances with related parties will be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- HK$	131,538	4,987	5,080
Due to related parties:			
- RMB	211,929	162,449	54,945
- HK$	36,005	13,537	336,292
Total	247,934	175,986	391,237

New Wisdom

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from subsidiaries:			
- Xinyi Solar (Xiaochang)	—	305,574	507,154
- Xinyi Solar (Xiaogan)	—	—	1
Total	—	305,574	507,155
Due from related parties:			
- Xinyi Energy (Shouxian)	—	2,683	2,683
- Xinyi Solar (Wuwei)	—	2,270	2,333
- Xinyi Solar (Huainan)	—	34	64
- Xinyi Solar (HK)	121,538	—	—
- Power Sky	10,000	—	—
Total	131,538	4,987	5,080
Due to related parties:			
- Xinyi Solar (HK)	—	13,537	59,600
- Xinyi Power (BVI)	26,005	—	—
- Perfect Alliance	—	—	276,692
- Sun Harbour	10,000	—	—
Total	36,005	13,537	336,292

The amounts due from subsidiaries and amounts due from/to related parties are unsecured, interest-free, non-trade in nature and repayable on demand.

The outstanding balances with related parties will not be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in HK$.

(d) Key management compensation

Key management includes director of New Wisdom and certain senior management. The compensation of the director of New Wisdom paid or payable is disclosed in Note 10. The compensation of a director incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 26(b)(i) and (ii), respectively.

(e) Guarantee of bank borrowings

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, Xinyi Power (BVI) and Xinyi Solar (BVI). The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and Xinyi Energy (BVI) upon separate listing of the Company.

27 Financial instruments by category

New Wisdom Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Trade and other receivables excluding prepayments and other tax receivables	35,089	106,919	198,554
Amounts due from related parties	131,538	4,987	5,080
Cash and cash equivalents	16,012	11,221	9,234
	182,639	123,127	212,868
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff costs and other taxes payables	97,077	96,688	123,269
Amounts due to related parties	247,934	175,986	391,237
Bank borrowings	311,322	312,687	235,302
	656,333	585,361	749,808

New Wisdom

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Amounts due from subsidiaries	—	305,574	507,155
Amounts due from related parties	131,538	4,987	5,080
Cash and cash equivalents	4,716	676	2,818
	136,254	311,237	515,053
Liabilities - amortized cost			
Accruals	213	251	243
Amounts due to related parties	36,005	13,537	336,292
Bank borrowings	311,322	312,687	235,302
	347,540	326,475	571,837

28 Contingencies

New Wisdom and the New Wisdom Group did not have any contingent liabilities as of December 31, 2016, 2017 and 2018.

29 Subsequent event

Save as disclosed elsewhere in this report, the following significant event took place subsequent to December 31, 2018:

Pursuant to the agreement of Target Acquisition, all net balances with related parties of the New Wisdom Group will be capitalized before completion of the Target Acquisition.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by New Wisdom or its subsidiaries in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared or made by New Wisdom or its subsidiaries in respect of any period subsequent to December 31, 2018.

The following is the text of a report set forth on pages IC-1 to IC-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINYI ENERGY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Sky Falcon Development Limited ("Sky Falcon") and its subsidiary (together, the "Sky Falcon Group") set out on pages IC-4 to IC-56, which comprises the consolidated and company balance sheets as of December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 (the "Sky Falcon Group's Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IC-4 to IC-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Xinyi Energy Holdings Limited (the "Company") dated May 15, 2019 in connection with the proposed acquisition of Sky Falcon by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The financial statements of the Sky Falcon Group for the Sky Falcon Group's Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Sky Falcon and its subsidiary now comprising the Sky Falcon Group for the Sky Falcon Group's Track Record Period. The directors of the respective companies now comprising the Sky Falcon Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Sky Falcon as of December 31, 2016, 2017 and 2018 and the consolidated financial position of the Sky Falcon Group as of December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Sky Falcon Group's Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
May 15, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE SKY FALCON GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report of the Sky Falcon Group.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$").

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
Revenue	5	35,117	94,223	124,629
Cost of sales	7	(10,309)	(20,395)	(25,767)
Gross profit		24,808	73,828	98,862
Other income	5	1,190	3,194	1,256
Other (losses)/gains, net	6	(48)	865	102
Administrative expenses	7	(694)	(1,984)	(1,125)
Operating profit		25,256	75,903	99,095
Finance income	8	36	37	24
Finance costs	8	(139)	(8,740)	(12,440)
Profit before income tax		25,153	67,200	86,679
Income tax expense	11	—	(680)	(288)
Profit for the year attributable to equity holder of Sky Falcon		25,153	66,520	86,391

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit for the year	25,153	66,520	86,391
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(15,517)	34,180	(44,091)
Total comprehensive income for the year attributable to equity holder of Sky Falcon	9,636	100,700	42,300

CONSOLIDATED BALANCE SHEETS

		As of December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	384,457	631,688	586,124
Prepayments for property, plant and equipment and operating leases	14	12,189	13,278	7,781
Total non-current assets		396,646	644,966	593,905
Current assets				
Trade and other receivables	14	74,072	171,649	230,969
Amounts due from related parties	19, 26	134,387	—	23,125
Cash and cash equivalents	15	10,477	6,832	11,201
Total current assets		218,936	178,481	265,295
Total assets		615,582	823,447	859,200
EQUITY				
Capital and reserves attributable to Sky Falcon's equity holder				
Share capital	16	10	10	10
Other reserves	17	(13,242)	147,720	222,065
Retained earnings	17	22,582	81,460	158,499
Total equity		9,350	229,190	380,574
LIABILITIES				
Non-current liabilities				
Other payables	20	3,608	5,020	3,210
Bank borrowings	21	380,134	287,221	—
Total non-current liabilities		383,742	292,241	3,210
Current liabilities				
Accruals and other payables	20	64,604	66,424	40,226
Current income tax liabilities		—	—	175
Amounts due to related parties	19, 26	157,886	141,010	147,794
Bank borrowings	21	—	94,582	287,221
Total current liabilities		222,490	302,016	475,416
Total liabilities		606,232	594,257	478,626
Total equity and liabilities		615,582	823,447	859,200

BALANCE SHEETS

		As of December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current asset				
Investment in a subsidiary	18	248,850	248,850	248,850
Current assets				
Amount due from a subsidiary	18, 26	—	261,764	377,817
Amount due from a related party	19, 26	134,387	—	—
Cash and cash equivalents	15	9,215	1,312	3,431
Total current assets		143,602	263,076	381,248
Total assets		392,452	511,926	630,098
EQUITY				
Equity attributable to Sky Falcon's equity holder				
Share capital	16	10	10	10
Other reserves	17	—	119,140	228,224
(Accumulated losses)/retained earnings	17	(444)	1,638	(33,554)
Total (deficit)/equity		(434)	120,788	194,680
LIABILITIES				
Non-current liabilities				
Bank borrowings	21	380,134	287,221	—
Current liabilities				
Accruals	20	287	348	403
Amounts due to related parties	19, 26	12,465	8,987	147,794
Bank borrowings	21	—	94,582	287,221
Total current liabilities		12,752	103,917	435,418
Total liabilities		392,886	391,138	435,418
Total deficit/equity and liabilities		392,452	511,926	630,098

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of Sky Falcon			
	Share capital (Note 16)	Other reserves (Note 17)	(Accumulated losses)/retained earnings (Note 17)	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2016	10	(283)	(13)	(286)
Comprehensive income				
Profit for the year	—	—	25,153	25,153
Other comprehensive loss				
Currency translation differences	—	(15,517)	—	(15,517)
Total comprehensive income	—	(15,517)	25,153	9,636
Transactions with the owner of Sky Falcon				
Appropriation to statutory reserve	—	2,558	(2,558)	—
Balance at December 31, 2016	10	(13,242)	22,582	9,350
Balance at January 1, 2017	10	(13,242)	22,582	9,350
Comprehensive income				
Profit for the year	—	—	66,520	66,520
Other comprehensive income				
Currency translation differences	—	34,180	—	34,180
Total comprehensive income	—	34,180	66,520	100,700
Transactions with the owner of Sky Falcon				
Appropriation to statutory reserve	—	7,642	(7,642)	—
Shareholder contribution (Note 17(b))	—	119,140	—	119,140
Balance at December 31, 2017	10	147,720	81,460	229,190
Balance at January 1, 2018	10	147,720	81,460	229,190
Comprehensive income				
Profit for the year	—	—	86,391	86,391
Other comprehensive loss				
Currency translation differences	—	(44,091)	—	(44,091)
Total comprehensive income	—	(44,091)	86,391	42,300
Transactions with the owner of Sky Falcon				
Appropriation to statutory reserve	—	9,352	(9,352)	—
Shareholder contribution (Note 17(b))	—	109,084	—	109,084
Balance at December 31, 2018	10	222,065	158,499	380,574

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2016 HK$'000	2017 HK$'000	2018 HK$'000
Cash flows from operating activities				
Cash (used in)/generated from operations	22(a)	(43,864)	(7,947)	67,736
Interest paid		(139)	(10,568)	(12,799)
Income tax paid		—	(680)	(113)
Net cash (used in)/generated from operating activities		(44,003)	(19,195)	54,824
Cash flows from investing activities				
Purchases of property, plant and equipment		(349,450)	(220,885)	(37,721)
Advance to related parties		(134,387)	—	(23,125)
Repayment from a related party		—	134,387	—
Interest received		36	37	24
Net cash used in investing activities		(483,801)	(86,461)	(60,822)
Cash flows from financing activities				
Proceeds from bank borrowings		380,134	1,669	—
Repayments of bank borrowings		—	—	(94,582)
Advances from related parties		145,608	100,155	105,238
Net cash generated from financing activities		525,742	101,824	10,656
Net (decrease)/increase in cash and cash equivalents		(2,062)	(3,832)	4,658
Cash and cash equivalents at beginning of the year		12,738	10,477	6,832
Exchange differences on cash and cash equivalents		(199)	187	(289)
Cash and cash equivalents at end of the year	15	10,477	6,832	11,201

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Sky Falcon was incorporated as an investment holding company with limited liability in Hong Kong on March 20, 2015 with Xinyi Power (BVI) Limited ("Xinyi Power (BVI)") as the sole shareholder. The address of its registered office is Unit 2109-2115, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

On June 11, 2015, Xinyi Solar (Suiping) Limited ("Xinyi Solar (Suiping)") was established with Sky Falcon as the sole shareholder. The subsidiary is principally engaged in the management and operations of a solar farm in the People's Republic of China (the "PRC") (the "Solar Farm Business").

Up to June 30, 2017, the immediate holding company of Sky Falcon was Xinyi Power (BVI) and the ultimate holding company of Sky Falcon was Xinyi Solar Holdings Limited ("Xinyi Solar"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the Sky Falcon Group's Track Record Period, Xinyi Solar was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung.

On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in Sky Falcon to Xinyi Solar Farm (Group 1) Limited ("Solar Farm (Group 1)"), a wholly-owned subsidiary of Xinyi Power (BVI) and Xinyi Solar, at a consideration of HK$10,000. Since then, the immediate holding company of Sky Falcon has been changed to Solar Farm (Group 1) while Xinyi Power (BVI) has been changed to be the intermediate holding company of Sky Falcon, and the ultimate holding company of Sky Falcon (i.e. Xinyi Solar) has been remained the same.

On December 5, 2018, the Company entered into an agreement with Solar Farm (Group 1) to acquire the entire issued share capital of Sky Falcon, New Wisdom International Limited, Perfect Alliance Development Limited ("Perfect Alliance"), Profit Noble Development Limited and Sky Cheer Investments Limited, which held the operating companies of the utility-scale ground-mounted solar farm projects in the PRC, at an aggregate consideration of RMB4,090,790,000 ("Target Acquisition").

The statutory financial statements of Sky Falcon for the years ended December 31, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of Sky Falcon for the year ended December 31, 2018 are yet to be issued.

Sky Falcon and its subsidiary have adopted December 31 as their financial year end date.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information of the Sky Falcon Group are set out below. These policies have been consistently applied to all the years and period presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with HKFRSs issued by the HKICPA are set out below.

The preparation of Historical Financial Information 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 Sky Falcon Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As of December 31, 2018, the Sky Falcon Group's current liabilities exceeded its current assets by approximately HK$210,121,000. On the same date, the Sky Falcon Group had bank borrowings of HK$287,221,000, of which the whole amounts are scheduled to be repayable within the coming 12 months from December 31, 2018. The Sky Falcon Group also had capital commitment of HK$19,768,000 as of December 31, 2018.

As of December 31, 2018, Sky Falcon's current liabilities exceeded its current assets by approximately HK$54,170,000. On the same date, Sky Falcon had bank borrowings of HK$287,221,000, of which the whole amounts are scheduled to be repayable within the coming 12 months from December 31, 2018.

Xinyi Solar, the ultimate holding company, has confirmed its intention to provide the Sky Falcon Group with continuous financial support for a period of at least 12 months from December 31, 2018, or upon completion of the Target Acquisition, whichever is earlier. Management has prepared cash flow projections which cover a period of 12 months from the date of this report. Based on the cash flow projections, taking into account the continuous availability of financial support from Xinyi Solar, the sole director of Sky Falcon considered the Sky Falcon Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from December 31, 2018. Accordingly, the sole director of Sky Falcon is satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Sky Falcon Group has applied HKFRS 15 consistently throughout the Sky Falcon Group's Track Record Period.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognize revenue when each performance obligation is satisfied.

There is no impact on the accounting policies and Historical Financial Information of the Sky Falcon Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 9 "Financial Instruments"

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018.

The Sky Falcon Group applied HKFRS 9 consistently throughout the Sky Falcon Group's Track Record Period.

The new standard replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

There is no impact on the accounting policies and Historical Financial Information of the Sky Falcon Group upon the adoption of HKFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

New standards, amendments to standards and interpretations

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Sky Falcon Group's Track Record Period, and have not been early adopted. The Sky Falcon Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 — 2017 Cycle	January 1, 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKAS 28 (Amendments)	Long Term Interests in Associates and Joint Ventures	January 1, 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	January 1, 2019
HKFRS 17	Insurance Contract	January 1, 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 will primarily affect the accounting for the Sky Falcon Group's operating leases. As of December 31, 2016, 2017 and 2018, the Sky Falcon Group had non-cancellable operating lease commitments of HK$38,248,000, HK$33,397,000 and HK$33,143,000 respectively, see Note 23. The Sky Falcon Group expects to recognize right-of-use assets of approximately HK$22,496,000 on January 1, 2019 and lease liabilities of HK$10,191,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets will be approximately HK$829,000 higher, and net current assets will be HK$1,476,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for 2019 as a result of adoption the new rules are immaterial.

The Sky Falcon Group has no activity as a lessor and hence the Sky Falcon Group does not expect any significant impact on the financial statements.

Date of adoption by the Sky Falcon Group

The Sky Falcon Group will apply the standard from its mandatory adoption date of January 1, 2019. The Sky Falcon Group intends to apply the full retrospective approach. The discount rate used to discount the lease payments is the discount rate on the lease commencement date. The right-of-use asset for property lease and the lease liability will be retrospectively restated to the lease commencement date. The right-of-use asset for property lease will then be depreciated on a straight-line basis.

At this stage, the Sky Falcon Group does not intend to early adopt the standard.

For new standards, amendments to existing standards and new interpretations other than HKFRS 16 "Leases" aforementioned above, management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and interpretations and considered on a preliminary basis that, these new standards and amendments to standards and interpretations will not result in any substantive changes of the Sky Falcon Group's existing accounting policies and presentation of Historical Financial Information.

2.2 Subsidiary

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Sky Falcon Group has control. The Sky Falcon Group controls an entity when the Sky Falcon Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Sky Falcon Group. It is deconsolidated from the date that control ceases.

The Sky Falcon Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Sky Falcon Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiary have been adjusted to conform with the Sky Falcon Group's accounting policies.

2.2.2 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiary are accounted for by Sky Falcon on the basis of dividend received and receivable.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Sky Falcon Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK$, which is Sky Falcon's functional and the Sky Falcon Group's presentation currency. The results and balance sheets of the Sky Falcon Group's subsidiary incorporated in the PRC are prepared in Chinese Renminbi ("RMB"), which is the functional currency of the subsidiary.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

- Solar Farm	25 years
- Buildings	30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the Sky Falcon Group's Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortized cost.

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

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

The Sky Falcon Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

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

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

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

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Accruals and other payables

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

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

2.14 Borrowings

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

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

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

2.15 Borrowing costs

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

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

All other borrowing costs are recognized in consolidated income statements in the period in which they are incurred.

2.16 Government grant

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

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

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

2.17 Provisions

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of an investment in a foreign operation where Sky Falcon is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

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

2.19 Revenue recognition

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

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

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

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

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

(a) Sales of electricity

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

The revenue from sales of electricity is based on the on-grid benchmark tariff rate of local coal-fired power plants, which can be adjusted by the government of the PRC (the "PRC government"). It is currently settled by a state grid company for the electricity generated by the Solar Farm on a monthly basis.

(b) Tariff adjustment

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

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

2.20 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to Sky Falcon's shareholder is recognized as a liability in the Sky Falcon Group's financial statements in the period in which the dividends are approved by Sky Falcon's shareholder or directors, where appropriate.

2.23 Interest income

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Sky Falcon Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in a foreign operation. The Sky Falcon Group manages its foreign exchange risks by performing regular reviews.

The Sky Falcon Group had investment in a foreign operation, whose net assets was exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As of December 31, 2016, 2017 and 2018, Sky Falcon does not have significant foreign exchange risk on RMB against HK$, which is the functional currency of Sky Falcon.

As of December 31, 2016, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, there was no significant foreign exchange risk on profit after income tax for the year of the PRC subsidiary.

As of December 31, 2017, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, there was no significant foreign exchange risk on profit after income tax for the year of the PRC subsidiary.

As of December 31, 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, there was no significant foreign exchange risk on profit after income tax for the year of the PRC subsidiary.

(ii) Cash flow and fair value interest rate risk

The Sky Falcon Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the Sky Falcon Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Sky Falcon Group to fair value interest rate risk. Details of the Sky Falcon Group's cash and cash equivalents and bank borrowings have been disclosed in Note 15 and Note 21 to the Historical Financial Information.

As of December 31, 2016, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$284,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

As of December 31, 2017, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$768,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

As of December 31, 2018, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$667,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

(b) Credit risk

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

Sky Falcon Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade and other receivables excluding prepayments and other tax receivables (Note 14)	27,597	105,064	184,796
Amounts due from related parties	134,387	—	23,125
Cash at bank (Note 15)	10,477	6,832	11,201
Maximum exposure to credit risk	172,461	111,896	219,122

Sky Falcon

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amount due from a subsidiary	—	261,764	377,817
Amount due from a related party	134,387	—	—
Cash at bank (Note 15)	9,215	1,312	3,431
Maximum exposure to credit risk	143,602	263,076	381,248

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

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

As of December 31, 2016, 2017 and 2018, most of the bank deposits are deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

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

Trade and tariff adjustment receivables arising from sales of electricity were all due from a customer which is a state-owned enterprise. The Sky Falcon Group has one ground-mounted Solar Farm with approved grid-connection capacity of 110 MW ready for applying the Renewable Energy Tariff Subsidy Catalogue when the registration period open. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the director is of the opinion that the risk of default by this customer is not significant and does not expect any losses from non-performance by the customer. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

The credit quality of the amount due from a related party and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparty default rate and financial position of the counterparty. Given the track record of repayment in full, the director is of the opinion that the risk of default by this counterparty is not significant and does not expect any losses from non-performance by the counterparty. Therefore, expected credit loss rate of the amount due from a related party and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

(c) Liquidity risk

Finance department of the Sky Falcon Group monitors rolling forecasts of the Sky Falcon Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 25) at all times so that the Sky Falcon Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast takes into consideration the Sky Falcon Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

The Sky Falcon Group maintains liquidity by a number of means including orderly realization of short term financial assets, receivables and certain assets that the Sky Falcon Group considers appropriate. The Sky Falcon Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Sky Falcon Group's available cash and other credit lines available and the funding available from holding companies. The Sky Falcon Group monitors rolling forecasts of its working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow. The Sky Falcon Group has no significant liquidity risk as it has obtained continued financial support from Xinyi Solar, the ultimate holding company, to finance its operation.

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

Sky Falcon Group

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Bank borrowings and interests	9,804	104,631	291,802	406,237
Amounts due to related parties	157,886	—	—	157,886
Accruals and other payables excluding accruals of staff costs and other taxes payables provision	64,593	3,608	—	68,201
Total	232,283	108,239	291,802	632,324
At December 31, 2017				
Bank borrowings and interests	106,385	294,562	—	400,947
Amounts due to related parties	141,010	—	—	141,010
Accruals and other payables excluding accruals of staff costs and other taxes payables	66,381	5,020	—	71,401
Total	313,776	299,582	—	613,358
At December 31, 2018				
Bank borrowings and interests	295,152	—	—	295,152
Amounts due to related parties	147,794	—	—	147,794
Accruals and other payables excluding accruals of staff costs and other taxes payables	40,226	3,210	—	43,436
Total	483,172	3,210	—	486,382

Sky Falcon

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Bank borrowings and interests	9,804	104,631	291,802	406,237
Amount due to a related party	12,465	—	—	12,465
Accruals	287	—	—	287
Total	22,556	104,631	291,802	418,989
At December 31, 2017				
Bank borrowings and interests	106,385	294,562	—	400,947
Amount due to a related party	8,987	—	—	8,987
Accruals	348	—	—	348
Total	115,720	294,562	—	410,282
At December 31, 2018				
Bank borrowings and interests	295,152	—	—	295,152
Amounts due to related parties	147,794	—	—	147,794
Accruals	403	—	—	403
Total	443,349	—	—	443,349

3.2 Capital risk management

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

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

Consistent with others in the industry, the Sky Falcon Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus net debt. Net debt is calculated as bank borrowings less cash and cash equivalents. The gearing ratios at December 31, 2016, 2017 and 2018 were as follows:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Bank borrowings (Note 21)	380,134	381,803	287,221
Less: cash and cash equivalents (Note 15)	(10,477)	(6,832)	(11,201)
Net debt	369,657	374,971	276,020
Total equity	9,350	229,190	380,574
Total capital	379,007	604,161	656,594
Gearing ratio	97.5%	62.1%	42.0%

The decreases in gearing ratio as of December 31, 2017 compared to December 31, 2016 and the decreases in gearing ratio as of December 31, 2018 compared to December 31, 2017 were mainly due to increases in equity contributed by the shareholder and by profit generated and repayments of bank borrowings.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Sky Falcon Group has no financial instruments measured on such basis in the consolidated balance sheets as of December 31, 2016, 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

The Sky Falcon Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax liabilities of the Sky Falcon Group mainly arise from the unremitted earnings of its PRC subsidiary. The realizability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 Revenue, other income and segment information

Revenue and other income recognized during the Sky Falcon Group's Track Record Period are as follows:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Revenue			
Recognized at a point in time:			
Sales of electricity	12,878	36,747	47,072
Tariff adjustment	22,239	57,476	77,557
	35,117	94,223	124,629
Other income			
Government grants (Note)	—	1,739	—
Other income	1,190	1,455	1,256
	1,190	3,194	1,256

Note: Government grants mainly represent grants received from the PRC government in subsidizing the Sky Falcon Group's general operations.

Segment information

The Sky Falcon Group is mainly engaged in the management and operation of a solar farm in the PRC since May 2016. Information reported to the Sky Falcon Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Sky Falcon Group as a whole as the Sky Falcon Group's resources are integrated and no discrete operating segment financial information is available.

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

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

All revenue for the Sky Falcon Group's Track Record Period were from one single customer which is a state grid company.

6 Other (losses)/gains, net

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Foreign exchange (losses)/gains, net	(48)	865	102

7 Expenses by nature

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charge of property, plant and equipment (Note 13)	8,459	17,639	24,206
Employee benefit expenses (including directors' emoluments) (Note 9)	88	143	118
Electricity	283	574	652
Operating lease expenses	1,567	2,212	971
Auditor's remuneration - statutory audits	10	20	12
Legal and professional fees	2	31	2
Insurance expenses	—	288	381
Other expenses	594	1,472	550
	11,003	22,379	26,892

8 Finance income and costs

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance income			
Interest income from bank deposits	36	37	24
Finance costs			
Interest expense on bank borrowings	426	10,621	12,853
Less: Amount capitalized on qualifying assets (Note 13)	(287)	(1,881)	(413)
	139	8,740	12,440

9 Employee benefit expenses (including directors' emoluments)

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages and salaries	88	143	118
Retirement benefits scheme contribution (Note)	—	—	—
	88	143	118

The wages and salaries of employees incurred by Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$29,000, HK$496,000 and HK$537,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

The retirement benefits of employees incurred by Xinyi PV Products on behalf of the Solar Farm Business amounted to HK$2,000, HK$98,000 and HK$107,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

Note: The Sky Falcon Group's subsidiary in the PRC participates in a defined contribution retirement scheme covering its PRC employees. The scheme is administered by the relevant government authority in the PRC. The Sky Falcon Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authority undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Sky Falcon Group's subsidiary in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

10 Benefits and interests of directors

(a) No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to a retirement benefit scheme and other emoluments in respect of director's other services in connection with the management of the affairs of Sky Falcon or its subsidiary undertaking were paid to the director in his capacity as a director of Sky Falcon or its subsidiary and no emoluments were paid by Sky Falcon or its subsidiary to the director as an inducement to join Sky Falcon or its subsidiary, or as compensation for loss of office during the Sky Falcon Group's Track Record Period.

(b) During the Sky Falcon Group's Track Record Period, no retirement benefits, payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable. No consideration was provided to or receivable by third parties for making available director's services.

There were no material retirement benefits, payments or benefits in respect of termination of director's services incurred by Xinyi Solar or Xinyi Solar (HK) on behalf of the Solar Farm Business for the Sky Falcon Group's Track Record Period.

(c) During the Track Record Period, Mr. Lee Yau Ching made available his service as a director of Sky Falcon for the Solar Farm Business.

The fees of Mr. Lee Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$1,000, HK$2,000 and HK$4,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Sky Falcon Group to Xinyi Solar. Details of these related party transactions are stated in Note 26(b)(i).

The salaries and discretionary bonuses of Mr. Lee Yau Ching incurred by Xinyi Solar (HK) Limited ("Xinyi Solar (HK)"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$78,000, HK$199,000 and HK$291,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Sky Falcon Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 26(b)(ii).

During the Track Record Period, there were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of Sky Falcon.

(d) During the Sky Falcon Group's Track Record Period, there were no significant transactions, agreements and contracts in relation to the Sky Falcon Group's business to which Sky Falcon was a party and in which the director of Sky Falcon had material interest, whether directly or indirectly, other than those disclosed in Note 26.

(e) During the Sky Falcon Group's Track Record Period, there were no loans, quasi-loans and other dealing arrangements in favor of the director, or controlled body corporates and connected entities of such director, other than those disclosed in Note 26(c).

11 Income tax expense

(a) No provision for Hong Kong profits tax has been made for the Sky Falcon Group's Track Record Period as the Sky Falcon Group did not generate any assessable profits arising in Hong Kong during the Sky Falcon Group's Track Record Period.

(b) Provision made for PRC corporate income tax ("CIT") of the Sky Falcon Group amounted to HK$680,000 and HK$288,000, respectively, for the years ended December 31, 2017 and 2018. The statutory income tax rate applicable to the PRC subsidiary of the Sky Falcon Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiary is eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants and insurance claim received during the Sky Falcon Group's Track Record Period are subject to the CIT with the statutory income tax rate of 25%.

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

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Profit before income tax	25,153	67,200	86,679
Calculated at tax rate of 25%	6,288	16,800	21,670
Preferential tax rates on income of a PRC subsidiary	(6,324)	(18,127)	(24,555)
Effect of different tax rates in other countries	12	682	1,079
Expenses not deductible for tax purposes	24	1,325	2,094
	—	680	288

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

As of December 31, 2016, 2017 and 2018, deferred income tax liabilities of approximately HK$1,137,000, HK$4,482,000 and HK$8,962,000, respectively, were not recognized for withholding tax that would be payable on unremitted earnings of a subsidiary in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by the Sky Falcon Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to approximately HK$22,738,000, HK$89,643,000 and HK$178,962,000 as of December 31, 2016, 2017 and 2018, respectively.

12 Dividends

No dividend has been paid or declared by the Sky Falcon Group since its incorporation.

13 Property, plant and equipment

	Solar Farm	Buildings	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016				
Cost	—	—	3,324	3,324
Accumulated depreciation	—	—	—	—
Net book amount	—	—	3,324	3,324
Year ended December 31, 2016				
Opening net book amount	—	—	3,324	3,324
Additions	287	—	411,761	412,048
Transfers	413,072	—	(413,072)	—
Depreciation charge	(8,459)	—	—	(8,459)
Exchange differences	(22,048)	—	(408)	(22,456)
Closing net book amount	382,852	—	1,605	384,457
At December 31, 2016				
Cost	390,982	—	1,605	392,587
Accumulated depreciation	(8,130)	—	—	(8,130)
Net book amount	382,852	—	1,605	384,457
Year ended December 31, 2017				
Opening net book amount	382,852	—	1,605	384,457
Additions	1,881	—	225,818	227,699
Transfers	225,818	1,658	(227,476)	—
Depreciation charge	(17,609)	(30)	—	(17,639)
Exchange differences	37,053	65	53	37,171
Closing net book amount	629,995	1,693	—	631,688
At December 31, 2017				
Cost	657,000	1,724	—	658,724
Accumulated depreciation	(27,005)	(31)	—	(27,036)
Net book amount	629,995	1,693	—	631,688
Year ended December 31, 2018				
Opening net book amount	629,995	1,693	—	631,688
Additions	413	—	8,277	8,690
Transfers	8,277	—	(8,277)	—
Depreciation charge	(24,144)	(62)	—	(24,206)
Exchange differences	(29,968)	(80)	—	(30,048)
Closing net book amount	584,573	1,551	—	586,124
At December 31, 2018				
Cost	633,440	1,640	—	635,080
Accumulated depreciation	(48,867)	(89)	—	(48,956)
Net book amount	584,573	1,551	—	586,124

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charged in consolidated income statements:			
- Cost of sales	8,459	17,609	24,144
- Administrative expenses	—	30	62
	8,459	17,639	24,206

Finance costs on bank borrowings of HK$287,000, HK$1,881,000 and HK$413,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2016, 2017 and 2018, respectively. Borrowing costs were capitalized at the weighted average rates of its general borrowings of 2.55%, 2.83% and 3.21% for the years ended December 31, 2016, 2017 and 2018, respectively.

As of December 31, 2016, construction in progress consisted of a developing Solar Farm project.

14 Trade and other receivables

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables (Note (a))	27,587	104,956	184,635
Deposits and other receivables (Note (c))	10	108	161
Other tax receivables (Note (d))	45,033	65,034	44,697
Prepayments for property, plant and equipment	6,238	3,374	1,079
Prepayments for operating leases	7,393	11,455	8,178
	86,261	184,927	238,750
Less: Non-current portion:			
Prepayments for property, plant and equipment	(6,238)	(3,374)	(1,079)
Prepayments for operating leases	(5,951)	(9,904)	(6,702)
	(12,189)	(13,278)	(7,781)
Current portion	74,072	171,649	230,969

(a) Trade receivables

As of December 31, 2016, 2017 and 2018, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Receivables from sales of electricity	2,189	5,291	3,237
Tariff adjustment receivables	25,398	99,665	181,398
	27,587	104,956	184,635

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

The ageing analysis of trade receivables is as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
0 to 90 days	9,238	22,571	21,390
91 days to 180 days	12,245	21,417	23,714
181 days to 365 days	6,104	33,663	44,393
Over 365 days	—	27,305	95,138
	27,587	104,956	184,635

The carrying amounts of the Sky Falcon Group's trade receivables are denominated in RMB.

(b) Provision for impairment of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, there is no due date for settlement. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognized as of December 31, 2016, 2017 and 2018.

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Tariff adjustment receivables:			
Expected to be recoverable after more than 12 months	25,398	99,665	155,419
Expected to be recoverable within 12 months	—	—	25,979
	25,398	99,665	181,398

(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 as of December 31, 2016, 2017 and 2018, respectively, was within one year.

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

(d) Other tax receivables

Other tax receivables mainly represented creditable input value added tax ("VAT") on purchase of property, plant and equipment (including construction in progress) 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.

15 Cash and cash equivalents

Sky Falcon Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	10,477	6,832	11,201

As of December 31, 2016, 2017 and 2018, funds of the Sky Falcon Group amounting to HK$1,262,000, HK$5,520,000 and HK$7,770,000, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$9,215,000, HK$1,312,000 and HK$3,431,000, respectively, as of December 31, 2016, 2017 and 2018 were deposited in reputable banks in Hong Kong.

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

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
RMB	1,273	5,532	7,787
HK$	8,814	910	3,024
US$	390	390	390
	10,477	6,832	11,201

Sky Falcon

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Cash at bank and maximum exposure of credit risk	9,215	1,312	3,431

As of December 31, 2016, 2017 and 2018, all funds of Sky Falcon were deposited in bank accounts opened with reputable banks in Hong Kong.

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

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
HK$	8,814	910	3,024
US$	390	390	390
RMB	11	12	17
	9,215	1,312	3,431

16 Share capital

	Number of ordinary shares	Total
		HK$'000
Issued and fully paid:		
At January 1, 2016 and December 31, 2016, 2017 and 2018	10,000	10

17 Other reserves

Sky Falcon Group

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Exchange reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	—	(283)	(13)	(296)
Profit for the year	—	—	—	25,153	25,153
Currency translation differences	—	—	(15,517)	—	(15,517)
Appropriation to statutory reserve	2,558	—	—	(2,558)	—
At December 31, 2016	2,558	—	(15,800)	22,582	9,340
At January 1, 2017	2,558	—	(15,800)	22,582	9,340
Profit for the year	—	—	—	66,520	66,520
Currency translation differences	—	—	34,180	—	34,180
Appropriation to statutory reserve	7,642	—	—	(7,642)	—
Shareholder contribution	—	119,140	—	—	119,140
At December 31, 2017	10,200	119,140	18,380	81,460	229,180
At January 1, 2018	10,200	119,140	18,380	81,460	229,180
Profit for the year	—	—	—	86,391	86,391
Currency translation differences	—	—	(44,091)	—	(44,091)
Appropriation to statutory reserve	9,352	—	—	(9,352)	—
Shareholder contribution	—	109,084	—	—	109,084
At December 31, 2018	19,552	228,224	(25,711)	158,499	380,564

Sky Falcon

	Capital reserve (Note (b))	(Accumulated losses)/retained earnings	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	(13)	(13)
Loss for the year	—	(431)	(431)
At December 31, 2016	—	(444)	(444)
At January 1, 2017	—	(444)	(444)
Profit for the year	—	2,082	2,082
Shareholder contribution	119,140	—	119,140
At December 31, 2017	119,140	1,638	120,778
At January 1, 2018	119,140	1,638	120,778
Loss for the year	—	(35,192)	(35,192)
Shareholder contribution	109,084	—	109,084
At December 31, 2018	228,224	(33,554)	194,670

Notes:

(a) Statutory reserve

The PRC subsidiary is required to allocate 10% of its net profits to the statutory reserve fund until such fund reaches 50% of its registered capital. The statutory reserve fund can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that such fund is maintained at a minimum of 25% of its registered capital.

During the years ended December 31, 2016, 2017 and 2018, the board of directors of Sky Falcon's PRC subsidiary resolved to appropriate approximately HK$2,558,000, HK$7,642,000 and HK$9,352,000, respectively, from retained earnings to statutory reserve.

(b) Capital reserve

On May 31, 2017, Sky Falcon was indebted to Xinyi Power (BVI) for HK$119,140,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Sky Falcon capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

On May 31, 2018, Sky Falcon was indebted to Xinyi Power (BVI) for HK$109,084,000. By a deed of debt forgiveness dated May 31, 2018, Xinyi Power (BVI) forgave the balance. Solar Farm (Group 1) capitalized the amount as a shareholder contribution from Xinyi Power (BVI), and Sky Falcon capitalized the amount as a shareholder contribution from Solar Farm (Group 1).

18 Interests in a subsidiary

Sky Falcon

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Investment in a subsidiary			
Unlisted shares, at cost	248,850	248,850	248,850
Amount due from a subsidiary	—	261,764	377,817

Unlisted investment in a subsidiary is stated at the aggregate investment cost of the subsidiary.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying amount of the balance is denominated in RMB and approximates its fair value.

Details of the subsidiary are as follows:

Company name	Date of establishment	Place of incorporation and kind of legal entity	Registered capital	Effective interest attributable to the Sky Falcon Group December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Directly held:									
Xinyi Solar (Suiping)	June 11, 2015	The PRC, limited liability company	Registered and paid up capital of RMB210,000,000	100%	100%	100%	100%	Operation of solar farm in the PRC	(i)

Note (i): The statutory financial statements of the subsidiary for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

19 Amounts due from/to related parties

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values.

20 Accruals and other payables

Sky Falcon Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Payables for property, plant and equipment	67,914	71,052	42,437
Others	298	392	999
	68,212	71,444	43,436
Less: Non-current portion:			
Retention payables for property, plant and equipment	(3,608)	(5,020)	(3,210)
Current portion	64,604	66,424	40,226

Sky Falcon

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	287	348	403

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

21 Bank borrowings

Sky Falcon Group and Sky Falcon

The bank borrowings are repayable as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	—	94,582	287,221
Between 1 and 2 years	94,582	287,221	—
Between 2 and 5 years	285,552	—	—
	380,134	381,803	287,221
Less : Non-current portion	(380,134)	(287,221)	—
Current portion	—	94,582	287,221

As of December 31, 2016, 2017 and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2019. The carrying amounts of the Sky Falcon Group's bank borrowings are denominated in HK$ and approximate their fair values as of December 31, 2016, 2017 and 2018, as the impact of discounting is not significant. The effective interest rates at reporting date were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	2.55%	2.99%	4.09%

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017 and Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)"), a fellow subsidiary. The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and Xinyi Energy (BVI) Limited ("Xinyi Energy (BVI)"), a fellow subsidiary, upon separate listing of the Company.

22 Cash flow information

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	25,153	67,200	86,679
Adjustments for:			
Interest income (Note 8)	(36)	(37)	(24)
Interest expense (Note 8)	139	8,740	12,440
Depreciation of property, plant and equipment (Note 13)	8,459	17,639	24,206
	33,715	93,542	123,301
Changes in working capital:			
Trade and other receivables	(77,582)	(101,530)	(56,118)
Accruals and other payables	3	41	553
Cash (used in)/generated from operations	(43,864)	(7,947)	67,736

(b) Non-cash transactions

(i) During the years ended December 31, 2016 and 2017, additions of plant and equipment amounting to HK$67,914,000 and HK$2,069,000, respectively, were purchased through increase in other payables without any cash paid.

(ii) Finance costs on bank borrowing of HK$287,000, HK$1,881,000 and HK$413,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2016, 2017 and 2018, respectively.

(iii) During the year ended December 31, 2017, there was a shareholder contribution arose from forgiveness of debt by Xinyi Power (BVI) totaled HK$119,140,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Sky Falcon capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

During the year ended December 31, 2018, there was a shareholder contribution from Solar Farm (Group 1) arose from forgiveness of debt by Xinyi Power (BVI) totaled HK$109,084,000. By a deed of debt forgiveness dated May 31, 2018, Xinyi Power (BVI) forgave the balance. Solar Farm (Group 1) capitalized the amount as a shareholder contribution from Xinyi Power (BVI), and Sky Falcon capitalized the amount as a shareholder contribution from Solar Farm (Group 1).

(iv) On May 31, 2018, Sky Falcon was indebted to Xinyi Power (BVI) for HK$40,294,000. By a deed of novation dated May 31, 2018, Perfect Alliance assumed aforementioned indebtedness of Sky Falcon, while Xinyi Power (BVI) released Sky Falcon from the indebtedness, as if Perfect Alliance had originally been indebted to Xinyi Power (BVI). As such, Sky Falcon was indebted to Perfect Alliance for HK$40,294,000, while Perfect Alliance was indebted to Xinyi Power (BVI) for HK$40,294,000.

(c) Net debt reconciliation

		Liabilities from financing activities			
	Cash and cash equivalents	Amounts due to related parties	Bank borrowings due within 1 year	Bank borrowings due after 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as of January 1, 2016	12,738	(19,416)	—	—	(6,678)
Cash flows	(2,062)	(145,608)	—	(380,134)	(527,804)
Foreign exchange adjustments	(199)	7,138	—	—	6,939
Net debt as of December 31, 2016	10,477	(157,886)	—	(380,134)	(527,543)
Net debt as of January 1, 2017	10,477	(157,886)	—	(380,134)	(527,543)
Cash flows	(3,832)	(100,155)	(94,582)	92,913	(105,656)
Foreign exchange adjustments	187	(2,109)	—	—	(1,922)
Other non-cash movements (Note (b)(iii))	—	119,140	—	—	119,140
Net debt as of December 31, 2017	6,832	(141,010)	(94,582)	(287,221)	(515,981)
Net debt as of January 1, 2018	6,832	(141,010)	(94,582)	(287,221)	(515,981)
Cash flows	4,658	(105,238)	(192,639)	287,221	(5,806)
Foreign exchange adjustments	(289)	(10,630)	—	—	(11,111)
Other non-cash movements (Note (b)(iii))	—	109,084	—	—	109,084
Net debt as of December 31, 2018	11,201	(147,794)	(287,221)	—	(423,814)

23 Operating lease commitments

The Sky Falcon Group leases certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017 and 2018, the Sky Falcon Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Not later than 1 year	1,426	1,533	1,458
Later than 1 year and not later than 5 years	5,704	6,131	5,833
More than 5 years	31,118	25,733	25,852
	38,248	33,397	33,143

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

24 Capital commitments

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Property, plant and equipment:			
- Contracted but not provided for	125,032	11,861	19,768

25 Banking facilities

The banking facilities made available to the Sky Falcon Group are as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Banking facilities granted to Sky Falcon without securities:			
- Available facilities	385,000	385,000	288,750
- Facilities utilized	(385,000)	(385,000)	(288,750)
Unutilized facilities	—	—	—

26 Related party transactions

(a) *The directors of Sky Falcon are of the view that the following companies that had transactions or balances with the Sky Falcon Group are related parties:*

Name of related parties	Relationship with the Sky Falcon Group
Xinyi Solar	Ultimate holding company
Xinyi Power (BVI)	Former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017
Xinyi PV Products	Fellow subsidiary
Xinyi Solar (BVI)	Fellow subsidiary
Xinyi Solar (HK)	Fellow subsidiary
Xinyi Solar (Bozhou) Limited ("Xinyi Solar (Bozhou)")	Fellow subsidiary
Xinyi Energy (BVI)	Fellow subsidiary
Perfect Alliance	Fellow subsidiary

(b) Related party transactions

The following is a summary of the significant transactions carried out between the Sky Falcon Group and its related parties in the ordinary course of business during the Sky Falcon Group's Track Record Period.

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Employee benefits paid by the ultimate holding company (Note i)			
- Xinyi Solar	1	2	4
Employee benefits paid by fellow subsidiaries			
- Xinyi Solar (HK) (Note ii)	78	199	291
- Xinyi PV Products (Note iii)	31	594	644
	109	793	935

Notes

(i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Sky Falcon Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(ii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business represent salaries and discretionary bonus of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business during the Sky Falcon Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iii) Employee benefit expenses incurred by Xinyi PV Products on behalf of the Solar Farm Business represent wages and salaries and retirement benefits of employees, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the Sky Falcon Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(c) Balances with related parties

Sky Falcon Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- Xinyi Solar (HK)	134,387	—	—
- Xinyi PV Products	—	—	22,332
- Xinyi Solar (Bozhou)	—	—	793
Total	134,387	—	23,125
Due to related parties:			
- Xinyi PV Products	145,421	132,023	—
- Xinyi Solar (HK)	—	8,987	105,500
- Xinyi Power (BVI)	12,465	—	—
- Perfect Alliance	—	—	42,294
Total	157,886	141,010	147,794

The amounts due from/to related parties are unsecured, interest free, non-trade in nature and repayable on demand.

Subsequent to December 31, 2018, the outstanding balances with related parties will be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- HK$	134,387	—	—
- RMB	—	—	23,125
Total	134,387	—	23,125
Due to related parties:			
- RMB	145,421	132,023	—
- HK$	12,465	8,987	147,794
Total	157,886	141,010	147,794

Sky Falcon

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Due from a subsidiary:			
- Xinyi Solar (Suiping)	—	261,764	377,817
Due from a related party:			
- Xinyi Solar (HK)	134,387	—	—
Due to related parties:			
- Xinyi Solar (HK)	—	8,987	105,500
- Xinyi Power (BVI)	12,465	—	—
- Perfect Alliance	—	—	42,294
Total	12,465	8,987	147,794

The amount due from a subsidiary and amounts due from/to related parties are unsecured, interest free, non-trade in nature and repayable on demand.

The outstanding balances with related parties will not be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in HK$.

(d) Key management compensation

Key management includes a director of Sky Falcon and certain senior management. The compensation of the director of Sky Falcon paid or payable is disclosed in Note 10. The compensation of a director incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 26(b)(i) and (ii), respectively.

(e) Guarantee of bank borrowings

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, Xinyi Power (BVI) and Xinyi Solar (BVI). The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and Xinyi Energy (BVI) upon separate listing the Company.

27 Financial instruments by category

Sky Falcon Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Trade and other receivables excluding prepayments and other tax receivables	27,597	105,064	184,796
Amounts due from related parties	134,387	—	23,125
Cash and cash equivalents	10,477	6,832	11,201
	172,461	111,896	219,122
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff costs and other taxes payables	68,201	71,401	43,436
Amounts due to related parties	157,886	141,010	147,794
Bank borrowings	380,134	381,803	287,221
	606,221	594,214	478,451

Sky Falcon

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Amount due from a subsidiary	—	261,764	377,817
Amount due from a related party	134,387	—	—
Cash and cash equivalents	9,215	1,312	3,431
	143,602	263,076	381,248
Liabilities - amortized cost			
Accruals	287	348	403
Amounts due to related parties	12,465	8,987	147,794
Bank borrowings	380,134	381,803	287,221
	392,886	391,138	435,418

28 Contingencies

Sky Falcon and the Sky Falcon Group did not have any contingent liabilities as of December 31, 2016, 2017 and 2018.

29 Subsequent event

Save as disclosed elsewhere in this report, the following significant event took place subsequent to December 31, 2018:

Pursuant to the agreement of Target Acquisition, all net balances with related parties of the Sky Falcon Group will be capitalized before completion of the Target Acquisition.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Sky Falcon or its subsidiary in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared or made by Sky Falcon or its subsidiary in respect of any period subsequent to December 31, 2018.

The following is the text of a report set forth on pages ID-1 to ID-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINYI ENERGY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Perfect Alliance Development Limited ("Perfect Alliance") and its subsidiary (together, the "Perfect Alliance Group") set out on pages ID-4 to ID-57, which comprises the consolidated and company balance sheets as of December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 (the "Perfect Alliance Group's Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages ID-4 to ID-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Xinyi Energy Holdings Limited (the "Company") dated May 15, 2019 in connection with the proposed acquisition of Perfect Alliance by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Perfect Alliance Group for the Perfect Alliance Group's Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Perfect Alliance and its subsidiary now comprising the Perfect Alliance Group for the Perfect Alliance Group's Track Record Period. The directors of the respective companies now comprising the Perfect Alliance Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Perfect Alliance as of December 31, 2016, 2017 and 2018 and the consolidated financial position of the Perfect Alliance Group as of December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Perfect Alliance Group's Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
May 15, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE PERFECT ALLIANCE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report of the Perfect Alliance Group.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$").

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,		
		2016	2017	2018
		HK$'000	HK$'000	HK$'000
Revenue	5	5,357	98,723	186,973
Cost of sales	7	(4,811)	(24,479)	(45,358)
Gross profit		546	74,244	141,615
Other income	5	—	653	1,142
Other (losses)/gains, net	6	(65)	434	(357)
Administrative expenses	7	(5)	(1,197)	(1,339)
Operating profit		476	74,134	141,061
Finance income	8	—	28	22
Finance costs	8	—	—	(19,584)
Profit before income tax		476	74,162	121,499
Income tax expense	11	—	—	(192)
Profit for the year attributable to equity holder of Perfect Alliance		476	74,162	121,307

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit for the year	476	74,162	121,307
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(6,221)	37,512	(67,007)
Total comprehensive (loss)/income for the year attributable to equity holder of Perfect Alliance	(5,745)	111,674	54,300

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31, 2016	2017	2018
		HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	443,663	973,674	1,229,468
Prepayments for property, plant and equipment	14	16,451	8,134	3,726
Total non-current assets		460,114	981,808	1,233,194
Current assets				
Trade and other receivables	14	56,197	195,032	314,053
Amounts due from related parties	19, 26	—	178,652	317,305
Cash and cash equivalents	15	19,148	51,656	2,329
Total current assets		75,345	425,340	633,687
Total assets		535,459	1,407,148	1,866,881
EQUITY				
Capital and reserves attributable to Perfect Alliance's equity holder				
Share capital	16	10	10	10
Other reserves	17	(6,221)	643,809	590,212
Retained earnings	17	468	66,313	174,210
Total (deficit)/equity		(5,743)	710,132	764,432
LIABILITIES				
Non-current liabilities				
Other payables	20	9,485	12,033	23,029
Bank borrowings	21	—	193,194	591,646
Total non-current liabilities		9,485	205,227	614,675
Current liabilities				
Accruals and other payables	20	108,321	194,735	266,233
Current income tax liabilities		—	—	181
Amounts due to related parties	19, 26	423,396	297,054	118,110
Bank borrowings	21	—	—	103,250
Total current liabilities		531,717	491,789	487,774
Total liabilities		541,202	697,016	1,102,449
Total deficit/equity and liabilities		535,459	1,407,148	1,866,881

BALANCE SHEETS

	Note	As of December 31, 2016	2017	2018
		HK$'000	HK$'000	HK$'000
ASSETS				
Non-current asset				
Investment in a subsidiary	18	180,000	271,771	271,771
Current assets				
Amount due from a subsidiary	18, 26	—	347,988	669,101
Amounts due from related parties	19, 26	—	178,652	318,986
Cash and cash equivalents	15	408	14,404	1,008
Total current assets		408	541,044	989,095
Total assets		180,408	812,815	1,260,866
EQUITY				
Equity attributable to Perfect Alliance's equity holder				
Share capital	16	10	10	10
Other reserves	17	—	604,201	604,201
(Accumulated losses)/retained earnings	17	(13)	15,174	(47,745)
Total (deficit)/equity		(3)	619,385	556,466
LIABILITIES				
Non-current liabilities				
Bank borrowings	21	—	193,194	591,646
Current liabilities				
Accruals	20	—	236	1,104
Amounts due to related parties	19, 26	180,411	—	8,400
Bank borrowings	21	—	—	103,250
Total current liabilities		180,411	236	112,754
Total liabilities		180,411	193,430	704,400
Total equity/deficit and liabilities		180,408	812,815	1,260,866

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of Perfect Alliance			
	Share capital (Note 16)	Other reserves (Note 17)	(Accumulated losses)/ retained earnings (Note 17)	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2016	10	—	(8)	2
Comprehensive income				
Profit for the year	—	—	476	476
Other comprehensive loss				
Currency translation differences	—	(6,221)	—	(6,221)
Total comprehensive loss	—	(6,221)	476	(5,745)
Balance at December 31, 2016	10	(6,221)	468	(5,743)
Balance at January 1, 2017	10	(6,221)	468	(5,743)
Comprehensive income				
Profit for the year	—	—	74,162	74,162
Other comprehensive income				
Currency translation differences	—	37,512	—	37,512
Total comprehensive income	—	37,512	74,162	111,674
Transactions with the owner of Perfect Alliance				
Appropriation to statutory reserve	—	8,317	(8,317)	—
Shareholder contribution (Note 17(b))	—	604,201	—	604,201
Balance at December 31, 2017	10	643,809	66,313	710,132
Balance at January 1, 2018	10	643,809	66,313	710,132
Comprehensive income				
Profit for the year	—	—	121,307	121,307
Other comprehensive loss				
Currency translation differences	—	(67,007)	—	(67,007)
Total comprehensive income	—	(67,007)	121,307	54,300
Appropriation to statutory reserve	—	13,410	(13,410)	—
Balance at December 31, 2018	10	590,212	174,210	764,432

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2016	2017	2018
		HK$'000	HK$'000	HK$'000
Cash flows from operating activities				
Cash (used in)/generated from operations	22(a)	(50,375)	(41,665)	64,362
Interest paid		—	(194)	(18,995)
Income tax paid		—	—	(11)
Net cash (used in)/generated from operating activities		(50,375)	(41,859)	45,356
Cash flows from investing activities				
Purchases of property, plant and equipment		(366,328)	(407,384)	(276,320)
Advances to related parties		—	(178,652)	(138,653)
Interest received		—	28	22
Net cash used in investing activities		(366,328)	(586,008)	(414,951)
Cash flows from financing activities				
Proceeds from bank borrowings		—	193,194	501,702
Advances from related parties		435,889	560,326	—
Repayments to related parties		—	(94,916)	(180,883)
Net cash generated from financing activities		435,889	658,604	320,819
Net increase/(decrease) in cash and cash equivalents		19,186	30,737	(48,776)
Cash and cash equivalents at beginning of the year		410	19,148	51,656
Exchange differences on cash and cash equivalents		(448)	1,771	(551)
Cash and cash equivalents at end of the year	15	19,148	51,656	2,329

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Perfect Alliance was incorporated as an investment holding company with limited liability in Hong Kong on March 13, 2015 with Xinyi Power (BVI) Limited ("Xinyi Power (BVI)") as the sole shareholder. The address of its registered office is Unit 2109-2115, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

On July 23, 2015, Xinyi Renewable Energy (Shouxian) Limited ("Xinyi Energy (Shouxian)") was established with Perfect Alliance as the sole shareholder. The subsidiary is principally engaged in the management and operations of a solar farm in the People's Republic of China (the "PRC") (the "Solar Farm Business").

Up to June 30, 2017, the immediate holding company of Perfect Alliance was Xinyi Power (BVI) and the ultimate holding company of Perfect Alliance was Xinyi Solar Holdings Limited ("Xinyi Solar"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the Perfect Alliance Group's Track Record Period, Xinyi Solar was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung.

On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in Perfect Alliance to Xinyi Solar Farm (Group 1) Limited ("Solar Farm (Group 1)"), a wholly-owned subsidiary of Xinyi Power (BVI) and Xinyi Solar, at a consideration of HK$10,000. Since then, the immediate holding company of Perfect Alliance has been changed to Solar Farm (Group 1) while Xinyi Power (BVI) has been changed to be the intermediate holding company of Perfect Alliance, and the ultimate holding company of Perfect Alliance (i.e. Xinyi Solar) has been remained the same.

On December 5, 2018, the Company entered into an agreement with Solar Farm (Group 1) to acquire the entire issued share capital of Perfect Alliance, New Wisdom International Limited ("New Wisdom"), Sky Falcon Development Limited ("Sky Falcon"), Profit Noble Development Limited and Sky Cheer Investments Limited, which held the operating companies of the utility-scale ground-mounted solar farm projects in the PRC, at an aggregate consideration of RMB4,090,790,000 ("Target Acquisition").

The statutory financial statements of Perfect Alliance for the years ended December 31, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of Perfect Alliance for the year ended December 31, 2018 are yet to be issued.

Perfect Alliance and its subsidiary have adopted December 31 as their financial year end date.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information of the Perfect Alliance Group are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with HKFRSs issued by the HKICPA are set out below.

The preparation of Historical Financial Information 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 Perfect Alliance Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Perfect Alliance Group has applied HKFRS 15 consistently throughout the Perfect Alliance Group's Track Record Period.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognize revenue when each performance obligation is satisfied.

There is no impact on the accounting policies and Historical Financial Information of the Perfect Alliance Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 9 "Financial Instruments"

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018.

The Perfect Alliance Group has applied HKFRS 9 consistently throughout the Perfect Alliance Group's Track Record Period.

The new standard replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

There is no impact on the accounting policies and financial statements of the Perfect Alliance Group upon the adoption of HKFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

New standards, amendments to standards and interpretations

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Perfect Alliance Group's Track Record Period, and have not been early adopted. The Perfect Alliance Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 — 2017 Cycle	January 1, 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKAS 28 (Amendments)	Long Term Interests in Associates and Joint Ventures	January 1, 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	January 1, 2019

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contract	January 1, 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 will primarily affect the accounting for the Perfect Alliance Group's operating leases. As of December 31, 2016, 2017 and 2018, the Perfect Alliance Group had non-cancellable operating lease commitments of HK$62,161,000, HK$150,952,000 and HK$140,627,000 respectively, see Note 23. The Perfect Alliance Group expects to recognize right-of-use assets of approximately HK$56,516,000 on January 1, 2019 and lease liabilities of HK$76,231,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets will be approximately HK$10,215,000 lower, and net current assets will be HK$3,033,000 higher due to the balance of existing current portion of accrued lease payment is larger than current portion of lease liability.

The Group expects that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for 2019 as a result of adoption the new rules are immaterial.

The Perfect Alliance Group has no activity as a lessor and hence the Perfect Alliance Group does not expect any significant impact on the financial statements.

Date of adoption by the Perfect Alliance Group

The Perfect Alliance Group will apply the standard from its mandatory adoption date of January 1, 2019. The Perfect Alliance Group intends to apply the full retrospective approach. The discount rate used to discount the lease payments is the discount rate on the lease commencement date. The right-of-use asset for property lease and the lease liability will be retrospectively restated to the lease commencement date. The right-of-use asset for property lease will then be depreciated on a straight-line basis.

At this stage, the Perfect Alliance Group does not intend to early adopt the standard.

For new standards, amendments to existing standards and new interpretations other than HKFRS 16 "Leases" aforementioned above, management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and interpretations and considered on a preliminary basis that, these new standards and amendments to standards and interpretations will not result in any substantive changes of the Perfect Alliance Group's existing accounting policies and presentation of Historical Financial Information.

2.2 Subsidiary

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Perfect Alliance Group has control. The Perfect Alliance Group controls an entity when the Perfect Alliance Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Perfect Alliance Group. It is deconsolidated from the date that control ceases.

The Perfect Alliance Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Perfect Alliance Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiary have been adjusted to conform with the Perfect Alliance Group's accounting policies.

2.2.2 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiary are accounted for by Perfect Alliance on the basis of dividend received and receivable.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Perfect Alliance Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK$, which is the Perfect Alliance's functional and the Perfect Alliance Group's presentation currency. The results and balance sheets of the Perfect Alliance Group's subsidiary incorporated in the PRC are prepared in Chinese Renminbi ("RMB"), which is the functional currency of the subsidiary.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

- Solar Farm	25 years
- Buildings	30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the Perfect Alliance Group's Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortized cost.

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

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

The Perfect Alliance Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

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

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

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

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Accruals and other payables

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

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

2.14 Borrowings

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

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

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

2.15 Borrowing costs

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

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

All other borrowing costs are recognized in consolidated income statements in the period in which they are incurred.

2.16 Government grant

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

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

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

2.17 Provisions

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of an investment in a foreign operation where Perfect Alliance is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

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

2.19 Revenue recognition

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

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

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

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

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

(a) Sales of electricity

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

The revenue from sales of electricity is based on the on-grid benchmark tariff rate of local coal-fired power plants, which can be adjusted by the government of the PRC (the "PRC government"). It is currently settled by a state grid company for the electricity generated by the Solar Farm on a monthly basis.

(b) Tariff adjustment

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

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

2.20 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Perfect Alliance's shareholder is recognized as a liability in the Perfect Alliance Group's financial statements in the period in which the dividends are approved by Perfect Alliance's shareholder or directors, where appropriate.

2.23 Interest income

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Perfect Alliance Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operation. The Perfect Alliance Group does not have significant foreign exchange risk. The Perfect Alliance Group manages its foreign exchange risks by performing regular reviews.

The Perfect Alliance Group had investment in a foreign operation, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As of December 31, 2016, 2017 and 2018, Perfect Alliance does not have significant foreign exchange risk on RMB against HK$, which is the functional currency of Perfect Alliance.

As of December 31, 2016, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$436,000 lower/ higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

As of December 31, 2017, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$134,000 higher/ lower, mainly as a result of foreign exchange gains/losses on translation of HK$ denominated related party balances.

As of December 31, 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, there was no significant foreign exchange risk on profit after income tax for the year of the PRC subsidiary.

(ii) Cash flow and fair value interest rate risk

The Perfect Alliance Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the Perfect Alliance Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Perfect Alliance Group to fair value interest rate risk. Details of the Perfect Alliance Group's cash and cash equivalents and bank borrowings have been disclosed in Note 15 and Note 21 to the Historical Financial Information.

As of December 31, 2016, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$48,000 higher/lower, mainly as a result of higher/lower interest income being earned.

As of December 31, 2017, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$129,000 higher/ lower, mainly as a result of higher/lower net interest income being earned.

As of December 31, 2018, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$1,707,000 lower/higher, mainly as a result of higher/lower net interest expense being incurred.

(b) Credit risk

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

Perfect Alliance Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade and other receivables excluding prepayments and other tax receivables (Note 14)	6,346	80,539	199,533
Amounts due from related parties	—	178,652	317,305
Cash at bank (Note 15)	19,148	51,656	2,329
Maximum exposure to credit risk	25,494	310,847	519,167

Perfect Alliance

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Amount due from a subsidiary	—	347,988	669,101
Amounts due from related parties	—	178,652	318,986
Cash at bank (Note 15)	408	14,404	1,008
Maximum exposure to credit risk	408	541,044	989,095

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

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

As of December 31, 2016, 2017 and 2018, most of the bank deposits are deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

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

Trade and tariff adjustment receivables arising from sales of electricity were all due from a customer which is a state-owned enterprise. The Perfect Alliance Group has one ground-mounted Solar Farm with approved grid-connection capacity of 200 MW ready for applying the Renewable Energy Tariff Subsidy Catalogue when the registration period open. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the director is of the opinion that the risk of default by this customer is not significant and does not expect any losses from non-performance by the customer. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

The credit quality of the amounts due from related parties and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparty default rate and financial position of the counterparty. Given the track record of repayment in full, the director is of the opinion that the risk of default by this counterparty is not significant and does not expect any losses from non-performance by the counterparty. Therefore, expected credit loss rate of the amounts due from related parties and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

(c) Liquidity risk

Finance department of the Perfect Alliance Group monitors rolling forecasts of the Perfect Alliance Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 25) at all times so that the Perfect Alliance Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast takes into consideration the Perfect Alliance Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

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

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

Perfect Alliance Group

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Amounts due to related parties	423,396	—	—	423,396
Accruals and other payables excluding accruals of staff costs and other taxes payables	108,321	9,485	—	117,806
Total	531,717	9,485	—	541,202
At December 31, 2017				
Bank borrowings and interests	5,597	33,319	172,946	211,862
Amounts due to related parties	297,054	—	—	297,054
Accruals and other payables excluding accruals of staff costs and other taxes payables	194,732	12,033	—	206,765
Total	497,383	45,352	172,946	715,681
At December 31, 2018				
Bank borrowings and interests	122,236	224,143	392,593	738,972
Amounts due to related parties	118,110	—	—	118,110
Accruals and other payables excluding accruals of staff costs and other taxes payables	266,228	23,029	—	289,257
Total	506,574	247,172	392,593	1,146,339

Perfect Alliance

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2016				
Amounts due to related parties	180,411	—	—	180,411
At December 31, 2017				
Bank borrowings and interests	5,597	33,319	172,946	211,862
Accruals	236	—	—	236
Total	5,833	33,319	172,946	212,098
At December 31, 2018				
Bank borrowings and interests	122,236	224,143	392,593	738,972
Amount due to a related party	8,400	—	—	8,400
Accruals	1,104	—	—	1,104
Total	131,740	224,143	392,593	748,476

3.2 Capital risk management

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

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

Consistent with others in the industry, the Perfect Alliance Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus net debt. Net debt is calculated as bank borrowings less cash and cash equivalents. The gearing ratios at December 31, 2016, 2017 and 2018 were as follows:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Bank borrowings (Note 21)	—	193,194	694,896
Less: cash and cash equivalents (Note 15)	(19,148)	(51,656)	(2,329)
Net (cash)/debt	(19,148)	141,538	692,567
Total (deficit)/equity	(5,743)	710,132	764,432
Total capital	N/A	851,670	1,456,999
Gearing ratio	N/A	16.6%	47.5%

The increase in gearing ratio as of December 31, 2017 compared to December 31, 2016 was mainly due to the increase in bank borrowings of the Perfect Alliance Group to finance the construction of Solar Farm. The increase in gearing ratio as of December 31, 2018 compared to December 31, 2017 was mainly due to the increase in bank borrowings of the Perfect Alliance Group to finance the construction of Solar Farm, and advances and repayments to related parties to finance their construction of solar farm projects and repayments of bank borrowings.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Perfect Alliance Group has no financial instruments measured on such basis in the consolidated balance sheets as of December 31, 2016, 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

The Perfect Alliance Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax liabilities of the Perfect Alliance Group mainly arise from the unremitted earnings of its PRC subsidiary. The realizability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 Revenue, other income and segment information

Revenue and other income recognized during the Perfect Alliance Group's Track Record Period are as follows:

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Revenue			
Recognized at a point in time:			
Sales of electricity	1,978	38,613	76,056
Tariff adjustment	3,379	60,110	110,917
	5,357	98,723	186,973
Other income			
Government grants (Note)	—	—	37
Other income	—	653	1,105
	—	653	1,142

Note: Government grants mainly represent grants received from the PRC government in subsidizing the Perfect Alliance Group's general operations.

Segment information

The Perfect Alliance Group is mainly engaged in the management and operation of a solar farm in the PRC since March 2016. Information reported to the Perfect Alliance Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Perfect Alliance Group as a whole as the Perfect Alliance Group's resources are integrated and no discrete operating segment financial information is available.

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

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

All revenue for the Perfect Alliance Group's Track Record Period were from one single customer which is a state grid company.

6 Other (losses)/gains, net

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Foreign exchange (losses)/gains, net	(65)	434	(357)

7 Expenses by nature

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charge of property, plant and equipment (Note 13)	4,811	20,010	40,419
Employee benefit expenses (including directors' emoluments) (Note 9)	—	2	28
Electricity	—	484	524
Operating lease expenses	—	3,985	4,415
Auditor's remuneration - statutory audits	1	23	12
Legal and professional fees	2	340	2
Insurance expenses	—	281	597
Other expenses	2	551	700
	4,816	25,676	46,697

8 Finance income and costs

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance income			
Interest income from bank deposits	—	28	22
Finance costs			
Interest expense on the advance from a fellow subsidiary (Note 26(b))	—	2,683	—
Interest expense on bank borrowings	—	421	19,863
Less: Amount capitalized on qualifying assets (Note 13)	—	(3,104)	(279)
	—	—	19,584

9 Employee benefit expenses (including directors' emoluments)

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages and salaries	—	2	28
Retirement benefits scheme contribution (Note)	—	—	—
	—	2	28

The wages and salaries of employees incurred by Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$129,000 and HK$176,000, respectively, for the years ended December 31, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

The retirement benefits of employees incurred by Xinyi PV Products on behalf of the Solar Farm Business amounted to HK$26,000 and HK$35,000, respectively, for the years ended December 31, 2017 and 2018. Details of these related party transactions are stated in Note 26(b)(iii).

Note: The Perfect Alliance Group's subsidiary in the PRC participates in a defined contribution retirement scheme covering its PRC employees. The scheme is administered by the relevant government authority in the PRC. The Perfect Alliance Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authority undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Perfect Alliance Group's subsidiary in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

10 Benefits and interests of directors

(a) No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to a retirement benefit scheme and other emoluments or in respect of director's other services in connection with the management of the affairs of Perfect Alliance or its subsidiary undertaking were paid to the director in his capacity as a director of Perfect Alliance or its subsidiary and no emoluments were paid by Perfect Alliance or its subsidiary to the director as an inducement to join Perfect Alliance or its subsidiary, or as compensation for loss of office during the Perfect Alliance Group's Track Record Period.

(b) During the Perfect Alliance Group's Track Record Period , no retirement benefits, payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable. No consideration was provided to or receivable by third parties for making available director's services.

There were no material retirement benefits, payments or benefits in respect of termination of director's services incurred by Xinyi Solar or Xinyi Solar (HK) on behalf of the Solar Farm Business for the Perfect Alliance Group's Track Record Period.

(c) During the Track Record Period, Mr. Lee Yau Ching made available his service as a director of Perfect Alliance for the Solar Farm Business.

The fees of Mr. Lee Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$3,000 and HK$6,000, respectively, for the years ended December 31, 2017 and 2018. No consideration was provided by the Perfect Alliance Group to Xinyi Solar. Details of these related party transactions are stated in Note 26(b)(i).

The salaries and discretionary bonuses of Mr. Lee Yau Ching incurred by Xinyi Solar (HK) Limited ("Xinyi Solar (HK)"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$12,000, HK$209,000, and HK$437,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Perfect Alliance Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 26(b)(ii).

During the Track Record Period, there were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of Perfect Alliance.

(d) During the Perfect Alliance Group's Track Record Period, there were no significant transactions, agreements and contracts in relation to the Perfect Alliance Group's business to which Perfect Alliance was a party and in which the director of Perfect Alliance had material interest, whether directly or indirectly, other than those disclosed in Note 26.

(e) During the Perfect Alliance Group's Track Record Period, there were no loans, quasi-loans and other dealing arrangements in favor of the director, or controlled body corporates and connected entities of such director, other than those disclosed in Note 26(c).

11 Income tax expense

(a) No provision for Hong Kong profits tax has been made for the Perfect Alliance Group's Track Record Period as the Perfect Alliance Group did not generate any assessable profits arising in Hong Kong during the Perfect Alliance Group's Track Record Period.

(b) Provision made for PRC corporate income tax ("CIT") of the Perfect Alliance Group amounted to HK$192,000 for the year ended December 31, 2018. The statutory income tax rate applicable to the PRC subsidiary of the Perfect Alliance Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiary is eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants received during the Perfect Alliance Group's Track Record Period are subject to the CIT with the statutory income tax rate of 25%.

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

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Profit before income tax	476	74,162	121,499
Calculated at tax rate of 25%	119	18,540	30,375
Preferential tax rates on income of PRC subsidiary	(120)	(18,631)	(35,152)
Effect of different tax rates in other countries	—	31	1,689
Expenses not deductible for tax purposes	1	60	3,280
	—	—	192

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

As of December 31, 2016, 2017 and 2018, deferred income tax liabilities of approximately HK$24,000, HK$3,334,000 and HK$9,719,000, respectively, were not recognized for withholding tax that would be payable on the unremitted earnings of subsidiary in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by the Perfect Alliance Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to approximately HK$480,000, HK$66,686,000 and HK$194,181,000 as of December 31, 2016, and 2017 and 2018, respectively.

12 Dividends

No dividend has been paid or declared by the Perfect Alliance Group since its incorporation.

13 Property, plant and equipment

	Solar Farm	Buildings	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016				
Cost	—	—	1,957	1,957
Accumulated depreciation	—	—	—	—
Net book amount	—	—	1,957	1,957
Year ended December 31, 2016				
Opening net book amount	—	—	1,957	1,957
Additions	—	—	465,183	465,183
Transfers	411,475	—	(411,475)	—
Depreciation charge	(4,811)	—	—	(4,811)
Exchange differences	(13,838)	—	(4,828)	(18,666)
Closing net book amount	392,826	—	50,837	443,663
At December 31, 2016				
Cost	397,597	—	50,837	448,434
Accumulated depreciation	(4,771)	—	—	(4,771)
Net book amount	392,826	—	50,837	443,663
Year ended December 31, 2017				
Opening net book amount	392,826	—	50,837	443,663
Additions	3,104	—	494,612	497,716
Transfers	537,627	9,307	(546,934)	—
Depreciation charge	(19,731)	(279)	—	(20,010)
Exchange differences	50,458	362	1,485	52,305
Closing net book amount	964,284	9,390	—	973,674

	Solar Farm	Buildings	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At December 31, 2017				
Cost	989,371	9,680	—	999,051
Accumulated depreciation	(25,087)	(290)	—	(25,377)
Net book amount	964,284	9,390	—	973,674
Year ended December 31, 2018				
Opening net book amount	964,284	9,390	—	973,674
Additions	279	—	355,702	355,981
Transfers	355,702	—	(355,702)	—
Depreciation charge	(40,131)	(288)	—	(40,419)
Exchange differences	(59,325)	(443)	—	(59,768)
Closing net book amount	1,220,809	8,659	—	1,229,468
At December 31, 2018				
Cost	1,283,612	9,212	—	1,292,824
Accumulated depreciation	(62,803)	(553)	—	(63,356)
Net book amount	1,220,809	8,659	—	1,229,468

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charged in consolidated income statements:			
- Cost of sales	4,811	20,010	40,419

Finance costs on the advance from a fellow subsidiary and bank borrowings of HK$3,104,000 and HK$279,000 in total were capitalized as direct cost of construction in progress during the years ended December 31, 2017 and 2018, respectively.

Borrowing costs were capitalized at the weighted average rates of the advance from a fellow subsidiary and bank borrowings of 2.83% and 3.21% for the years ended December 31, 2017 and 2018, respectively.

As of December 31, 2016, construction in progress consisted of a developing Solar Farm project.

14 Trade and other receivables

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables (Note (a))	6,268	80,423	199,476
Deposits and other receivables (Note (c))	78	116	57
Other tax receivables (Note (d))	49,851	114,493	114,520
Prepayments for property, plant and equipment	16,451	8,134	3,726
	72,648	203,166	317,779
Less: Non-current portion:			
Prepayments for property, plant and equipment	(16,451)	(8,134)	(3,726)
Current portion	56,197	195,032	314,053

(a) Trade receivables

As of December 31, 2016, 2017 and 2018, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Receivables from sales of electricity	2,314	4,436	3,639
Tariff adjustment receivables	3,954	75,987	195,837
	6,268	80,423	199,476

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

The ageing analysis of trade receivables is as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
0 to 90 days	6,268	22,402	29,808
91 days to 180 days	—	21,154	38,096
181 days to 365 days	—	32,832	59,261
Over 365 days	—	4,035	72,311
	6,268	80,423	199,476

The carrying amounts of the Perfect Alliance Group's trade receivables are denominated in RMB.

(b) Provision for impairment of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, there is no due date for settlement. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognized as of December 31, 2016, 2017 and 2018.

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Tariff adjustment receivables:			
Expected to be recoverable after more than 12 months	3,954	75,987	191,793
Expected to be recoverable within 12 months	—	—	4,044
	3,954	75,987	195,837

(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 as of December 31, 2016, 2017 and 2018, respectively, was within one year.

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

(d) Other tax receivables

Other tax receivables mainly represented valued added tax ("VAT") recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress) 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.

15 Cash and cash equivalents

Perfect Alliance Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Cash at bank and maximum exposure of credit risk	19,148	51,656	2,329

As of December 31, 2016, 2017 and 2018, funds of the Perfect Alliance Group amounting to HK$18,740,000, HK$37,252,000 and HK$1,321,000, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$408,000, HK$14,404,000 and HK$1,008,000, respectively, as of December 31, 2016, 2017 and 2018 were deposited in reputable banks in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
RMB	10,012	37,252	1,321
HK$	8,746	14,014	618
US$	390	390	390
	19,148	51,656	2,329

Perfect Alliance

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	408	14,404	1,008

As of December 31, 2016, 2017 and 2018, all funds of Perfect Alliance were deposited in bank accounts opened with reputable banks in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
HK$	18	14,014	618
US$	390	390	390
	408	14,404	1,008

16 Share capital

	Number of ordinary shares	Total
		HK$'000
Issued and fully paid:		
At January 1, 2016 and December 31, 2016, 2017 and 2018	10,000	10

17 Other reserves

Perfect Alliance Group

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Exchange reserve	(Accumulated losses)/ retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	—	—	(8)	(8)
Profit for the year	—	—	—	476	476
Currency translation differences	—	—	(6,221)	—	(6,221)
At December 31, 2016	—	—	(6,221)	468	(5,753)
At January 1, 2017	—	—	(6,221)	468	(5,753)
Profit for the year	—	—	—	74,162	74,162
Currency translation differences	—	—	37,512	—	37,512
Appropriation to statutory reserve	8,317	—	—	(8,317)	—
Shareholder contribution	—	604,201	—	—	604,201
At December 31, 2017	8,317	604,201	31,291	66,313	710,122
At January 1, 2018	8,317	604,201	31,291	66,313	710,122
Profit for the year	—	—	—	121,307	121,307
Currency translation differences	—	—	(67,007)	—	(67,007)
Appropriation to statutory reserve	13,410	—	—	(13,410)	—
At December 31, 2018	21,727	604,201	(35,716)	174,210	764,422

Perfect Alliance

	Capital reserve (Note (b))	(Accumulated losses)/ retained earnings	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	(8)	(8)
Loss for the year	—	(5)	(5)
At December 31, 2016	—	(13)	(13)
At January 1, 2017	—	(13)	(13)
Profit for the year	—	15,187	15,187
Shareholder contribution	604,201	—	604,201
At December 31, 2017	604,201	15,174	619,375
At January 1, 2018	604,201	15,174	619,375
Loss for the year	—	(62,919)	(62,919)
At December 31, 2018	604,201	(47,745)	556,456

Notes:

(a) Statutory reserve

The PRC subsidiary is required to allocate 10% of its net profits to the statutory reserve fund until such fund reaches 50% of its registered capital. The statutory reserve fund can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that such fund is maintained at a minimum of 25% of its registered capital.

During the years ended December 31, 2017 and 2018, the board of directors of Perfect Alliance's subsidiary resolved to appropriate approximately HK$8,317,000 and HK$13,410,000 from retained earnings to statutory reserve.

(b) Capital reserve

On May 31, 2017, Perfect Alliance was indebted to Xinyi Power (BVI) for HK$604,201,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Perfect Alliance capitalized the amount as a shareholder contribution.

18 Interests in a subsidiary

Perfect Alliance

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Investment in a subsidiary			
Unlisted shares, at cost	180,000	271,771	271,771
Amount due from a subsidiary	—	347,988	669,101

Unlisted investment in a subsidiary is stated at the aggregate investment cost of the subsidiary.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying amount of the balance is denominated in RMB and approximates its fair value.

Details of the subsidiary are as follows:

Company name	Date of establishment	Place of incorporation and kind of legal entity	Registered capital	Effective interest attributable to the Perfect Alliance Group December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Directly held:									
Xinyi Energy (Shouxian)	July 23, 2015	The PRC, limited liability company	Registered and paid up capital of US$35,000,000	100%	100%	100%	100%	Operation of solar farm in the PRC	(i)

Note:

(i) The statutory financial statements of the subsidiary for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

19 Amounts due from/to related parties

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values.

20 Accruals and other payables

Perfect Alliance Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Payables for property, plant and equipment	115,306	201,015	280,738
Others	2,500	5,753	8,524
	117,806	206,768	289,262
Less: Non-current portion:			
Retention payables for property, plant and equipment	(9,485)	(12,033)	(23,029)
Current portion	108,321	194,735	266,233

Perfect Alliance

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	—	236	1,104

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

21 Bank borrowings

Perfect Alliance Group and Perfect Alliance

The bank borrowings are repayable as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	—	—	103,250
Between 1 and 2 years	—	27,667	208,250
Between 2 and 5 years	—	165,527	383,396
	—	193,194	694,896
Less : Non-current portion	—	(193,194)	(591,646)
Current portion	—	—	103,250

As of December 31, 2016, 2017 and 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2021. The carrying amounts of the Perfect Alliance Group's bank borrowings are denominated in HK$ and approximate their fair values as of December 31, 2016, 2017 and 2018, as the impact of discounting is not significant. The effective interest rates at reporting date were as follows:

	As of December 31,		
	2016	2017	2018
Bank borrowings	N/A	2.68%	3.78%

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017, and Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)"), a fellow subsidiary. The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and Xinyi Energy (BVI) Limited ("Xinyi Energy (BVI)"), a fellow subsidiary, upon separate listing of the Company.

22 Cash flow information

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	476	74,162	121,499
Adjustments for:			
Interest income (Note 8)	—	(28)	(22)
Interest expense (Note 8)	—	—	19,584
Depreciation of property, plant and equipment (Note 13)	4,811	20,010	40,419
	5,287	94,144	181,480
Changes in working capital:			
Trade and other receivables	(56,197)	(138,835)	(119,021)
Accruals and other payables	535	3,026	1,903
Cash (used in)/generated from operations	(50,375)	(41,665)	64,362

(b) Non-cash transactions

(i) During the years ended December 31, 2016, 2017 and 2018, additions of plant and equipment amounting to HK$115,306,000, HK$78,911,000 and HK$74,974,000, respectively, were purchased through increase in other payables without any cash paid.

(ii) Finance costs on related party balances and bank borrowings of HK$3,104,000 and HK$279,000 in total were capitalized as direct cost of construction in progress during the years ended December 31, 2017 and 2018, respectively.

(iii) During the year ended December 31, 2017, there was a shareholder contribution arose from forgiveness of debt by Xinyi Power (BVI) totaled HK$604,201,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Perfect Alliance capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

(iv) During the year ended December 31, 2017, interest expense on related party balances amounting to HK$2,683,000 were incurred through increase in amounts due to related parties without any cash paid, respectively.

(v) On May 31, 2018, New Wisdom and Sky Falcon were indebted to Xinyi Power (BVI) for HK$313,986,000 in total. By a deed of novation dated May 31, 2018, Perfect Alliance assumed aforementioned indebtedness of New Wisdom and Sky Falcon, while Xinyi Power (BVI) released New Wisdom and Sky Falcon from the indebtedness, as if Perfect Alliance had originally been indebted to Xinyi Power (BVI). As such, New Wisdom and Sky Falcon were indebted to Perfect Alliance for HK$313,986,000 in total, while Perfect Alliance was indebted to Xinyi Power (BVI) for HK$313,986,000.

(c) Net debt reconciliation

		Liabilities from financing activities			
	Cash and cash equivalents	Amounts due to related parties	Bank borrowings due within 1 year	Bank borrowings due after 1 year	Total
	HK$'000	HK$'000	HK'000	HK$'000	HK$'000
Net debt as of January 1, 2016	410	(400)	—	—	10
Cash flows	19,186	(435,889)	—	—	(416,703)
Foreign exchange adjustments	(448)	12,893	—	—	12,445
Net debt as of December 31, 2016	19,148	(423,396)	—	—	(404,248)
Net debt as of January 1, 2017	19,148	(423,396)	—	—	(404,248)
Cash flows	30,737	(465,410)	—	(193,194)	(627,867)
Foreign exchange adjustments	1,771	(9,766)	—	—	(7,995)
Other non-cash movements (Notes 22(b)(iii) and (iv))	—	601,518	—	—	601,518
Net debt as of December 31, 2017	51,656	(297,054)	—	(193,194)	(438,592)
Net debt as of January 1, 2018	51,656	(297,054)	—	(193,194)	(438,592)
Cash flows	(48,776)	180,883	(103,250)	(398,452)	(369,595)
Foreign exchange adjustments	(551)	(1,939)	—	—	(2,490)
Net debt as of December 31, 2018	2,329	(118,110)	(103,250)	(591,646)	(810,677)

23 Operating lease commitments

The Perfect Alliance Group leases certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017 and 2018, the Perfect Alliance Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Not later than 1 year	1,948	4,607	4,383
Later than 1 year and not later than 5 years	7,792	18,637	17,954
More than 5 years	52,421	127,708	118,290
	62,161	150,952	140,627

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

24 Capital commitments

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Property, plant and equipment:			
- Contracted but not provided for	158,119	73,140	16,824

25 Banking facilities

The banking facilities made available to the Perfect Alliance Group are as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Banking facilities granted to Perfect Alliance without securities:			
- Available facilities	—	700,000	700,000
- Facilities utilized	—	(200,000)	(700,000)
Unutilized facilities	—	500,000	—

26 Related party transactions

(a) The directors of Perfect Alliance are of the view that the following companies that had transactions or balances with the Perfect Alliance Group are related parties:

Name of related parties	Relationship with the Perfect Alliance Group
Xinyi Solar	Ultimate holding company
Xinyi Power (BVI)	Former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017
Anhui Xinhao New Energy Construction Company ("Xinhao")	Fellow subsidiary
Xinyi Solar (BVI)	Fellow subsidiary
Xinyi PV Products	Fellow subsidiary
Xinyi Solar (HK)	Fellow subsidiary
New Wisdom	Fellow subsidiary
Sky Falcon	Fellow subsidiary
Xinyi Energy (BVI)	Fellow subsidiary

(b) Related party transactions

The following is a summary of the significant transactions carried out between the Perfect Alliance Group and its related parties in the ordinary course of business during the Perfect Alliance Group's Track Record Period.

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Employee benefits paid by the ultimate holding company (Note i)			
- Xinyi Solar	—	3	6
Employee benefits paid by fellow subsidiaries			
- Xinyi Solar (HK) (Note ii)	12	209	437
- Xinyi PV Products (Note iii)	—	155	211
	12	364	648
Finance costs payable to a fellow subsidiary (Note iv)			
- New Wisdom	—	2,683	—

Notes:

(i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Perfect Alliance Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(ii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business represent salaries discretionary bonus of director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Perfect Alliance Group's Track Record Period. These employees benefit expenses were excluded from the Historical Financial Information.

(iii) Employee benefit expenses incurred by Xinyi PV Products on behalf of the Solar Farm Business represent wages and salaries and retirement benefits of employees, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the Perfect Alliance Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iv) Finance costs represent interest expense on the advances from New Wisdom. The interest expense was charged at mutually agreed rate. The advances from New Wisdom maintained at a range from HK$86,538,000 to HK$94,916,000 from January to December 2017 and were repaid to New Wisdom in full as of December 31, 2017. The effective interest rates during the year ended December 31, 2017 is 2.83%.

(c) Balances with related parties

Perfect Alliance Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- Xinyi Solar (HK)	—	178,652	—
- New Wisdom	—	—	274,009
- Sky Falcon	—	—	42,294
- Xinhao	—	—	1,002
Total	—	178,652	317,305
Due to related parties:			
- Xinyi PV Products	242,985	294,371	109,710
- New Wisdom	—	2,683	—
- Xinyi Solar (HK)	180,011	—	8,400
- Xinyi Power (BVI)	400	—	—
Total	423,396	297,054	118,110

The amounts due from/to related parties are unsecured, interest free, non-trade in nature and repayable on demand.

Subsequent to December 31, 2018, the outstanding balances with related parties will be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- RMB	—	—	1,002
- HK$	—	178,652	316,303
Total	—	178,652	317,305
Due to related parties:			
- RMB	242,985	294,371	109,710
- HK$	180,411	2,683	8,400
Total	423,396	297,054	118,110

Perfect Alliance

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Due from a subsidiary:			
- Xinyi Energy (Shouxian)	—	347,988	669,101
Due from related parties:			
- Xinyi Solar (HK)	—	178,652	—
- New Wisdom	—	—	276,692
- Sky Falcon	—	—	42,294
Total	—	178,652	318,986
Due to related parties:			
- Xinyi Solar (HK)	180,011	—	8,400
- Xinyi Power (BVI)	400	—	—
Total	180,411	—	8,400

The amount due from a subsidiary and amounts due from/to related parties are unsecured, interest-free, non-trade in nature and repayable on demand.

The outstanding balances with related parties will not be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in HK$.

(d) Key management compensation

Key management includes a director of Perfect Alliance and certain senior management. The compensation of the director of Perfect Alliance paid or payable is disclosed in Note 10. The compensation of a director incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 26(b)(i) and (ii), respectively.

(e) Guarantee of bank borrowings

The bank borrowings were secured by corporate guarantees provided by Xinyi Solar, Xinyi Power (BVI) and Xinyi Solar (BVI). The corporate guarantees are to be released and replaced by corporate guarantees provided by the Company and Xinyi Energy (BVI) upon separate listing of the Company.

27 Financial instruments by category

Perfect Alliance Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Trade and other receivables excluding prepayments and other tax receivables	6,346	80,539	199,533
Amounts due from related parties	—	178,652	317,305
Cash and cash equivalents	19,148	51,656	2,329
	25,494	310,847	519,167
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff cost and other taxes payables	117,806	206,765	289,257
Amounts due to related parties	423,396	297,054	118,110
Bank borrowings	—	193,194	694,896
	541,202	697,013	1,102,263

Perfect Alliance

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Amount due from a subsidiary	—	347,988	669,101
Amounts due from related parties	—	178,652	318,986
Cash and cash equivalents	408	14,404	1,008
	408	541,044	989,095
Liabilities - amortized cost			
Accruals	—	236	1,104
Amounts due to related parties	180,411	—	8,400
Bank borrowings	—	193,194	694,896
	180,411	193,430	704,400

28 Contingencies

Perfect Alliance and the Perfect Alliance Group did not have contingent liabilities as of December 31, 2016, 2017 and 2018.

29 Subsequent event

Save as disclosed elsewhere in this report, the following significant event took place subsequent to December 31, 2018:

Pursuant to the agreement of Target Acquisition, all net balances with related parties of the Perfect Alliance Group will be capitalized before completion of the Target Acquisition.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Perfect Alliance or its subsidiary in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared or made by Perfect Alliance or its subsidiary in respect of any period subsequent to December 31, 2018.

The following is the text of a report set forth on pages IE-1 to IE-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINYI ENERGY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Profit Noble Development Limited ("Profit Noble") and its subsidiary (together, the "Profit Noble Group") set out on pages IE-4 to IE-52, which comprises the consolidated and company balance sheets as of December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2016, 2017 and 2018 (the "Profit Noble Group's Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IE-4 to IE-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Xinyi Energy Holdings Limited (the "Company") dated May 15, 2019 in connection with the proposed acquisition of Profit Noble by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The financial statements of the Profit Noble Group for the Profit Noble Group's Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Profit Noble and its subsidiary now comprising the Profit Noble Group for the Profit Noble Group's Track Record Period. The directors of the respective companies now comprising the Profit Noble Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Profit Noble as of December 31, 2016, 2017 and 2018 and the consolidated financial position of the Profit Noble Group as of December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Profit Noble Group's Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
May 15, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE PROFIT NOBLE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report of the Profit Noble Group.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$").

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
Revenue	5	15,391	26,183	27,005
Cost of sales	7	(4,875)	(7,732)	(8,531)
Gross profit		10,516	18,451	18,474
Other income	5	875	379	72
Other gains/(losses), net	6	1,129	(482)	204
Administrative expenses	7	(431)	(380)	(309)
Operating profit		12,089	17,968	18,441
Finance income	8	13	35	12
Finance costs	8	—	—	—
Profit before income tax		12,102	18,003	18,453
Income tax expense	11	—	—	(9)
Profit for the year attributable to equity holder of Profit Noble		12,102	18,003	18,444

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit for the year	12,102	18,003	18,444
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(6,826)	13,625	(12,891)
Total comprehensive income for the year attributable to equity holder of Profit Noble	5,276	31,628	5,553

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,		
		2016	2017	2018
		HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	178,433	196,676	185,697
Prepayments for property, plant and equipment	14	1,299	244	207
Total non-current assets		179,732	196,920	185,904
Current assets				
Trade and other receivables	14	32,895	52,237	49,278
Amounts due from related parties	19, 24	1	4,717	26,903
Cash and cash equivalents	15	16,950	11,036	6,420
Total current assets		49,846	67,990	82,601
Total assets		229,578	264,910	268,505
EQUITY				
Capital and reserves attributable to Profit Noble's equity holder				
Share capital	16	10	10	10
Other reserves	17	(5,633)	217,770	208,784
Retained earnings	17	10,892	27,038	43,739
Total equity		5,269	244,818	252,533
LIABILITIES				
Non-current liabilities				
Other payables	20	1,202	1,484	1,242
Current liabilities				
Accruals and other payables	20	20,264	18,551	14,666
Amounts due to related parties	19, 24	202,843	57	64
Total current liabilities		223,107	18,608	14,730
Total liabilities		224,309	20,092	15,972
Total equity and liabilities		229,578	264,910	268,505

BALANCE SHEETS

	Note	As of December 31, 2016 HK$'000	2017 HK$'000	2018 HK$'000
ASSETS				
Non-current asset				
Investment in a subsidiary	18	93,156	93,156	93,156
Current assets				
Amount due from a subsidiary	18, 24	—	119,830	116,006
Amount due from a related party	19, 24	1	—	—
Cash and cash equivalents	15	421	418	414
Total current assets		422	120,248	116,420
Total assets		93,578	213,404	209,576
EQUITY				
Equity attributable to Profit Noble's equity holder				
Share capital	16	10	10	10
Other reserves	17	—	207,921	210,083
(Accumulated losses)/retained earnings	17	(22)	5,441	(526)
Total (deficit)/equity		(12)	213,372	209,567
LIABILITIES				
Current liabilities				
Accruals	20	—	9	9
Amounts due to related parties	19, 24	93,590	23	—
Total liabilities		93,590	32	9
Total equity and liabilities		93,578	213,404	209,576

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of Profit Noble			
	Share capital (Note 16)	Other reserves (Note 17)	(Accumulated losses)/ retained earnings (Note 17)	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 1, 2016	10	—	(17)	(7)
Comprehensive income				
Profit for the year	—	—	12,102	12,102
Other comprehensive loss				
Currency translation differences	—	(6,826)	—	(6,826)
Total comprehensive income	—	(6,826)	12,102	5,276
Transactions with the owner of Profit Noble				
Appropriation to statutory reserve	—	1,193	(1,193)	—
Balance at December 31, 2016	10	(5,633)	10,892	5,269
Balance at January 1, 2017	10	(5,633)	10,892	5,269
Comprehensive income				
Profit for the year	—	—	18,003	18,003
Other comprehensive income				
Currency translation differences	—	13,625	—	13,625
Total comprehensive income	—	13,625	18,003	31,628
Transactions with the owner of Profit Noble				
Appropriation to statutory reserve	—	1,857	(1,857)	—
Shareholder contribution (Note 17(b))	—	207,921	—	207,921
Balance at December 31, 2017	10	217,770	27,038	244,818
Balance at January 1, 2018	10	217,770	27,038	244,818
Comprehensive income				
Profit for the year	—	—	18,444	18,444
Other comprehensive loss				
Currency translation differences	—	(12,891)	—	(12,891)
Total comprehensive income	—	(12,891)	18,444	5,553
Transactions with the owner of Profit Noble				
Appropriation to statutory reserve	—	1,743	(1,743)	—
Shareholder contribution (Note 17(b))	—	2,162	—	2,162
Balance at December 31, 2018	10	208,784	43,739	252,533

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
Cash flows from operating activities				
Cash (used in)/generated from operations	21(a)	(14,068)	5,753	29,064
Income tax paid		—	—	(9)
Net cash (used in)/generated from operating activities		(14,068)	5,753	29,055
Cash flows from investing activities				
Purchases of property, plant and equipment		(150,891)	(12,100)	(13,176)
Repayment from a related party		320	—	—
Advances to related parties		—	(4,716)	(22,186)
Interest received		13	35	12
Net cash used in investing activities		(150,558)	(16,781)	(35,350)
Cash flows from financing activities				
Repayment to a related party		—	(1,208)	(964)
Advances from related parties		181,493	5,815	3,102
Net cash generated from financing activities		181,493	4,607	2,138
Net increase/(decrease) in cash and cash equivalents		16,867	(6,421)	(4,157)
Cash and cash equivalents at beginning of the year		471	16,950	11,036
Exchange differences on cash and cash equivalents		(388)	507	(459)
Cash and cash equivalents at end of the year	15	16,950	11,036	6,420

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Profit Noble was incorporated as an investment holding company with limited liability in Hong Kong on February 6, 2015 with Xinyi Power (BVI) Limited ("Xinyi Power (BVI)") as the sole shareholder. The address of its registered office is Unit 2109-2115, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

On September 2, 2015, Xinyi Solar (Huainan) Limited ("Xinyi Solar (Huainan)") was established with Profit Noble as the sole shareholder. The subsidiary is principally engaged in the management and operations of a solar farm in the People's Republic of China (the "PRC") (the "Solar Farm Business").

Up to June 30, 2017, the immediate holding company of Profit Noble was Xinyi Power (BVI) and the ultimate holding company of Profit Noble was Xinyi Solar Holdings Limited ("Xinyi Solar"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the Profit Noble Group's Track Record Period, Xinyi Solar was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung.

On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in Profit Noble to Xinyi Solar Farm (Group 1) Limited ("Solar Farm (Group 1)"), a wholly-owned subsidiary of Xinyi Power (BVI) and Xinyi Solar, at a consideration of HK$10,000. Since then, the immediate holding company of Profit Noble has been changed to Solar Farm (Group 1) while Xinyi Power (BVI) has been changed to be the intermediate holding company of Profit Noble, and the ultimate holding company of Profit Noble (i.e. Xinyi Solar) has been remained the same.

On December 5, 2018, the Company entered into an agreement with Solar Farm (Group 1) to acquire the entire issued share capital of Profit Noble, New Wisdom International Limited ("New Wisdom"), Sky Falcon Development Limited, Perfect Alliance Development Limited and Sky Cheer Investments Limited, which held the operating companies of the utility-scale ground-mounted solar farm projects in the PRC, at an aggregate consideration of RMB4,090,790,000 ("Target Acquisition").

The statutory financial statements of Profit Noble for the years ended December 31, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of Profit Noble for the year ended December 31, 2018 are yet to be issued.

Profit Noble and its subsidiary have adopted December 31 as their financial year end date.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information of the Profit Noble Group are set out below. These policies have been consistently applied to all the years and period presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with HKFRSs issued by the HKICPA are set out below.

The preparation of Historical Financial Information 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 Profit Noble Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Profit Noble Group has applied HKFRS 15 consistently throughout the Profit Noble Group's Track Record Period.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognize revenue when each performance obligation is satisfied.

There is no impact on the accounting policies and Historical Financial Information of the Profit Noble Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 9 "Financial Instruments"

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018.

The Profit Noble Group has applied HKFRS 9 consistently throughout the Profit Noble Group's Track Record Period.

The new standard replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

There is no impact on the accounting policies and Historical Financial Information of the Profit Noble Group upon the adoption of HKFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

New standards, amendments to standards and interpretations

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Profit Noble Group's Track Record Period, and have not been early adopted. The Profit Noble Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 — 2017 Cycle	January 1, 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKAS 28 (Amendments)	Long Term Interests in Associates and Joint Ventures	January 1, 2019

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	January 1, 2019
HKFRS 17	Insurance Contract	January 1, 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 will primarily affect the accounting for the Profit Noble Group's operating leases. As of December 31, 2016, 2017 and 2018, the Profit Noble Group had non-cancellable operating lease commitments of HK$19,341,000, HK$20,661,000 and HK$18,839,000 respectively, see Note 22. The Profit Noble Group expects to recognize right-of-use assets of approximately HK$8,123,000 on January 1, 2019 and lease liabilities of HK$8,455,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets will be approximately HK$265,000 lower, and net current assets will be HK$279,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for 2019 as a result of adoption the new rules are immaterial.

The Profit Noble Group has no activity as a lessor and hence the Profit Noble Group does not expect any significant impact on the financial statements.

Date of adoption by the Profit Noble Group

The Profit Noble Group will apply the standard from its mandatory adoption date of January 1, 2019. The Profit Noble Group intends to apply the full retrospective approach. The discount rate used to discount the lease payments is the discount rate on the lease commencement date. The right-of-use asset for property lease and the lease liability will be retrospectively restated to the lease commencement date. The right-of-use asset for property lease will then be depreciated on a straight-line basis.

At this stage, the Profit Noble Group does not intend to early adopt the standard.

For new standards, amendments to existing standards and new interpretations other than HKFRS 16 "Leases" aforementioned above, management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and interpretations and considered on a preliminary basis that, these new standards and amendments to standards and interpretations will not result in any substantive changes of the Profit Noble Group's existing accounting policies and presentation of Historical Financial Information.

2.2 Subsidiary

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Profit Noble Group has control. The Profit Noble Group controls an entity when the Profit Noble Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Profit Noble Group. It is deconsolidated from the date that control ceases.

The Profit Noble Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Profit Noble Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiary have been adjusted to conform with the Profit Noble Group's accounting policies.

2.2.2 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiary are accounted for by Profit Noble on the basis of dividend received and receivable.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Profit Noble Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK$, which is Profit Noble's functional and the Profit Noble Group's presentation currency. The results and balance sheets of the Profit Noble Group's subsidiary incorporated in the PRC are prepared in Chinese Renminbi ("RMB"), which is the functional currency of the subsidiary.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

- Solar Farm	25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the Profit Noble Group's Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

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

2.6 *Impairment of non-financial assets*

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

2.7 *Financial assets*

2.7.1 Classification

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

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortized cost.

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

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

The Profit Noble Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

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

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

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

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Accruals and other payables

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

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

2.14 Provisions

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

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

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

2.15 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of an investment in a foreign operation where Profit Noble is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

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

2.16 Revenue recognition

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Profit Noble Group performs; or

- does not create an asset with an alternative use to the Profit Noble Group and the Profit Noble Group has an enforceable right to payment for performance completed to date.

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

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

(a) Sales of electricity

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

The revenue from sales of electricity is based on the on-grid benchmark tariff rate of local coal-fired power plants, which can be adjusted by the government of the PRC (the "PRC government"). It is currently settled by a state grid company for the electricity generated by the Solar Farm on a monthly basis.

(b) Tariff adjustment

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

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

2.17 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to Profit Noble's shareholder is recognized as a liability in the Profit Noble Group's financial statements in the period in which the dividends are approved by Profit Noble's shareholder or directors, where appropriate.

2.20 Interest income

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Profit Noble Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in a foreign operation. The Profit Noble Group manages its foreign exchange risks by performing regular reviews.

The Profit Noble Group had investment in a foreign operation, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As of December 31, 2016 and 2017 and 2018, Profit Noble does not have significant foreign exchange risk on RMB against HK$, which is the functional currency of Profit Noble.

As of December 31, 2016, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$336,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

As of December 31, 2017, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$188,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

As of December 31, 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$135,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Profit Noble Group's interest rate risk is mainly attributable to its cash and cash equivalents. Financial assets and liabilities at variable rates expose the Profit Noble Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Profit Noble Group to fair value interest rate risk. Details of the Profit Noble Group's cash and cash equivalents have been disclosed in Note 15 to the Historical Financial Information.

As of December 31, 2016, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$42,000 higher/lower, mainly as a result of higher/lower interest income being earned.

As of December 31, 2017, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$28,000 higher/lower, mainly as a result of higher/lower interest income being earned.

As of December 31, 2018, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$16,000 higher/lower, mainly as a result of higher/lower interest income being earned.

(b) Credit risk

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

Profit Noble Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade and other receivables excluding prepayments and other tax receivables (Note 14)	10,890	32,332	33,423
Amounts due from related parties	1	4,717	26,903
Cash at bank (Note 15)	16,950	11,036	6,420
Maximum exposure to credit risk	27,841	48,085	66,746

Profit Noble

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amount due from a subsidiary	—	119,830	116,006
Amount due from a related party	1	—	—
Cash at bank (Note 15)	421	418	414
Maximum exposure to credit risk	422	120,248	116,420

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

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

As of December 31, 2016, 2017 and 2018, most of the bank deposits are deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

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

Trade and tariff adjustment receivables arising from sales of electricity were all due from a customer which is a state-owned enterprise. As of December 31, 2017, the Profit Noble Group had submitted an application for its ground-mounted Solar Farm with approved grid-connection capacity of 20 MW for enlisting on the seventh batch of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"). In June 2018, the ground-mounted Solar Farm, located in Huainan, Fujian Province, with aggregate capacity of 20 MW, has been successfully enlisted on the seventh batch of the Catalogue. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the director is of the opinion that the risk of default by this customer is not significant and does not expect any losses from non-performance by the customer. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

The credit quality of the amount due from a related party and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparty default rate and financial position of the counterparty. Given the track record of repayment in full, the director is of the opinion that the risk of default by this counterparty is not significant and does not expect any losses from non-performance by the counterparty. Therefore, expected credit loss rate of the amount due from a related party and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

(c) Liquidity risk

Finance department of the Profit Noble Group monitors rolling forecasts of the Profit Noble Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecast takes into consideration the Profit Noble Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

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

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

Profit Noble Group

	On demand or less than 1 year	Between 1 and 2 years	Total
	HK$'000	HK$'000	HK$'000
At December 31, 2016			
Accruals and other payables	20,264	1,202	21,466
Amounts due to related parties	202,843	—	202,843
Total	223,107	1,202	224,309
At December 31, 2017			
Accruals and other payables	18,551	1,484	20,035
Amounts due to related parties	57	—	57
Total	18,608	1,484	20,092
At December 31, 2018			
Accruals and other payables	14,666	1,242	15,908
Amount due to a related party	64	—	64
Total	14,730	1,242	15,972

Profit Noble

	On demand or less than 1 year
	HK$'000
At December 31, 2016	
Amounts due to related parties	93,590
At December 31, 2017	
Accruals	9
Amount due to a related party	23
	32
At December 31, 2018	
Accruals	9

3.2 Capital risk management

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

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

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Profit Noble Group has no financial instruments measured on such basis in the consolidated balance sheets as of December 31, 2016, 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

The Profit Noble Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax liabilities of the Profit Noble Group mainly arise from the unremitted earnings of its PRC subsidiary. The realizability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 Revenue, other income and segment information

Revenue and other income recognized during the Profit Noble Group's Track Record Period are as follows:

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue			
Recognized at a point in time:			
Sales of electricity	5,684	10,211	10,381
Tariff adjustment	9,707	15,972	16,624
	15,391	26,183	27,005
Other income	875	379	72

Segment information

The Profit Noble Group is mainly engaged in the management and operation of a solar farm in the PRC since March 2016. Information reported to the Profit Noble Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Profit Noble Group as a whole as the Profit Noble Group's resources are integrated and no discrete operating segment financial information is available.

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

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

All revenue for the Profit Noble Group's Track Record Period were from one single customer which is a state grid company.

6 Other gains/(losses), net

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Foreign exchange gains/(losses), net	1,129	(482)	204

7 Expenses by nature

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charge of property, plant and equipment (Note 13)	4,426	7,118	7,664
Employee benefit expenses (including directors' emoluments) (Note 9)	92	91	104
Operating lease expenses	449	614	867
Auditor's remuneration - statutory audits	1	20	12
Legal and professional fees	2	16	2
Insurance expenses	37	100	101
Other expenses	299	153	90
	5,306	8,112	8,840

8 Finance income and costs

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance income			
Interest income from bank deposits	13	35	12
Finance costs			
Interest expense on the advance from a fellow subsidiary (Note 24)	—	34	30
Less: Amount capitalized on qualifying assets (Note 13)	—	(34)	(30)
	—	—	—

9 Employee benefit expenses (including directors' emoluments)

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages and salaries	92	91	104
Retirement benefits scheme contribution (Note)	—	—	—
	92	91	104

The wages and salaries of employees incurred by Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$380,000, HK$401,000 and HK$433,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 24(b)(iii).

The retirement benefits of employees incurred by Xinyi PV Products on behalf of the Solar Farm Business amounted to HK$81,000, HK$80,000 and HK$86,000, respectively, for the years ended December 31, 2016, 2017 and 2018. Details of these related party transactions are stated in Note 24(b)(iii).

Note: The Profit Noble Group's subsidiary in the PRC participates in a defined contribution retirement scheme covering its PRC employees. The scheme is administered by the relevant government authority in the PRC. The Profit Noble Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authority undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Profit Noble Group's subsidiary in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

10 Benefits and interests of directors

(a) No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to a retirement benefit scheme and other emoluments in respect of director's other services in connection with the management of the affairs of Profit Noble or its subsidiary undertaking were paid to the director in his capacity as a director of Profit Noble or its subsidiary and no emoluments were paid by Profit Noble or its subsidiary to the director as an inducement to join Profit Noble or its subsidiary, or as compensation for loss of office during the Profit Noble Group's Track Record Period.

(b) During the Profit Noble Group's Track Record Period, no retirement benefits, payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable. No consideration was provided to or receivable by third parties for making available director's services.

There were no material retirement benefits, payments or benefits in respect of termination of director's services incurred by Xinyi Solar or Xinyi Solar (HK) on behalf of the Solar Farm Business for the Profit Noble Group's Track Record Period.

(c) During the Track Record Period, Mr. Lee Yau Ching made available his service as a director of Profit Noble for the Solar Farm Business.

The fees of Mr. Lee Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$1,000, HK$1,000 and HK$1,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Profit Noble Group to Xinyi Solar. Details of these related party transactions are stated in Note 24(b)(i).

The salaries and discretionary bonuses of Mr. Lee Yau Ching incurred by Xinyi Solar (HK) Limited ("Xinyi Solar (HK)"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$34,000, HK$55,000 and HK$63,000, respectively, for the years ended December 31, 2016, 2017 and 2018. No consideration was provided by the Profit Noble Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 24(b)(ii).

During the Track Record Period, there were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of Profit Noble.

(d) During the Profit Noble Group's Track Record Period, there were no significant transactions, agreements and contracts in relation to the Profit Noble Group's business to which Profit Noble was a party and in which the director of Profit Noble had material interest, whether directly or indirectly, other than those disclosed in Note 24.

(e) During the Profit Noble Group's Track Record Period, there were no loans, quasi-loans and other dealing arrangements in favor of the director, or controlled body corporates and connected entities of such director, other than those disclosed in Note 24(c).

11 Income tax expense

(a) No provision for Hong Kong profits tax has been made for the Profit Noble Group's Track Record Period as the Profit Noble Group did not generate any assessable profits arising in Hong Kong during the Profit Noble Group's Track Record Period.

(b) Provision made for PRC corporate income tax ("CIT") of the Profit Noble Group amounted to HK$9,000 for the year ended December 31, 2018. The statutory income tax rate applicable to the PRC subsidiary of the Profit Noble Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiary is eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the insurance claim received during the Profit Noble Group's Track Record Period is subject to the CIT with statutory income tax rate of 25%.

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	12,102	18,003	18,453
Calculated at tax rate of 25%	3,026	4,501	4,613
Preferential tax rates on income of certain PRC subsidiary	(3,027)	(4,510)	(4,608)
Effect of different tax rates in other countries	—	3	1
Expenses not deductible for tax purposes	1	6	3
	—	—	9

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

As of December 31, 2016 and 2017 and 2018, deferred income tax liabilities of approximately HK$546,000, HK$1,355,000 and HK$2,191,000, respectively, were not recognized for withholding tax that would be payable on the unremitted earnings of subsidiary in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by the Profit Noble Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to approximately HK$10,914,000, HK$27,096,000 and HK$43,812,000 as of December 31, 2016 and 2017 and 2018, respectively.

12 Dividends

No dividend has been paid or declared by the Profit Noble Group since its incorporation.

13 Property, plant and equipment

	Solar Farm	Construction in progress	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2016			
Cost	—	15,648	15,648
Accumulated depreciation	—	—	—
Net book amount	—	15,648	15,648

	Solar Farm	Construction in progress	Total
	HK$'000	HK$'000	HK$'000
Year ended December 31, 2016			
Opening net book amount	—	15,648	15,648
Additions	145,965	31,305	177,270
Transfers	47,057	(47,057)	—
Depreciation charge	(4,426)	—	(4,426)
Exchange differences	(10,163)	104	(10,059)
Closing net book amount	178,433	—	178,433
At December 31, 2016			
Cost	182,673	—	182,673
Accumulated depreciation	(4,240)	—	(4,240)
Net book amount	178,433	—	178,433
Year ended December 31, 2017			
Opening net book amount	178,433	—	178,433
Additions	34	11,764	11,798
Transfers	11,764	(11,764)	—
Depreciation charge	(7,118)	—	(7,118)
Exchange differences	13,563	—	13,563
Closing net book amount	196,676	—	196,676
At December 31, 2017			
Cost	208,624	—	208,624
Accumulated depreciation	(11,948)	—	(11,948)
Net book amount	196,676	—	196,676
Year ended December 31, 2018			
Opening net book amount	196,676	—	196,676
Additions	30	6,117	6,147
Transfers	6,117	(6,117)	—
Depreciation charge	(7,664)	—	(7,664)
Exchange differences	(9,462)	—	(9,462)
Closing net book amount	185,697	—	185,697
At December 31, 2018			
Cost	204,437	—	204,437
Accumulated depreciation	(18,740)	—	(18,740)
Net book amount	185,697	—	185,697

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charged in consolidated income statements:			
- Cost of sales	4,426	7,118	7,664

Finance costs on the advance from a fellow subsidiary of HK$34,000 and HK$30,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2017 and 2018, respectively.

Borrowing costs were capitalized at the weighted average rates of the advance from a fellow subsidiary 2.83% and 3.21% for the years ended December 31, 2017 and 2018, respectively.

14 Trade and other receivables

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables (Note (a))	10,890	32,332	33,423
Other tax receivables (Note (c))	21,714	19,905	15,835
Prepayments for property, plant and equipment	1,299	244	207
Prepayments for operating leases	291	—	20
	34,194	52,481	49,485
Less: Non-current portion:			
Prepayments for property, plant and equipment	(1,299)	(244)	(207)
Current portion	32,895	52,237	49,278

(a) Trade receivables

As of December 31, 2016, 2017 and 2018, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Receivables from sales of electricity	49	799	1,955
Tariff adjustment receivables	10,841	31,533	31,468
	10,890	32,332	33,423

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

The ageing analysis of trade receivables is as follows:

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
0 to 90 days	2,883	4,873	5,418
91 days to 180 days	4,356	5,378	5,317
181 days to 365 days	3,651	10,428	9,679
Over 365 days	—	11,653	13,009
	10,890	32,332	33,423

The carrying amounts of the Profit Noble Group's trade receivables are denominated in RMB.

(b) Provision for impairment of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. In June 2018, the ground-mounted Solar Farm, located in Huainan, Fujian Province, with aggregate capacity of 20 MW, has been successfully enlisted on the seventh batch of the Catalogue. During the year ended December 31, 2018, the Profit Noble Group received payment of RMB13,437,000 (equivalent to HK$15,225,000) for the subsidies incurred up to March 2017. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognized as of December 31, 2016, 2017 and 2018.

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Tariff adjustment receivables:			
Expected to be recoverable after more than 12 months. . .	10,841	31,533	—
Expected to be recoverable within 12 months.	—	—	31,468
	10,841	31,533	31,468

(c) Other tax receivables

Other tax receivables mainly represented value added tax ("VAT") recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress) 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.

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

15 Cash and cash equivalents

Profit Noble Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	16,950	11,036	6,420

As of December 31, 2016, 2017 and 2018, funds of the Profit Noble Group amounting to HK$16,529,000, HK$10,618,000 and HK$6,006,000, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$421,000 and HK$418,000 and HK$414,000, respectively, as of December 31, 2016, 2017 and 2018 were deposited in a reputable bank in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
HK$	6,746	3,814	2,772
RMB	8,644	5,662	2,087
US$	1,560	1,560	1,561
	16,950	11,036	6,420

Profit Noble

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	421	418	414

As of December 31, 2016, 2017 and 2018, all funds of Profit Noble were deposited in bank accounts opened with a reputable bank in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
US$	404	404	404
HK$	17	14	10
	421	418	414

16 Share capital

	Number of ordinary shares	Total
		HK$'000
Issued and fully paid:		
At January 1, 2016, December 31, 2016, 2017 and 2018	10,000	10

Note: Profit Noble was incorporated in Hong Kong on February 6, 2015 with limited liability. On the same date, Profit Noble allotted and issued 10,000 ordinary shares, credited as fully paid at HK$1 each, to Xinyi Power (BVI), its former immediate holding company. On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in Profit Noble to Solar Farm (Group 1) at a consideration of HK$10,000.

17 Other reserves

Profit Noble Group

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Exchange reserve	(Accumulated losses)/ retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	—	—	(17)	(17)
Profit for the year	—	—	—	12,102	12,102
Currency translation differences	—	—	(6,826)	—	(6,826)
Appropriation to statutory reserve	1,193	—	—	(1,193)	—
At December 31, 2016	1,193	—	(6,826)	10,892	5,259
At January 1, 2017	1,193	—	(6,826)	10,892	5,259
Profit for the year	—	—	—	18,003	18,003
Currency translation differences	—	—	13,625	—	13,625
Appropriation to statutory reserve	1,857	—	—	(1,857)	—
Shareholder contribution	—	207,921	—	—	207,921
At December 31, 2017	3,050	207,921	6,799	27,038	244,808
At January 1, 2018	3,050	207,921	6,799	27,038	244,808
Profit for the year	—	—	—	18,444	18,444
Currency translation differences	—	—	(12,891)	—	(12,891)
Appropriation to statutory reserve	1,743	—	—	(1,743)	—
Shareholder contribution	—	2,162	—	—	2,162
At December 31, 2018	4,793	210,083	(6,092)	43,739	252,523

Profit Noble

	Capital reserve (Note (b))	(Accumulated losses)/retained earnings	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2016	—	(17)	(17)
Loss for the year	—	(5)	(5)
At December 31, 2016	—	(22)	(22)
At January 1, 2017	—	(22)	(22)
Profit for the year	—	5,463	5,463
Shareholder contribution	207,921	—	207,921
At December 31, 2017	207,921	5,441	213,362
At January 1, 2018	207,921	5,441	213,362
Loss for the year	—	(5,967)	(5,967)
Shareholder contribution	2,162	—	2,162
At December 31, 2018	210,083	(526)	209,557

Notes:

(a) Statutory reserve

The PRC subsidiary is required to allocate 10% of its net profits to the statutory reserve fund until such fund reaches 50% of its registered capital. The statutory reserve fund can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that such fund is maintained at a minimum of 25% of its registered capital.

During the years ended December 31, 2016, 2017 and 2018, the board of directors of Profit Noble's PRC subsidiary resolved to appropriate approximately HK$1,193,000, HK$1,857,000 and HK$1,743,000, respectively, from retained earnings to statutory reserve.

(b) Capital reserve

On May 31, 2017, Profit Noble was indebted to Xinyi Power (BVI) for HK$207,921,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Profit Noble capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

On May 31, 2018, Profit Noble was indebted to Xinyi Power (BVI) for HK$2,162,000. By a deed of debt forgiveness dated May 31, 2018, Xinyi Power (BVI) forgave the balance. Solar Farm (Group 1) capitalized the amount as a shareholder contribution from Xinyi Power (BVI), and Profit Noble capitalized the amount as a shareholder contribution from Solar Farm (Group 1).

18 Interests in a subsidiary

Profit Noble

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Investment in a subsidiary			
Unlisted shares, at cost	93,156	93,156	93,156
Amount due from a subsidiary	—	119,830	116,006

Unlisted investment in a subsidiary is stated at the aggregate investment cost of the subsidiary.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying amount of the balance is denominated in RMB and approximates its fair value.

Details of the subsidiary are as follows:

Company name	Date of establishment	Place of incorporation and kind of legal entity	Registered capital	Effective interest attributable to the Profit Noble Group: December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Directly held:									
Xinyi Solar (Huainan)	September 2, 2015	The PRC, limited liability company	Registered and paid up capital of US$12,000,000	100%	100%	100%	100%	Operation of solar farm in the PRC	(i)

Note:

(i) The statutory financial statements of the subsidiary for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

19 Amounts due from/to related parties

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values.

20 Accruals and other payables

Profit Noble Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Payables for property, plant and equipment	21,466	20,026	15,899
Others	—	9	9
	21,466	20,035	15,908
Less: Non-current portion:			
Retention payables for property, plant and equipment	(1,202)	(1,484)	(1,242)
Current portion	20,264	18,551	14,666

Profit Noble

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	—	9	9

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

21 Cash flow information

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

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	12,102	18,003	18,453
Adjustments for:			
Interest income (Note 8)	(13)	(35)	(12)
Depreciation of property, plant and equipment (Note 13)	4,426	7,118	7,664
	16,515	25,086	26,105
Changes in working capital:			
Trade and other receivables	(30,425)	(19,342)	2,959
Accruals and other payables	(158)	9	—
Cash (used in)/generated from operations	(14,068)	5,753	29,064

(b) Non-cash transactions

(i) During the year ended December 31, 2016, additions of plant and equipment amounting to HK$20,947,000, were purchased through increase in other payables without any cash paid.

(ii) Finance costs on related party balances of HK$34,000 and HK$30,000 were capitalized as direct cost of construction in progress during the years ended December 31 2017 and 2018, respectively. Such amounts were incurred through increase in amounts due to related parties without any cash paid.

(iii) During the year ended December 31, 2017, there was a shareholder contribution arose from forgiveness of debt by Xinyi Power (BVI) totaled HK$207,921,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Profit Noble capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

During the year ended December 31, 2018, there was a shareholder contribution from Solar Farm (Group 1) arose from forgiveness of debt by Xinyi Power (BVI) totaled HK$2,162,000. By a deed of debt forgiveness dated May 31, 2018, Xinyi Power (BVI) forgave the balance. Solar Farm (Group 1) capitalized the amount as a shareholder contribution from Xinyi Power (BVI), and Profit Noble capitalized the amount as a shareholder contribution from Solar Farm (Group 1).

(c) Net debt reconciliation

		Liabilities from financing activities	
	Cash and cash equivalents	Amounts due to related parties	Total
	HK$'000	HK$'000	HK$'000
Net debt as of January 1, 2016	471	(24,971)	(24,500)
Cash flows	16,867	(181,493)	(164,626)
Foreign exchange adjustments	(388)	3,621	3,233
Net debt as of December 31, 2016	16,950	(202,843)	(185,893)
Net debt as of January 1, 2017	16,950	(202,843)	(185,893)
Cash flows	(6,421)	(4,607)	(11,028)
Foreign exchange adjustments	507	(494)	13
Other non-cash movements (Notes (b)(iii) and (iv))	—	207,887	207,887
Net debt as of December 31, 2017	11,036	(57)	10,979
Net debt as of January 1, 2018	11,036	(57)	10,979
Cash flows	(4,157)	(2,138)	(6,295)
Foreign exchange adjustments	(459)	(1)	(460)
Other non-cash movements (Notes (b)(iii) and (iv))	—	2,132	2,132
Net debt as of December 31, 2018	6,420	(64)	6,356

22 Operating lease commitments

The Profit Noble Group leases certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017 and 2018, the Profit Noble Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Not later than 1 year	601	646	615
Later than 1 year and not later than 5 years	2,429	2,644	2,546
More than 5 years	16,311	17,371	15,678
	19,341	20,661	18,839

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

23 Capital commitments

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Property, plant and equipment:			
- Contracted but not provided for	—	11,554	8,497

24 Related party transactions

(a) The directors of Profit Noble are of the view that the following companies that had transactions or balances with the Profit Noble Group are related parties:

Name of related parties	Relationship with the Profit Noble Group
Xinyi Solar	Ultimate holding company
Xinyi Power (BVI)	Former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017
New Wisdom	Fellow subsidiary
Power Sky Development Limited ("Power Sky")	Fellow subsidiary
Xinyi PV Products	Fellow subsidiary
Xinyi Solar (HK)	Fellow subsidiary

(b) Related party transactions

The following is a summary of the significant transactions carried out between the Profit Noble Group and its related parties in the ordinary course of business during the Profit Noble Group's Track Record Period.

	Year ended December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Employee benefits paid by the ultimate holding company (Note i)			
- Xinyi Solar	1	1	1
Employee benefits paid by fellow subsidiaries			
- Xinyi Solar (HK) (Note ii)	34	55	63
- Xinyi PV Products (Note iii)	461	481	519
	495	536	582
Finance costs payable to a fellow subsidiary (Note iv)			
- New Wisdom	—	34	30

Notes:

(i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Profit Noble Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(ii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business represent salaries and discretionary bonus of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Profit Noble Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iii) Employee benefit expenses incurred by Xinyi PV Products on behalf of the Solar Farm Business represent wages and salaries and retirement benefits of employees, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the Profit Noble Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iv) Finance costs represent interest expense on the advances from New Wisdom. The interest expense was charged at mutually agreed rate. The advances from New Wisdom maintained at a range from $964,000 to HK$1,208,000 from January to December 2017 and from HK$923,000 to HK$964,000 from January to December 2018, respectively, and were repaid to New Wisdom in full as of December 31, 2017 and 2018. The effective interest rates during the years ended December 31, 2017 and 2018 were 2.83% and 3.21%, respectively.

(c) Balances with related parties

Profit Noble Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- Xinyi PV Products	—	4,717	26,903
- Power Sky	1	—	—
Total	1	4,717	26,903
Due to related parties:			
- New Wisdom	—	34	64
- Xinyi Solar (HK)	78,181	23	—
- Xinyi PV Products	109,253	—	—
- Xinyi Power (BVI)	15,409	—	—
Total	202,843	57	64

The amounts due from/to related parties are unsecured, interest free, non-trade in nature and repayable on demand.

Subsequent to December 31, 2018, the outstanding balances with related parties will be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from related parties:			
- RMB	—	4,717	26,903
- HK$	1	—	—
Total	1	4,717	26,903
Due to related parties:			
- RMB	109,253	—	—
- HK$	93,590	57	64
Total	202,843	57	64

Profit Noble

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from a subsidiary:			
- Xinyi Solar (Huainan)	—	119,830	116,006
Due from a related party:			
- Power Sky	1	—	—
Due to related parties:			
- Xinyi Solar (HK)	78,181	23	—
- Xinyi Power (BVI)	15,409	—	—
Total	93,590	23	—

The amount due from a subsidiary and amounts due from/to related parties are unsecured, interest-free, non-trade in nature and repayable on demand.

The carrying amounts of the amounts due from/to related parties are denominated in HK$.

(d) Key management compensation

Key management includes a director of Profit Noble and certain senior management. The compensation of the director of Profit Noble paid or payable is disclosed in Note 10. The compensation of a director incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 24(b)(i) and (ii), respectively.

25 Financial instruments by category

Profit Noble Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Trade and other receivables excluding prepayments and other tax receivables	10,890	32,332	33,423
Amount due from a related party	1	4,717	26,903
Cash and cash equivalents	16,950	11,036	6,420
	27,841	48,085	66,746
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff costs and other taxes payables	21,466	20,035	15,908
Amounts due to related parties	202,843	57	64
	224,309	20,092	15,972

Profit Noble

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Amount due from a subsidiary	—	119,830	116,006
Amount due from a related party	1	—	—
Cash and cash equivalents	421	418	414
	422	120,248	116,420
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff costs and other taxes payables	—	9	9
Amounts due to related parties	93,590	23	—
	93,590	32	9

26 Contingencies

Profit Noble and the Profit Noble Group did not have any contingent liabilities as of December 31, 2016, 2017 and 2018.

27 Subsequent event

Save as disclosed elsewhere in this report, the following significant event took place subsequent to December 31, 2018:

Pursuant to the agreement of Target Acquisition, all net balances with related parties of the Profit Noble Group will be capitalized before completion of the Target Acquisition.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Profit Noble or its subsidiary in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared or made by Profit Noble or its subsidiary in respect of any period subsequent to December 31, 2018.

The following is the text of a report set forth on pages IF-1 to IF-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINYI ENERGY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED

Introduction

We report on the historical financial information of Sky Cheer Investments Limited ("Sky Cheer") and its subsidiary (together, the "Sky Cheer Group") set out on pages IF-4 to IF-54, which comprises the consolidated and company balance sheets as of December 31, 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from January 8, 2016 to December 31, 2016, the years ended December 31, 2017 and 2018 (the "Sky Cheer Group's Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IF-4 to IF-54 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Xinyi Energy Holdings Limited (the "Company") dated May 15, 2019 in connection with the proposed acquisition of Sky Cheer by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The financial statements of the Sky Cheer Group for the Sky Cheer Group's Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Sky Cheer and its subsidiary now comprising the Sky Cheer Group for the Sky Cheer Group's Track Record Period. The directors of the respective companies now comprising the Sky Cheer Group are responsible for the preparation of the respective company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Sky Cheer as of December 31, 2016, 2017 and 2018 and the consolidated financial position of the Sky Cheer Group as of December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Sky Cheer Group's Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
May 15, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE SKY CHEER GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report of the Sky Cheer Group.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$").

CONSOLIDATED INCOME STATEMENTS

	Note	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
		2016	2017	2018
		HK$'000	HK$'000	HK$'000
Revenue	5	—	19,276	58,492
Cost of sales	7	—	(4,225)	(15,450)
Gross profit		—	15,051	43,042
Other income	5	—	250	90
Other gains/(losses), net	6	—	8	(105)
Administrative expenses	7	(1)	(151)	(547)
Operating (loss)/profit		(1)	15,158	42,480
Finance income	8	—	7	8
Finance costs	8	—	—	—
(Loss)/profit before income tax		(1)	15,165	42,488
Income tax expense	11	—	(15)	—
(Loss)/profit for the period/year attributable to equity holder of Sky Cheer		(1)	15,150	42,488

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
(Loss)/profit for the period/year	(1)	15,150	42,488
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences	(137)	8,203	(20,599)
Total comprehensive (loss)/income for the period/year attributable to equity holder of Sky Cheer	(138)	23,353	21,889

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31, 2016 HK$'000	2017 HK$'000	2018 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	15,448	285,098	305,447
Prepayments for property, plant and equipment	14	12,354	2,904	325
Total non-current assets		27,802	288,002	305,772
Current assets				
Trade and other receivables	14	1,833	48,069	87,956
Amount due from a related party	19, 24	10	—	—
Cash and cash equivalents	15	13,407	5,447	3,095
Total current assets		15,250	53,516	91,051
Total assets		43,052	341,518	396,823
EQUITY				
Capital and reserves attributable to Sky Cheer's equity holder				
Share capital	16	10	10	10
Other reserves	17	(137)	154,113	288,743
(Accumulated losses)/retained earnings	17	(1)	13,638	52,084
Total (deficit)/equity		(128)	167,761	340,837
LIABILITIES				
Non-current liabilities				
Other payables	20	824	5,300	1,411
Current liabilities				
Accruals and other payables	20	7,416	61,037	27,338
Amounts due to related parties	19, 24	34,940	107,405	27,237
Current income tax liabilities		—	15	—
Total current liabilities		42,356	168,457	54,575
Total liabilities		43,180	173,757	55,986
Total deficit/equity and liabilities		43,052	341,518	396,823

BALANCE SHEETS

		As of December 31,		
		2016	2017	2018
	Note	HK$'000	HK$'000	HK$'000
ASSETS				
Non-current asset				
Investment in a subsidiary	18	10,000	70,000	70,000
Current assets				
Amount due from a subsidiary	18, 24	—	88,548	215,272
Amount due from a related party	19, 24	10	—	—
Cash and cash equivalents	15	59	57	53
Total current assets		69	88,605	215,325
Total assets		10,069	158,605	285,325
EQUITY				
Equity attributable to Sky Cheer's equity holder				
Share capital	16	10	10	10
Other reserves	17	—	144,536	295,723
(Accumulated losses)/retained earnings	17	(1)	4,041	(10,418)
Total equity		9	148,587	285,315
LIABILITIES				
Current liabilities				
Accruals	20	—	9	9
Amounts due to related parties	19, 24	10,060	10,009	1
Total liabilities		10,060	10,018	10
Total equity and liabilities		10,069	158,605	285,325

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of Sky Cheer			
	Share capital (Note 16)	Other reserves (Note 17)	(Accumulated losses)/retained earnings (Note 17)	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at January 8, 2016 (date of incorporation)	—	—	—	—
Comprehensive loss				
Loss for the period	—	—	(1)	(1)
Other comprehensive loss				
Currency translation differences	—	(137)	—	(137)
Total comprehensive loss	—	(137)	(1)	(138)
Transactions with the owner of Sky Cheer				
Issuance of shares	10	—	—	10
Balance at December 31, 2016	10	(137)	(1)	(128)
Balance at January 1, 2017	10	(137)	(1)	(128)
Comprehensive income				
Profit for the year	—	—	15,150	15,150
Other comprehensive income				
Currency translation differences	—	8,203	—	8,203
Total comprehensive income	—	8,203	15,150	23,353
Transactions with the owner of Sky Cheer				
Appropriation to statutory reserve	—	1,511	(1,511)	—
Shareholder contribution (Note 17 (b))	—	144,536	—	144,536
Balance at December 31, 2017	10	154,113	13,638	167,761
Balance at January 1, 2018	10	154,113	13,638	167,761
Comprehensive income				
Profit for the year	—	—	42,488	42,488
Other comprehensive loss				
Currency translation differences	—	(20,599)	—	(20,599)
Total comprehensive income	—	(20,599)	42,488	21,889
Transactions with the owner of Sky Cheer				
Appropriation to statutory reserve	—	4,042	(4,042)	—
Shareholder contribution (Note 17 (b))	—	151,187	—	151,187
Balance at December 31, 2018	10	288,743	52,084	340,837

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
		2016	2017	2018
		HK$'000	HK$'000	HK$'000
Cash flows from operating activities				
Cash (used in)/generated from operations	21(a)	(1,834)	(27,487)	17,286
Income tax paid		—	—	(15)
Net cash (used in)/generated from operating activities		(1,834)	(27,487)	17,271
Cash flows from investing activities				
Purchases of property, plant and equipment		(20,064)	(193,338)	(87,826)
Repayments from a related party		—	10	—
Interest received		—	7	8
Net cash used in investing activities		(20,064)	(193,321)	(87,818)
Cash flows from financing activities				
Advances from related parties		35,455	292,909	70,542
Repayments to related parties		—	(80,307)	(2,189)
Net cash generated from financing activities		35,455	212,602	68,353
Net increase/(decrease) in cash and cash equivalents		13,557	(8,206)	(2,194)
Cash and cash equivalents at beginning of the period/year		—	13,407	5,447
Exchange differences on cash and cash equivalents		(150)	246	(158)
Cash and cash equivalents at end of the period/year	15	13,407	5,447	3,095

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Sky Cheer was incorporated as an investment holding company with limited liability in Hong Kong on January 8, 2016 with Xinyi Power (BVI) Limited ("Xinyi Power (BVI)") as the sole shareholder. The address of its registered office is Unit 2109-2115, 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

On May 13, 2016, Xinyi Solar (Wuwei) Limited ("Xinyi Solar (Wuwei)") was established with Sky Cheer as the sole shareholder. The subsidiary is principally engaged in the management and operations of a solar farm in the People's Republic of China (the "PRC") (the "Solar Farm Business").

Up to June 30, 2017, the immediate holding company of Sky Cheer was Xinyi Power (BVI) and the ultimate holding company of Sky Cheer was Xinyi Solar Holdings Limited ("Xinyi Solar"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the Sky Cheer Group's Track Record Period, Xinyi Solar was controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung.

On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in Sky Cheer to Xinyi Solar Farm (Group 1) Limited ("Solar Farm (Group 1)"), a wholly-owned subsidiary of Xinyi Power (BVI) and Xinyi Solar, at a consideration of HK$10,000. Since then, the immediate holding company of Sky Cheer has been changed to Solar Farm (Group 1) while Xinyi Power (BVI) has been changed to be the intermediate holding company of Sky Cheer, and the ultimate holding company of Sky Cheer (i.e. Xinyi Solar) has been remained the same.

On December 5, 2018, the Company entered into an agreement with Solar Farm (Group 1) to acquire the entire issued share capital of Sky Cheer, New Wisdom International Limited ("New Wisdom"), Sky Falcon Development Limited, Profit Noble Development Limited and Perfect Alliance Development Limited, which held the operating companies of the utility-scale ground-mounted solar farm projects in the PRC, at an aggregate consideration of RMB4,090,790,000 ("Target Acquisition").

The statutory financial statements of Sky Cheer for the period from the date of incorporation to December 31, 2016 and the year ended December 31, 2017 were prepared in accordance with Hong Kong Financial Reporting Standards and audited by Sky CPA & Co, Certified Public Accountants, in Hong Kong. Up to the date of this report, the statutory financial statements of Sky Cheer for the year ended December 31, 2018 are yet to be issued.

Sky Cheer and its subsidiary have adopted December 31 as their financial year end date.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information of the Sky Cheer Group are set out below. These policies have been consistently applied to all the years and period presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with HKFRSs issued by the HKICPA are set out below.

The preparation of Historical Financial Information 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 Sky Cheer Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Sky Cheer Group has applied HKFRS 15 consistently throughout the Sky Cheer Group's Track Record Period.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to each performance obligation; and

(v) Recognize revenue when each performance obligation is satisfied.

There is no impact on the accounting policies and Historical Financial Information of the Sky Cheer Group upon the adoption of HKFRS 15, which replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 9 "Financial Instruments"

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after January 1, 2018.

The Sky Cheer Group has applied HKFRS 9 consistently throughout the Sky Cheer Group's Track Record Period.

The new standard replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

The new standard also introduces new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

There is no impact on the accounting policies and Historical Financial Information of the Sky Cheer Group upon the adoption of HKFRS 9, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

New standards, amendments to standards and interpretations

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Sky Cheer Group's Track Record Period, and have not been early adopted. The Sky Cheer Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015 — 2017 Cycle	January 1, 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKAS 28 (Amendments)	Long Term Interests in Associates and Joint Ventures	January 1, 2019

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	January 1, 2019
HKFRS 17	Insurance Contract	January 1, 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	January 1, 2019
HKFRS 3	Definition of a Business	January 1, 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	January 1, 2020

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

HKFRS 16 will primarily affect the accounting for the Sky Cheer Group's operating leases. As of December 31, 2016, 2017 and 2018, the Sky Cheer Group had non-cancellable operating lease commitments of HK$39,632,000, HK$42,737,000 and HK$40,314,000 respectively, see Note 22. The Sky Cheer Group expects to recognize right-of-use assets of approximately HK$14,311,000 on January 1, 2019 and lease liabilities of HK$14,017,000 (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018). As of January 1, 2019, overall net assets will be approximately HK$220,000 higher, and net current assets will be HK$2,354,000 higher due to the balance of existing current portion of accrued lease payment is larger than the current portion of lease liability.

The Group expects that impact on deferred tax assets on January 1, 2019, and impacts on net profit after tax, operating cash flows and financing cash flows for 2019 as a result of adoption the new rules are immaterial.

The Sky Cheer Group has no activity as a lessor and hence the Sky Cheer Group does not expect any significant impact on the financial statements.

Date of adoption by the Sky Cheer Group

The Sky Cheer Group will apply the standard from its mandatory adoption date of January 1, 2019. The Sky Cheer Group intends to apply the full retrospective approach. The discount rate used to discount the lease payments is the discount rate on the lease commencement date. The right-of-use asset for property lease and the lease liability will be retrospectively restated to the lease commencement date. The right-of-use asset for property lease will then be depreciated on a straight-line basis.

At this stage, the Sky Cheer Group does not intend to early adopt the standard.

For new standards, amendments to existing standards and new interpretations other than HKFRS 16 "Leases" aforementioned above, management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and interpretations and considered on a preliminary basis that, these new standards and amendments to standards and interpretations will not result in any substantive changes of the Sky Cheer Group's existing accounting policies and presentation of Historical Financial Information.

2.2 Subsidiary

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Sky Cheer Group has control. The Sky Cheer Group controls an entity when the Sky Cheer Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Sky Cheer Group. It is deconsolidated from the date that control ceases.

The Sky Cheer Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Sky Cheer Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by entity have been adjusted to conform with the Sky Cheer Group's accounting policies.

2.2.2 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiary are accounted for by Sky Cheer on the basis of dividend received and receivable.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Sky Cheer Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK$, which is Sky Cheer functional and the Sky Cheer Group's presentation currency. The results and balance sheets of the Sky Cheer Group's subsidiary incorporated in the PRC are prepared in Chinese Renminbi ("RMB"), which is the functional currency of the subsidiary.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

- Solar Farm	25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the Sky Cheer Group's Track Record Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 Classification

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

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortized cost.

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

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

The Sky Cheer Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

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

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

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

2.10 Trade and other receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Accruals and other payables

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

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

2.14 Provisions

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

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

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

2.15 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial

Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of an investment in a foreign operation where Sky Cheer is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

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

2.16 Revenue recognition

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

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

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

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

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

(a) Sales of electricity

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

The revenue from sales of electricity is based on the on-grid benchmark tariff rate of local coal-fired power plants, which can be adjusted by the government of the PRC (the "PRC government"). It is currently settled by a state grid company for the electricity generated by the Solar Farm on a monthly basis.

(b) Tariff adjustment

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

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

2.17 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to Sky Cheer's shareholder is recognized as a liability in the Sky Cheer Group's financial statements in the period in which the dividends are approved by Sky Cheer's shareholder or directors, where appropriate.

2.20 Interest income

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Sky Cheer Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in a foreign operation. The Sky Cheer Group manages its foreign exchange risks by performing regular reviews.

The Sky Cheer Group had investment in a foreign operation, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currency would be reflected in the movement of the exchange reserve.

As of December 31, 2016, 2017 and 2018, Sky Cheer does not have significant foreign exchange risk on RMB against HK$, which is the functional currency of Sky Cheer.

As of December 31, 2016, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, loss after income tax for the period of the PRC subsidiary would have been approximately HK$500,000 higher/lower, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and cash equivalents.

As of December 31, 2017, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$17,000 higher/lower, mainly as a result of foreign exchange gains/losses, net on translation of HK$ denominated cash and cash equivalents and amount due to a related party.

As of December 31, 2018, if HK$ had weakened/strengthened by 5% against RMB, which is the functional currency of the PRC subsidiary, with all other variables held constant, profit after income tax for the year of the PRC subsidiary would have been approximately HK$90,000 higher/lower, mainly as a result of foreign exchange gains/losses, net on translation of HK$ denominated cash and cash equivalents and amount due to a related party.

(ii) Cash flow and fair value interest rate risk

The Sky Cheer Group's interest rate risk is mainly attributable to its cash and cash equivalents. Financial assets and liabilities at variable rates expose the Sky Cheer Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Sky Cheer Group to fair value interest rate risk. Details of the Sky Cheer Group's cash and cash equivalents have been disclosed in Note 15 to the Historical Financial Information.

As of December 31, 2016, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, loss after income tax for the period would have been approximately HK$34,000 lower/higher, mainly as a result of higher/lower interest income being earned.

As of December 31, 2017, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$14,000 higher/lower, mainly as a result of higher/lower interest income being earned.

As of December 31, 2018, if interest rates on cash and cash equivalents had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$8,000 higher/lower, mainly as a result of higher/lower interest income being earned.

(b) Credit risk

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

Sky Cheer Group

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade and other receivables excluding prepayments and other tax receivables (Note 14)	23	15,035	52,782
Amount due from a related party	10	—	—
Cash at bank (Note 15)	13,407	5,447	3,095
Maximum exposure to credit risk	13,440	20,482	55,877

Sky Cheer

	As of December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Amount due from a subsidiary	—	88,548	215,272
Amount due from a related party	10	—	—
Cash at bank (Note 15)	59	57	53
Maximum exposure to credit risk	69	88,605	215,325

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

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

As of December 31, 2016, 2017 and 2018, most of the bank deposits are deposited with state owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash at bank has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

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

Trade and tariff adjustment receivables arising from sales of electricity were all due from a customer which is a state-owned enterprise. The Sky Cheer Group has one ground-mounted Solar Farm with approved grid-connection capacity of 50 MW ready for applying the Renewable Energy Tariff Subsidy Catalogue when the registration period open. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the director is of the opinion that the risk of default by this customer is not significant and does not expect any losses from non-performance by the customer. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

The credit quality of the amount due from a related party and other receivables excluding prepayments and other tax receivables has been assessed with reference to historical information about the counterparty default rate and financial position of the counterparty. Given the track record of repayment in full, the director is of the opinion that the risk of default by this counterparty is not significant and does not expect any losses from non-performance by the counterparty. Therefore, expected credit loss rate of the amount due from a related party and other receivables excluding prepayments and other tax receivables is assessed to be close to zero and no provision was made as of December 31, 2016, 2017 and 2018.

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

(c) Liquidity risk

Finance department of the Sky Cheer Group monitors rolling forecasts of the Sky Cheer Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecast takes into consideration the Sky Cheer Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

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

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

Sky Cheer Group

	On demand or less than 1 year	Between 1 and 2 years	Total
	HK$'000	HK$'000	HK$'000
At December 31, 2016			
Amounts due to related parties	34,940	—	34,940
Accruals and other payables excluding accruals of staff costs and other taxes payables	7,416	824	8,240
Total	42,356	824	43,180
At December 31, 2017			
Amounts due to related parties	107,405	—	107,405
Accruals and other payables excluding accruals of staff costs and other taxes payables	61,037	5,300	66,337
Total	168,442	5,300	173,742
At December 31, 2018			
Amounts due to related parties	27,237	—	27,237
Accruals and other payables excluding accruals of staff costs and other taxes payables	27,338	1,411	28,749
Total	54,575	1,411	55,986

Sky Cheer

	On demand or less than 1 year
	HK$'000
At December 31, 2016	
Amount due to a related party	10,060
At December 31, 2017	
Amounts due to related parties	10,009
Accruals and other payables excluding accruals of staff costs and other taxes payables	9
Total	10,018
At December 31, 2018	
Amount due to a related party	1
Accruals and other payables excluding accruals of staff costs and other taxes payables	9
Total	10

3.2 Capital risk management

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

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

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Sky Cheer Group has no financial instruments measured on such basis in the consolidated balance sheets as of December 31, 2016, 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

4 Critical accounting estimates and judgements

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

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

(a) Impairment of trade and other receivables

The Sky Cheer Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) Useful lives of property, plant and equipment

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax liabilities of the Sky Cheer Group mainly arise from the unremitted earnings of its PRC subsidiary. The realizability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 Revenue, other income and segment information

Revenue and other income recognized during the Sky Cheer Group's Track Record Period are as follows:

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue			
Recognized at a point in time:			
Sales of electricity	—	6,966	23,793
Tariff adjustment	—	12,310	34,699
	—	19,276	58,492
Other income	—	250	90

Segment information

The Sky Cheer Group is mainly engaged in the management and operation of a solar farm in the PRC since March 2016. Information reported to the Sky Cheer Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Sky Cheer Group as a whole as the Sky Cheer Group's resources are integrated and no discrete operating segment financial information is available.

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

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

All revenue for the Sky Cheer Group's Track Record Period were from one single customer which is a state grid company.

6 Other gains/(losses), net

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Foreign exchange gains/(loss), net	—	8	(105)

7 Expenses by nature

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

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charge of property, plant and equipment (Note 13)	—	3,423	12,498
Employee benefit expenses (including directors' emoluments) (Note 9)	—	41	118
Electricity	—	71	738
Operating lease expenses	—	731	2,214
Auditor's remuneration - statutory audits	—	17	12
Legal and professional fees	—	1	2
Insurance expenses	—	25	165
Other expenses	1	67	250
	1	4,376	15,997

8 Finance income and costs

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance income			
Interest income from bank deposits	—	7	8
Finance costs			
Interest expense on the advance from a fellow subsidiary (Note 24(b))	—	2,270	63
Less: Amount capitalized on qualifying assets (Note 13)	—	(2,270)	(63)
	—	—	—

9 Employee benefit expenses (including directors' emoluments)

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages and salaries	—	41	118
Retirement benefits scheme contribution (Note)	—	—	—
	—	41	118

The wages and salaries of employees incurred by Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products"), a fellow subsidiary, on behalf of the Solar Farm Business amounted to HK$395,000 and HK$448,000, respectively, for the years ended December 31, 2017 and 2018. Details of these related party transactions are stated in Note 24(b)(iii).

The retirement benefits of employees incurred by Xinyi PV Products on behalf of the Solar Farm Business amounted to HK$79,000 and HK$89,000, respectively, for the years ended December 31, 2017 and 2018. Details of these related party transactions are stated in Note 24(b)(iii).

Note: The Sky Cheer Group's subsidiary in the PRC participates in a defined contribution retirement scheme covering its PRC employees. The scheme is administered by the relevant government authority in the PRC. The Sky Cheer Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authority undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Sky Cheer Group's subsidiary in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

10 Benefits and interests of directors

(a) No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to a retirement benefit scheme and emoluments in respect of director's other services in connection with the management of the affairs of Sky Cheer or its subsidiary undertaking were paid to the director in his capacity as a director of Sky Cheer or its subsidiary and no emoluments were paid by Sky Cheer or its subsidiary to the director as an inducement to join Sky Cheer or its subsidiary, or as compensation for loss of office during the Sky Cheer Group's Track Record Period.

(b) During the Sky Cheer Group's Track Record Period , no retirement benefits, payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable. No consideration was provided to or receivable by third parties for making available director's services.

There were no material retirement benefits, payments or benefits in respect of termination of director's services incurred by Xinyi Solar or Xinyi Solar (HK) on behalf of the Solar Farm Business for the Sky Cheer Group's Track Record Period.

(c) During the Track Record Period, Mr. Lee Yau Ching made available his service as a director of Sky Cheer for the Solar Farm Business.

The fees of Mr. Lee Yau Ching incurred by Xinyi Solar on behalf of the Solar Farm Business amounted to HK$1,000 and HK$2,000, respectively, for the years ended December 31, 2017 and 2018. No consideration was provided by the Sky Cheer Group to Xinyi Solar. Details of these related party transactions are stated in Note 24(b)(i).

The salaries and discretionary bonuses of Mr. Lee Yau Ching incurred by Xinyi Solar (HK) Limited ("Xinyi Solar (HK)"), a fellow subsidiary on behalf of the Solar Farm Business amounted to HK$41,000 and HK$137,000, respectively, for the years ended December 31, 2017 and 2018. No consideration was provided by the Sky Cheer Group to Xinyi Solar (HK). Details of these related party transactions are stated in Note 24(b)(ii).

During the Track Record Period, there were no consideration provided to or receivable by third parties for making available directors' services of a person as a director of Sky Cheer.

(d) During the Sky Cheer Group's Track Record Period, there were no significant transactions, agreements and contracts in relation to the Sky Cheer Group's business to which Sky Cheer was a party and in which the director of Sky Cheer had material interest, whether directly or indirectly, other than those disclosed in Note 24.

(e) During the Sky Cheer Group's Track Record Period, there were no loans, quasi-loans and other dealing arrangements in favor of the director, or controlled body corporates and connected entities of such director, other than those disclosed in Note 24(c).

11 Income tax expense

(a) No provision for Hong Kong profits tax has been made for the Sky Cheer Group's Track Record Period as the Sky Cheer Group did not generate any assessable profits arising in Hong Kong during the Sky Cheer Group's Track Record Period.

(b) Provision made for PRC corporate income tax ("CIT") of the Sky Cheer Group amounted to HK$15,000 for the year ended December 31, 2017. The statutory income tax rate applicable to the PRC subsidiary of the Sky Cheer Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiary is eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the insurance claim received during the Sky Cheer Group's Track Record Period is subject to the CIT with statutory income tax rate of 25%.

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

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
(Loss)/profit before income tax	(1)	15,165	42,488
Calculated at tax rate of 25%	—	3,791	10,622
Preferential tax rates on income of PRC subsidiary	—	(3,782)	(10,626)
Effect of different tax rates in other countries	—	2	1
Expenses not deductible for tax purposes	—	4	3
	—	15	—

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

As of December 31, 2017 and 2018, deferred income tax liabilities of approximately HK$683,000 and HK$2,606,000, respectively, were not recognized for withholding tax that would be payable on the unremitted earnings of the subsidiary in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognized where the timing of the reversal of the temporary difference is controlled by the Sky Cheer Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognized amounted to approximately HK$13,660,000 and HK$52,121,000 as of December 31, 2017 and 2018, respectively.

12 Dividends

No dividend has been paid or declared by the Sky Cheer Group since its incorporation.

13 Property, plant and equipment

	Solar Farm	Construction in progress	Total
	HK$'000	HK$'000	HK$'000
At January 8, 2016 (date of incorporation)			
Cost	—	—	—
Accumulated depreciation	—	—	—
Net book amount	—	—	—
Period ended December 31, 2016			
Opening net book amount	—	—	—
Additions	—	15,950	15,950
Exchange differences	—	(502)	(502)
Closing net book amount	—	15,448	15,448
At December 31, 2016			
Cost	—	15,448	15,448
Accumulated depreciation	—	—	—
Net book amount	—	15,448	15,448

	Solar Farm	Construction in progress	Total
	HK$'000	HK$'000	HK$'000
Year ended December 31, 2017			
Opening net book amount	—	15,448	15,448
Additions	2,270	259,402	261,672
Transfers	275,331	(275,331)	—
Depreciation charge	(3,423)	—	(3,423)
Exchange differences	10,920	481	11,401
Closing net book amount	285,098	—	285,098
At December 31, 2017			
Cost	288,572	—	288,572
Accumulated depreciation	(3,474)	—	(3,474)
Net book amount	285,098	—	285,098
Year ended December 31,2018			
Opening net book amount	285,098	—	285,098
Additions	63	47,873	47,936
Transfers	47,873	(47,873)	—
Depreciation charge	(12,498)	—	(12,498)
Exchange differences	(15,089)	—	(15,089)
Closing net book amount	305,447	—	305,447
At December 31, 2018			
Cost	320,768	—	320,768
Accumulated depreciation	(15,321)	—	(15,321)
Net book amount	305,447	—	305,447

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Depreciation charged in consolidated income statements:			
- Cost of sales	—	3,423	12,498

Finance costs on the advance from a fellow subsidiary of HK$2,270,000 and HK$63,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2017 and 2018, respectively.

Borrowing costs were capitalized at the weighted average rates of the advance from a fellow subsidiary of 2.83% and 3.21% for the years ended December 31, 2017 and 2018, respectively.

As of December 31, 2016, construction in progress consisted of a developing Solar Farm project.

14 Trade and other receivables

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables (Note (a))	—	15,035	52,414
Deposits and other receivables (Note (c))	23	—	368
Other tax receivables (Note (d))	805	33,034	35,174
Prepayments for property, plant and equipment	12,354	2,904	325
Prepayments for operating leases	1,005	—	—
	14,187	50,973	88,281
Less: Non-current portion:			
Prepayments for property, plant and equipment	(12,354)	(2,904)	(325)
Current portion	1,833	48,069	87,956

(a) Trade receivables

As of December 31, 2017 and 2018, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Receivables from sales of electricity	—	1,396	802
Tariff adjustment receivables	—	13,639	51,612
	—	15,035	52,414

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

The ageing analysis of trade receivables is as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
0 to 90 days	—	14,958	7,721
91 days to 180 days	—	77	13,915
181 days to 365 days	—	—	16,471
Over 365 days	—	—	14,307
	—	15,035	52,414

The carrying amounts of the Sky Cheer Group's trade receivables are denominated in RMB.

(b) Provision for impairment of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, there is no due date for settlement. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognized as of December 31, 2017 and 2018.

The expected period of recovery of the tariff adjustment receivables is shown in the table below.

The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Tariff adjustment receivables:			
Expected to be recoverable after more than 12 months	—	13,639	51,612

(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 as of December 31, 2016, 2017 and 2018, respectively, was within one year.

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

(d) Other tax receivables

Other tax receivables mainly represented value added tax ("VAT") recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress) 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.

15 Cash and cash equivalents

Sky Cheer Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	13,407	5,447	3,095

As of December 31, 2016, 2017 and 2018, funds of the Sky Cheer Group amounting to HK$13,348,000, HK$5,390,000 and HK$3,042,000, respectively, were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$59,000, HK$57,000 and HK$53,000, respectively, as of December 31, 2016, 2017 and 2018 were deposited in a reputable bank in Hong Kong.

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
RMB	3,348	3,463	2,516
HK$	10,059	1,984	579
	13,407	5,447	3,095

Sky Cheer

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash at bank and maximum exposure of credit risk	59	57	53

As of December 31, 2016, 2017 and 2018, all funds of Sky Cheer were deposited in bank accounts opened with a reputable bank in Hong Kong.

The carrying amounts of Sky Cheer's cash and cash equivalents are denominated in HK$.

16 Share capital

	Number of ordinary shares	Total
		HK$'000
Issued and fully paid:		
At January 8, 2016	—	—
Issuance of shares (Note)	10,000	10
At December 31, 2016, 2017 and 2018	10,000	10

Note: Sky Cheer was incorporated in Hong Kong on January 8, 2016 with limited liability. On the same date, Sky Cheer allotted and issued 10,000 ordinary shares, credited as fully paid at HK$1 each, to Xinyi Power (BVI), its former immediate holding company. On June 30, 2017, Xinyi Power (BVI) transferred all its equity interests in Sky Cheer to Solar Farm (Group 1) at a consideration of HK$10,000.

17 Other reserves

Sky Cheer Group

	Statutory reserve (Note (a))	Capital reserve (Note (b))	Exchange reserve	(Accumulated losses)/retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 8, 2016 (date of incorporation)	—	—	—	—	—
Loss for the period	—	—	—	(1)	(1)
Currency translation differences	—	—	(137)	—	(137)
At December 31, 2016	—	—	(137)	(1)	(138)
At January 1, 2017	—	—	(137)	(1)	(138)
Profit for the year	—	—	—	15,150	15,150
Currency translation differences	—	—	8,203	—	8,203
Appropriation to statutory reserve	1,511	—	—	(1,511)	—
Shareholder contribution	—	144,536	—	—	144,536
At December 31, 2017	1,511	144,536	8,066	13,638	167,751
At January 1, 2018	1,511	144,536	8,066	13,638	167,751
Profit for the year	—	—	—	42,488	42,488
Currency translation differences	—	—	(20,599)	—	(20,599)
Appropriation to statutory reserve	4,042	—	—	(4,042)	—
Shareholder contribution	—	151,187	—	—	151,187
At December 31, 2018	5,553	295,723	(12,533)	52,084	340,827

Sky Cheer

	Capital reserve (Note (b))	(Accumulated losses)/retained earnings	Total
	HK$'000	HK$'000	HK$'000
At January 8, 2016 (date of incorporation)	—	—	—
Loss for the period	—	(1)	(1)
At December 31, 2016	—	(1)	(1)
At January 1, 2017	—	(1)	(1)
Profit for the year	—	4,042	4,042
Shareholder contribution	144,536	—	144,536
At December 31, 2017	144,536	4,041	148,577
At January 1, 2018	144,536	4,041	148,577
Loss for the year	—	(14,459)	(14,459)
Shareholder contribution	151,187	—	151,187
At December 31, 2018	295,723	(10,418)	285,305

Notes:

(a) Statutory reserve

The PRC subsidiary is required to allocate 10% of its net profits to the statutory reserve fund until such fund reaches 50% of its registered capital. The statutory reserve fund can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that such fund is maintained at a minimum of 25% of its registered capital.

During the years ended December 31, 2017 and 2018, the board of directors of Sky Cheer's PRC subsidiary resolved to appropriate approximately HK$1,511,000 and HK$4,042,000, respectively, from retained earnings to statutory reserve.

(b) Capital reserve

On May 31, 2017, Sky Cheer was indebted to Xinyi Power (BVI) for HK$144,536,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Sky Cheer capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

On May 31, 2018, Sky Cheer was indebted to Xinyi Power (BVI) for HK$151,187,000. By a deed of debt forgiveness dated May 31, 2018, Xinyi Power (BVI) forgave the balance. Solar Farm (Group 1) capitalized the amount as a shareholder contribution from Xinyi Power (BVI), and Sky Cheer capitalized the amount as a shareholder contribution from Solar Farm (Group 1).

18 Interests in a subsidiary

Sky Cheer

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Investment in a subsidiary			
Unlisted shares, at cost	10,000	70,000	70,000
Amount due from a subsidiary	—	88,548	215,272

Unlisted investment in a subsidiary is stated at the aggregate investment cost of the subsidiary.

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying amount of the balance is denominated in RMB and approximates its fair values.

Details of the subsidiary are as follows:

Company name	Date of establishment	Place of incorporation and kind of legal entity	Registered capital	Effective interest attributable to the Sky Cheer Group: December 31, 2016	2017	2018	Date of the report	Principal activities	Note
Directly held:									
Xinyi Solar (Wuwei)	May 13, 2016	The PRC, limited liability company	Registered capital of US$25,000,000 and paid up capital of US$8,996,726	100%	100%	100%	100%	Operation of solar farm in the PRC	(i)

Note:

(i) The statutory financial statements of the subsidiary for the period from the date of establishment to December 31, 2016 and the year ended December 31, 2017 and 2018 were prepared in accordance with the Accounting Policies for Business Enterprises and Accounting Systems for Business Enterprises and audited by Wuhu Kind Faith Certified Public Accountants Partnership (蕪湖市凱帆會計師事務所(普通合夥)), Certified Public Accountants, in the PRC.

19 Amounts due from/to related parties

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values.

20 Accruals and other payables

Sky Cheer Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Payables for property, plant and equipment	8,240	66,169	26,386
Others	—	168	2,363
	8,240	66,337	28,749
Less: Non-current portion:			
Retention payables for property, plant and equipment	(824)	(5,300)	(1,411)
Current portion	7,416	61,037	27,338

Sky Cheer

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	—	9	9

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

21 Cash flow information

(a) Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations:

	For the period from January 8, 2016 (date of incorporation) to December 31,	Year ended December 31,	
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
(Loss)/profit before income tax	(1)	15,165	42,488
Adjustments for:			
Interest income (Note 8)	—	(7)	(8)
Depreciation of property, plant and equipment (Note 13)	—	3,423	12,498
	(1)	18,581	54,978
Changes in working capital:			
Trade and other receivables	(1,833)	(46,236)	(39,887)
Accruals and other payables	—	168	2,195
Cash (used in)/generated from operations	(1,834)	(27,487)	17,286

(b) Non-cash transactions

(i) During the period from January 8 to December 31, 2016, the years ended December 31, 2017 and 2018, additions of plant and equipment amounting to HK$8,240,000, HK$56,614,000 and HK$42,530,000, respectively, were purchased through increase in other payables without any cash paid.

(ii) Finance costs on related party balances of HK$2,270,000 and HK$63,000 were capitalized as direct cost of construction in progress during the years ended December 31, 2017 and 2018, respectively. Such amounts were incurred through increase in amounts due to related parties without any cash paid.

(iii) During the period from January 8 to December 31, 2016, issuance of shares by Sky Cheer amounting to HK$10,000, was settled through amount due from a related party without any cash paid.

(iv) During the year ended December 31, 2017, there was a shareholder contribution arose from forgiveness of debt by Xinyi Power (BVI) totaled HK$144,536,000. By a deed of debt forgiveness dated May 31, 2017, Xinyi Power (BVI) forgave the balance and Sky Cheer capitalized the amount as a shareholder contribution from Xinyi Power (BVI).

During the year ended December 31, 2018, there was a shareholder contribution from Solar Farm (Group 1) arose from forgiveness of debt by Xinyi Power (BVI), totaled HK$151,187,000. By a deed of debt forgiveness dated May 31, 2018, Xinyi Power (BVI) forgave the balance. Solar Farm (Group 1) capitalized the amount as a shareholder contribution from Xinyi Power (BVI), and Sky Cheer capitalized the amount as a shareholder contribution from Solar Farm (Group 1).

(c) Net debt reconciliation

		Liabilities from financing activities	
	Cash and cash equivalents	**Amounts due to related parties**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Net debt as of January 8, 2016 (date of incorporation)	—	—	—
Cash flows	13,557	(35,455)	(21,898)
Foreign exchange adjustments	(150)	515	365
Net debt as of December 31, 2016	13,407	(34,940)	(21,533)
Net debt as of January 1, 2017	13,407	(34,940)	(21,533)
Cash flows	(8,206)	(212,602)	(220,808)
Foreign exchange adjustments	246	(2,129)	(1,883)
Other non-cash movements (Notes 21 (b)(iv) and (v))	—	142,266	142,266
Net debt as of December 31, 2017	5,447	(107,405)	(101,958)

	Cash and cash equivalents	Liabilities from financing activities — Amounts due to related parties	Total
	HK$'000	HK$'000	HK$'000
Net debt as of January 1, 2018	5,447	(107,405)	(101,958)
Cash flows	(2,194)	(68,352)	(70,546)
Foreign exchange adjustments	(158)	(2,603)	(2,761)
Other non-cash movements (Notes 21 (b)(iv) and (v))	—	151,123	151,123
Net debt as of December 31, 2018	3,095	(27,237)	(24,142)

22 Operating lease commitments

The Sky Cheer Group leases certain land under non-cancellable operating lease agreements. As of December 31, 2016, 2017 and 2018, the Sky Cheer Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Not later than 1 year	1,203	1,293	1,231
Later than 1 year and not later than 5 years	4,812	5,189	5,000
More than 5 years	33,617	36,255	34,083
	39,632	42,737	40,314

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

23 Capital commitments

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

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Property, plant and equipment:			
- Contracted but not provided for	98,448	—	—

24 Related party transactions

(a) The directors of Sky Cheer are of the view that the following companies that had transactions or balances with the Sky Cheer Group are related parties:

Name of related parties	Relationship with the Sky Cheer Group
Xinyi Solar	Ultimate holding company
Xinyi Power (BVI)	Former immediate holding company before June 30, 2017 and intermediate holding company on and after June 30, 2017
Xinyi PV Products	Fellow subsidiary
Xinyi Solar (HK)	Fellow subsidiary
Wise Leader Investments Limited ("Wise Leader")	Fellow subsidiary
New Wisdom	Fellow subsidiary

(b) Related party transactions

The following is a summary of the significant transactions carried out between the Sky Cheer Group and its related parties in the ordinary course of business during the Sky Cheer Group's Track Record Period.

	Year ended December 31,		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Employee benefits paid by the ultimate holding company (Note i)			
- Xinyi Solar	—	1	2
Employee benefits paid by fellow subsidiaries			
- Xinyi Solar (HK) (Note ii)	—	41	137
- Xinyi PV Products (Note iii)	—	474	537
	—	515	674
Finance costs payable to a fellow subsidiary (Note iv)			
- New Wisdom	—	2,270	63

Notes:

(i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Sky Cheer Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(ii) Employee benefit expenses by Xinyi Solar (HK) represent salaries and discretionary bonus of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the Sky Cheer Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iii) Employee benefit expenses incurred by Xinyi PV Products on behalf of the Solar Farm Business represent wages and salaries and retirement benefits of employees, which are calculated based on the estimated time spent by the employees on the Solar Farm Business during the Sky Cheer Group's Track Record Period. These employee benefit expenses were excluded from the Historical Financial Information.

(iv) Finance costs represent interest expense on the advance from New Wisdom. The interest expense was charged by mutually agreed rates. The advance from New Wisdom maintained at HK$80,307,000 from January to December 2017 and from HK$947,000 to HK$2,189,000 from January to December 2018, respectively, and were repaid to New Wisdom in full as of December 31, 2017 and 2018. The effective interest rates during the years ended December 31, 2017 and 2018 were 2.83% and 3.21%, respectively.

(c) Balances with related parties

Sky Cheer Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from a related party:			
- Xinyi Power (BVI)	10	—	—
Due to related parties:			
- Xinyi PV Products	24,880	95,126	24,903
- Xinyi Solar (HK)	10,060	10,008	—
- New Wisdom	—	2,270	2,333
- Wise Leader	—	1	1
Total	34,940	107,405	27,237

The amounts due from/to related parties are unsecured, interest free, non-trade in nature and repayable on demand.

Subsequent to December 31, 2018, the outstanding balances with related parties will be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in the following currencies:

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from a related party:			
- HK$	10	—	—
Due to related parties:			
- RMB	24,880	95,126	24,903
- HK$	10,060	12,279	2,334
Total	34,940	107,405	27,237

Sky Cheer

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Due from a subsidiary:			
- Xinyi Solar (Wuwei)	—	88,548	215,272
Due from a related party:			
- Xinyi Power (BVI)	10	—	—
Due to related parties:			
- Xinyi Solar (HK)	10,060	10,008	—
- Wise Leader	—	1	1
Total	10,060	10,009	1

The amount due from a subsidiary, amounts due from/to related parties are unsecured, interest-free, non-trade in nature and repayable on demand.

The outstanding balance with a related party will not be fully settled before the separate listing of the Company.

The carrying amounts of the amounts due from/to related parties are denominated in HK$.

(d) Key management compensation

Key management includes a director of Sky Cheer and certain senior management. The compensation of the director of Sky Cheer paid or payable is disclosed in Note 10. The compensation of a director incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 24(b)(i) and (ii), respectively.

25 Financial instruments by category

Sky Cheer Group

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Trade and other receivables excluding prepayments and other tax receivables	23	15,035	52,782
Amount due from a related party	10	—	—
Cash and cash equivalents	13,407	5,447	3,095
	13,440	20,482	55,877
Liabilities - amortized cost			
Accruals and other payables excluding accruals of staff costs and other taxes payables	8,240	66,336	28,749
Amounts due to related parties	34,940	107,405	27,237
	43,180	173,741	55,986

Sky Cheer

	As of December 31,		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets - amortized cost			
Amount due from a subsidiary	—	88,548	215,272
Amount due from a related party	10	—	—
Cash and cash equivalents	59	57	53
	69	88,605	215,325
Liabilities - amortized cost			
Accruals	—	9	9
Amounts due to related parties	10,060	10,009	1
	10,060	10,018	10

26 Contingencies

Sky Cheer and the Sky Cheer Group did not have contingent liabilities as of December 31, 2016, 2017 and 2018.

27 Subsequent event

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 2018:

Pursuant to the agreement of Target Acquisition, all net balances with related parties of the Sky Cheer Group will be capitalized before completion of the Target Acquisition.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Sky Cheer or its subsidiary in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared or made by Sky Cheer or its subsidiary in respect of any period subsequent to December 31, 2018 .

The information sets out in this Appendix does not form part of the Accountant's Reports from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendices IA to IF to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Reports" set out in Appendices IA to IF to this prospectus.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and statement of comprehensive income and unaudited pro forma consolidated statement of cash flows (the "Unaudited Pro Forma Financial Information") of Xinyi Energy Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and New Wisdom International Limited and its subsidiaries (collectively, "New Wisdom Group"), Sky Falcon Development Limited and its subsidiary (collectively, "Sky Falcon Group"), Perfect Alliance Development Limited and its subsidiary (collectively "Perfect Alliance Group"), Profit Noble Development Limited and its subsidiary (collectively "Profit Noble Group") and, Sky Cheer Investments Limited and its subsidiary (collectively "Sky Cheer Group") (New Wisdom International Limited, Sky Falcon Development Limited, Perfect Alliance Development Limited, Profit Noble Development Limited and Sky Cheer Investments Limited collectively are referred to as the "Target Companies"; the Target Companies and their subsidiaries are referred to as the "Target Group"; and the Group and the Target Group collectively are referred to as the "Enlarged Group") which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering and proposed acquisition by the Company of the Target Companies (the "Target Acquisition") as if they had taken place on December 31, 2018 for the unaudited pro forma consolidated balance sheet and as if they had taken place on January 1, 2018 for the unaudited pro forma consolidated income statement and statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Global Offering and the Target Acquisition been completed as of December 31, 2018 or January 1, 2018 or any future dates. The Unaudited Pro Forma Financial Information has been prepared under accounting policies consistent with those of the Group as set out in the accountant's report of the Group set out in Appendix IA to the prospectus.

(i) Unaudited pro forma consolidated balance sheet of the Enlarged Group as of December 31, 2018

		Pro forma adjustments										
	The Group as of December 31, 2018	New Wisdom Group as of December 31, 2018	Sky Falcon Group as of December 31, 2018	Perfect Alliance Group as of December 31, 2018	Profit Noble Group as of December 31, 2018	Sky Cheer Group as of December 31, 2018	Sub-total					The Enlarged Group as of December 31, 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 1 (a)	Note 2 (a)	Note 2 (a)	Note 2 (a)	Note 2 (a)	Note 2 (a)		Note 3	Note 4	Note 5	Note 5(c)	
ASSETS												
Non-current assets												
Property, plant and equipment	6,084,338	857,275	586,124	1,229,468	185,697	305,447	3,164,011			818,463		10,066,812
Prepayments for property, plant and equipment and operating leases	44,571	2,691	7,781	3,726	207	325	14,730					59,301
Goodwill	—	—	—	—	—	—	—			188,734		188,734
Total non-current assets	6,128,909	859,966	593,905	1,233,194	185,904	305,772	3,178,741					10,314,847
Current assets												
Trade and other receivables	1,845,482	278,934	230,969	314,053	49,278	87,956	961,190		(9,267)			2,797,405
Amounts due from related parties	—	5,080	23,125	317,305	26,903	—	372,413				(372,413)	—
Cash and cash equivalents	421,263	9,234	11,201	2,329	6,420	3,095	32,279		3,900,037	(1,824,174)		2,529,405
Total current assets	2,266,745	293,248	265,295	633,687	82,601	91,051	1,365,882					5,326,810
Total assets	8,395,654	1,153,214	859,200	1,866,881	268,505	396,823	4,544,623					15,641,657
EQUITY												
Capital and reserves attributable to the Company's equity												
Share capital	54	10	10	10	10	10	50	47,393	18,826	(50)		66,273
Other reserves	4,247,676	221,441	222,065	590,212	208,784	288,743	1,531,245	(47,393)	3,890,605	(1,843,274)	312,029	8,090,888
Retained earnings	2,157,971	180,579	158,499	174,210	43,739	52,084	609,111		(18,661)	(609,111)		2,139,310
Total equity	6,405,701	402,030	380,574	764,432	252,533	340,837	2,140,406					10,296,471

	The Group as of December 31, 2018	Pro forma adjustments: New Wisdom Group as of December 31, 2018	Sky Falcon Group as of December 31, 2018	Perfect Alliance Group as of December 31, 2018	Profit Noble Group as of December 31, 2018	Sky Cheer Group as of December 31, 2018	Sub-total					The Enlarged Group as of December 31, 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 1 (a)	Note 2 (a)	Note 2 (a)	Note 2 (a)	Note 2 (a)	Note 2 (a)		Note 3	Note 4	Note 5	Note 5(c)	
LIABILITIES												
Non-current liabilities												
Other payables	19,107	9,001	3,210	23,029	1,242	1,411	37,893					57,000
Bank borrowings	1,034,622	—	—	591,646	—	—	591,646					1,626,268
Deferred income tax liabilities	—	—	—	—	—	—	—			204,616		204,616
Total non-current liabilities	1.053,729	9,001	3,210	614,675	1,242	1,411	629,539					1,887,884
Current liabilities												
Accruals and other payables	261,232	114,278	40,226	266,233	14,666	27,338	462,741					723,973
Amounts due to related parties	—	391,237	147,794	118,110	64	27,237	684,442			1,430,842	(684,442)	1,430,842
Current income tax liabilities	22,414	1,366	175	181	—	—	1,722					24,136
Bank borrowings	652,578	235,302	287,221	103,250	—	—	625,773					1,278,351
Total current liabilities	936,224	742,183	475,416	487,774	14,730	54,575	1,774,678					3,457,302
Total liabilities	1,989,953	751,184	478,626	1,102,449	15,972	55,986	2,404,217					5,345,186
Total equity and liabilities	8,395,654	1,153,214	859,200	1,866,881	268,505	396,823	4,544,623					15,641,657

(ii) Unaudited pro forma consolidated income statement and statement of other comprehensive income of the Enlarged Group for the year ended December 31, 2018

	The Group for the year ended December 31, 2018	Pro forma adjustments: New Wisdom Group for the year ended December 31, 2018	Sky Falcon Group for the year ended December 31, 2018	Perfect Alliance Group for the year ended December 31, 2018	Profit Noble Group for the year ended December 31, 2018	Sky Cheer Group for the year ended December 31, 2018	Sub-total				The Enlarged Group for the year ended December 31, 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 1 (b)	Note 2 (b)	Note 2 (b)	Note 2 (b)	Note 2 (b)	Note 2 (b)		Note 4	Note 6	Note 7	
Revenue	1,200,556	152,217	124,629	186,973	27,005	58,492	549,316				1,749,872
Cost of sales	(300,570)	(35,680)	(25,767)	(45,358)	(8,531)	(15,450)	(130,786)		(24,529)		(455,885)
Gross profit	899,986	116,537	98,862	141,615	18,474	43,042	418,530				1,293,987
Other income	19,771	5,740	1,256	1,142	72	90	8,300				28,071
Other gains/(losses), net	5,119	(437)	102	(357)	204	(105)	(593)				4,526
Administrative expenses	(54,013)	(1,690)	(1,125)	(1,339)	(309)	(547)	(5,010)	(18,661)			(77,684)
Operating profit	870,863	120,150	99,095	141,061	18,441	42,480	421,227				1,248,900
Finance income	6,759	99	24	22	12	8	165				6,924
Finance costs	(84,966)	(9,671)	(12,440)	(19,584)	—	—	(41,695)			(70,984)	(197,645)
Profit before income tax	792,656	110,578	86,679	121,499	18,453	42,488	379,697				1,058,179
Income tax expenses	(47,629)	(1,371)	(288)	(192)	(9)	—	(1,860)		6,132		(43,357)
Profit for the year attributable to equity holders of the Company	745,027	109,207	86,391	121,307	18,444	42,488	377,837				1,014,822
Profit for the year	745,027	109,207	86,391	121,307	18,444	42,488	377,837				1,014,822
Other comprehensive income, net of tax:											
Items that may be reclassified to profit or loss											
Currency translation differences	(446,007)	(53,946)	(44,091)	(67,007)	(12,891)	(20,599)	(198,534)				(644,541)
Total comprehensive income for the year attributable to equity holders of the Company	299,020	55,261	42,300	54,300	5,553	21,889	179,303				370,281

(iii) Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended December 31, 2018

		Pro forma adjustments								
	The Group for the year ended December 31, 2018	New Wisdom Group for the year ended December 31, 2018	Sky Falcon Group for the year ended December 31, 2018	Perfect Alliance Group for the year ended December 31, 2018	Profit Noble Group for the year ended December 31, 2018	Sky Cheer Group for the year ended December 31, 2018	Sub-total			The Enlarged Group for the year ended December 31, 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 1 (b)	Note 2 (b)	Note 2 (b)	Note 2 (b)	Note 2 (b)	Note 2 (b)		Note 4	Note 5	
Cash flows from operating activities										
Cash generated from/(used in) operations	1,235,136	67,690	67,736	64,362	29,064	17,285	246,137	(18,661)		1,462,612
Interest paid	(87,784)	(10,066)	(12,799)	(18,995)	—	—	(41,860)			(129,644)
Income tax paid	(37,409)	(5)	(113)	(11)	(9)	(15)	(153)			(37,562)
Net cash generated from operating activities	1,109,943	57,619	54,824	45,356	29,055	17,270	204,124			1,295,406
Cash flows from investing activities										
Purchase of property, plant and equipment	(110,616)	(188,100)	(37,529)	(276,320)	(13,176)	(87,825)	(602,950)			(713,566)
Payment for acquisition of business, net of cash acquired	—	—	—	—	—	—	—		(1,549,480)	(1,549,480)
Repayment from related parties	—	3,153	—	—	—	—	3,153			3,153
Advances to related parties	—	(3,153)	(23,125)	(138,653)	(22,186)	—	(187,117)			(187,117)
Interest received	6,759	6	24	22	12	8	72			6,831
Net cash used in investing activities	(103,857)	(188,094)	(60,630)	(414,951)	(35,350)	(87,817)	(786,842)			(2,440,179)
Cash flows from financing activities										
Proceeds from bank borrowings	1,125,000	—	—	501,702	—	—	501,702			1,626,702
Repayment of bank borrowings	(2,152,637)	(77,385)	(94,582)	—	—	—	(171,967)			(2,324,604)
Repayment to related parties	—	—	—	(180,883)	(964)	(2,189)	(184,036)			(184,036)
Advances from related parties	—	206,138	105,046	—	3,102	70,542	384,828			384,828
Proceeds from issue of ordinary shares	—	—	—	—	—	—	—	3,991,132		3,991,132
Payment of listing expenses	(9,267)	—	—	—	—	—	—	(72,434)		(81,701)
Net cash (used in)/generated from financing activities	(1,036,904)	128,753	10,464	320,819	2,138	68,353	530,527			3,412,321
Net (decrease)/increase in cash and cash equivalents	(30,818)	(1,722)	4,658	(48,776)	(4,157)	(2,194)	(52,191)			2,267,548
Cash and cash equivalents at beginning of the year	472,243	11,221	6,832	51,656	11,036	5,447	86,192			558,435
Exchange differences on cash and cash equivalents	(20,162)	(265)	(289)	(551)	(459)	(158)	(1,722)			(21,884)
Cash and cash equivalents at end of the year	421,263	9,234	11,201	2,329	6,420	3,095	32,279			2,804,099

Notes:

1. (a) The balances were extracted from the consolidated balance sheets of the Group as of December 31, 2018 as set out in Appendix IA to this prospectus.

   (b) The amounts were extracted from the consolidated income statements and consolidated statements of comprehensive income and the consolidated statements of cash flows of the Group for the year ended December 31, 2018 as set out in Appendix IA to this prospectus.

2. (a) The balances represent the consolidated balance sheets of New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group and Sky Cheer Group as of December 31, 2018, which were extracted from the accountant's reports of New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group and Sky Cheer Group as set out in Appendices IB to IF to this prospectus.

   (b) The amounts represent the consolidated income statements and consolidated statements of comprehensive income and the consolidated statements of cash flows of New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group and Sky Cheer Group for the year ended December 31, 2018, which were extracted from the accountant's reports of the New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group and Sky Cheer Group as set out in Appendices IB to IF to this prospectus.

3. The adjustment represents issue of 4,739,317,440 new Shares to be made on the capitalization of reserves in connection with the Global Offering as if the capitalization issue had taken place on December 31, 2018. Details of issue shares are described in the section headed "Share Capital" in this prospectus.

4. The adjustment represents issue of 1,882,609,471 new Shares (excluding any Shares to be allotted and issued pursuant to Over-allotment Option) to new investors pursuant to the Global Offering and receipt of net proceeds from Global Offering by the Company as if the Global Offering had taken place on December 31, 2018 or January 1, 2018. The net proceeds from the Global Offering is calculated below:

	HK$'000
Estimated proceeds from Global Offering (Note a)	3,991,132
Less:	
- Estimated listing expenses (Note b)	(131,578)
Net proceed from Global Offering	3,859,554
Add:	
- Listing expenses charged to income statement before December 31, 2018 (Note c)	31,216
Net proceed from Global Offering after deducting expenses already incurred	3,890,770

Note a

The estimated proceeds from the Global Offering are based on the indicative Offer Price of HK$2.12 per Share, being the mid-point of the indicative range of the Offer Price.

Note b

Estimated listing expenses includes underwriting fees and other related expenses payable by the Company and take no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of the options granted under the Post-IPO Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

Out of HK$131,578,000 total listing expenses, HK$49,877,000 was related to listing of existing shares and were charged as expenses and HK$81,701,000 was related to issue of new share and will be charged against equity upon listing. The estimated listing expenses are not expected to have a continuing effect on the unaudited pro forma consolidated income statement and statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

Note c

Amount of listing expenses charged to income statement before December 31, 2018 was extracted from notes to the historical financial information of the Group for the year ended December 31, 2018 as set out in Appendix IA to this prospectus.

5. Pursuant to the Sale and Purchase Agreement dated December 5, 2018 between the Group and Xinyi Solar Holdings Limited ("Xinyi Solar"), the Group intended to acquire the entire issued share capital of the Target Companies. The agreed purchase price for the Target Group (the "Agreed Purchase Price") shall be based on the following equation:

Agreed Purchase Price = Initial Purchase Price - Debt - Estimated amount due to suppliers and other payables + Cash balance and trade receivable balances

The total initial purchase price (the "Initial Purchase Price") is RMB4,090,790,000 (equivalent to approximately HK$4,657,623,000).

Agreed purchase prices are RMB3,204,344,000 (equivalent to approximately HK$3,648,348,000) and RMB2,590,111,000 (equivalent to approximately HK$3,098,960,000) based on debt balance, cash balance and trade receivable balance and estimated amounts due to suppliers and other payables as of December 31, 2018 for the purpose of pro forma consolidated balance sheet and January 1, 2018 for the purpose of pro forma consolidated statement of cash flow respectively.

Also, pursuant to the Sale and Purchase Agreement, Xinyi Solar will receive an upfront payment of 50% of the agreed purchase price for the sales of all issued shares of the Target Companies out of the net proceeds from the Global Offering. The outstanding amount will be fully settled by the Group on the fourth anniversary of the Listing Date, or upon the receipt of the payment of the tariff adjustment by the Target Group from the PRC Government, whichever is earlier.

Upon completion of the Target Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the Unaudited Pro Forma Financial Information at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations. For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair values of the identifiable assets and liabilities of the Target Group as of December 31, 2018, based on valuation reports prepared by an independent valuer.

For the purpose of the pro forma consolidated balance sheet of the Enlarged Group, the provisional purchase price allocation arising from the Target Acquisition is calculated as follows:

	HK$'000
Consideration transferred:	
- Upfront payment paid out from the listing proceeds (Note a)	1,824,174
- Deferred payment of the Outstanding Amount (Note b)	1,430,842
Total consideration:	3,255,016
Less:	
- Net assets of Target Group after capitalization of balances due to/(from) related companies as of December 31, 2018 (Note c)	(2,452,435)
- Fair value surplus of property, plant and equipment (Notes d and e)	(818,463)
- Deferred income tax liabilities arising from fair value surplus of property, plant and equipment (Note f)	204,616
Goodwill arising from the Target Acquisition (Note g)	188,734

For the purpose of the pro forma consolidated statement of cash flow of the Enlarged Group, the total consideration for the Target Acquisition is calculated as follows:

	HK$'000
Consideration transferred:	
- Upfront payment paid out from the listing proceeds (Note a)	1,549,480
- Deferred payment of the Outstanding Amount (Note b)	1,292,029
Total consideration:	2,841,509

Note a

Upfront payment represents 50% of the agreed purchase price of the Target Group amounting to HK$1,824,174,000 and HK$1,549,480,000 as of December 31, 2018 and January 1, 2018, respectively. The agreed purchase price of the Target Group were HK$3,648,348,000 and HK$3,098,960,000 as of December 31, 2018 and January 1, 2018, respectively.

Note b

Deferred payment of the Outstanding Amount represents present value of estimated payment schedule of the remaining 50% of the agreed purchase price amounting to HK$1,824,174,000 and HK$1,549,480,000 as of December 31, 2018 and January 1, 2018 discounted at the effective interest rate of 7.37% and 5.49% for the Target Acquisition.

Note c

Pursuant to the Target Sale and Purchase Agreement, all net balances with related parties will be capitalized before completion of the Target Acquisition.

	New Wisdom Group	Sky Falcon Group	Perfect Alliance Group	Profit Noble Group	Sky Cheer Group	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net assets of Target Group as of December 31, 2018	402,030	380,574	764,432	252,533	340,837	2,140,406
Net balances due to/(from) related parties capitalized	114,545	82,375	117,108	(26,903)	24,904	312,029
	516,575	462,949	881,540	225,630	365,741	2,452,435

The carrying amounts of the net assets and net balances due to/(from) related parties of the Target Group as of December 31, 2018 are extracted from the Accountant's Reports of the Target Group as set out in Appendices IB to IF to this prospectus.

Note d

The fair value surplus relates to property, plant and equipment. The valuation of the property, plant and equipment as of December 31, 2018 is based on estimation made by the Directors after taking into account the valuation performed by an independent professional valuer.

Note e

The directors of the Company have estimated the fair value of the identifiable assets and liabilities of the Target Group as of December 31, 2018, and have applied it as the fair value of the identifiable assets and liabilities of the Target Group in the Target Acquisition in preparing the Unaudited Pro Forma Financial Information. Since the fair value of identifiable net assets of the Target Group at the completion date of the Target Acquisition may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets and goodwill to be recognized in connection with the Target Acquisition may be different from the amounts presented above.

Note f

Deferred income tax liabilities of approximately HK$204,616,000 have been recognized for the temporary differences arising from the fair value adjustment of property, plant and equipment.

Note g

For the purpose of the Unaudited Pro Forma Financial Information, the directors have made an assessment on whether there is any impairment in respect of the goodwill arising from the Target Acquisition with reference to Hong Kong Accounting Standard 36 "Impairment of Assets".

The directors have taken into consideration the estimated budget and financial performance of the Target Group and synergy after the Target Acquisition as the key parameters and business assumptions in the impairment assessment and, revisited the assumptions used in the valuation from the purchase price allocation.

For the purpose of impairment assessment, goodwill arising from the Target Acquisition is allocated to five cash generating units ("CGU") under New Wisdom Group, Sky Falcon Group, Perfect Alliance Group, Profit Noble Group and Sky Cheer Group, respectively. The recoverable amounts based on estimated value in use ("VIU") were compared to carrying amounts of each CGU. Carrying amounts of each CGU, carrying amounts of goodwill allocated to each CGU and headroom for each CGU are set out below:

	New Wisdom Group	Sky Falcon Group	Perfect Alliance Group	Profit Noble Group	Sky Cheer Group
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Recoverable amounts based on estimated VIU of the CGU	1,247,865	884,531	1,627,793	233,646	389,597
Less:					
Carrying amounts of the CGU	1,146,126	802,136	1,527,675	222,498	370,645
Goodwill allocated	55,921	38,446	69,902	6,990	17,475
Carrying amounts of the CGU plus goodwill allocated	1,202,047	840,582	1,597,577	229,488	388,120
Headroom	45,818	43,949	30,216	4,158	1,477

The key assumptions and estimates used in determining the VIU are related to annual utilization hours, discount rates and trade receivables turnover days. In addition, assumptions are related to observable information.

For New Wisdom Group, a decrease of 3.97% of annual utilization hours, a 75.34% increase in trade receivable turnover days, a 0.49% interest point increase in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Sky Falcon Group, a decrease of 5.31% of annual utilization hours, a 31.69% increase in trade receivable turnover days, a 0.66% interest point increase in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Perfect Alliance Group, a decrease of 1.99% of annual utilization hours, a 34.38% increase in trade receivable turnover days, a 0.24% increase interest point in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Profit Noble Group, a decrease of 1.94% of annual utilization hours, a 0.01% increase in trade receivable turnover days, a 0.22% increase interest point in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

For Sky Cheer Group, a decrease of 0.42% of annual utilization hours, a 0.01% increase in trade receivable turnover days, a 0.05% interest point increase in discount rate, with all other variables held constant in the VIU calculation, would remove the remaining headroom.

	Recoverable amount of the cash-generating unit exceeding its carrying amount by/(carrying amount exceeding its recoverable amount of cash-generating unit by)				
Reasonably possible changes of key assumptions	**New Wisdom group**	**Sky Falcon Group**	**Perfect Alliance Group**	**Profit Noble Group**	**Sky Cheer Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Annual utilization hours decrease 15 hours	30,769	33,154	10,439	1,995	(3,350)
Annual utilization hours decrease 30 hours	15,720	22,359	(9,339)	(168)	(8,178)
Trade receivable turnover days increase by 30 days	36,773	25,627	18,039	(7,432)	(13,897)
Trade receivable turnover days increase by 60 days	27,727	7,306	5,862	(10,646)	(16,808)
Discount rate increase by 0.1% interest point	36,180	37,031	17,547	2,241	(1,578)
Discount rate increase by 0.2% interest point	26,666	30,201	5,043	350	(4,594)

Reasonably possible changes in key assumptions would lead to impairment.

Based on the assessment results, the directors concluded that there is no impairment in the value of goodwill.

6. The adjustment represents additional depreciation resulted from the fair value surplus of HK$613,222,000 of the Target Group's property, plant and equipment as of January 1, 2018. Depreciation of the property, plant and equipment are estimated based on useful life of 25 years on a straight-line basis.

   This adjustment is expected to have a continuing effect on the Enlarged Group's consolidated income statement.

7. The adjustment represents imputed interest expense arising from the deferred payment of the Outstanding Amount for the Target Acquisition. The imputed interest expense of HK$70,984,000 is calculated by multiplying the outstanding consideration payable as of January 1, 2018 by the effective interest rate of 5.49%. The imputed interest represents time value of money of the deferred payment of the Outstanding Amount.

   This adjustment is expected to have a continuing effect on the Enlarged Group's consolidated income statement.

8. The consideration and balances arising from the Target Acquisition stated in Renminbi have been converted to Hong Kong dollars at the exchange rate of HK$1: RMB0.8783 for the purpose of the unaudited pro forma consolidated balance sheet and HK$1: RMB0.8358 for the purpose of the unaudited pro forma consolidated income statement and statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows, respectively.

9. Apart from the Global Offering and Target Acquisition, no adjustments have been made to the unaudited pro forma consolidated balance sheet and the unaudited pro form consolidated income statement and statement of other comprehensive income and the unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions entered into by the Group subsequent to December 31, 2018.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xinyi Energy Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinyi Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and New Wisdom International Limited, Sky Falcon Development Limited, Perfect Alliance Development Limited, Profit Noble Development Limited and Sky Cheer Investments Limited (collectively, the "Target Companies" and the Target Companies and their respective subsidiaries are collectively referred as to the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet of the Enlarged Group as of December 31, 2018, the unaudited pro forma consolidated income statement and statement of other comprehensive income of the Enlarged Group for the year ended December 31, 2018, the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended December 31, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-11 of the Company's prospectus dated May 15, 2019, in connection with the proposed initial listing of shares of the Company and proposed acquisition of the Target Group (collectively, the "Transactions") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-11.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Group's financial position as of December 31, 2018 and the Group's financial performance and cash flows for the year ended December 31, 2018 as if the Transactions had taken place at December 31, 2018 and January 1, 2018, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial information for the year ended December 31, 2018, on which an accountant's report has been published.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at December 31, 2018 and January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, May 15, 2019

The information sets out in this Appendix does not form part of the Accountant's Reports from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendices IA to IF to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Reports" set out in Appendices IA to IF to this prospectus.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering and the Target Acquisition on the net tangible assets of Xinyi Energy Holdings Limited (the "Company") and its subsidiaries (the "Group") attributable to the equity holders of the Company as of December 31, 2018 as if the Global Offering and the Target Acquisition had taken place on December 31, 2018 and assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of December 31, 2018 or at any future dates following the Global Offering and the Target Acquisition. It is prepared based on the consolidated net tangible assets of the Group, New Wisdom International Limited and its subsidiaries ("New Wisdom Group"), Sky Falcon Development and its subsidiary ("Sky Falcon Group"), Perfect Alliance Limited and its subsidiary ("Perfect Alliance Group"), Profit Noble Development Limited and its subsidiary ("Profit Noble Group") and Sky Cheer Investments Limited and its subsidiary ("Sky Cheer Group") (together as, the "Enlarged Group") attributable to their respective equity holders as of December 31, 2018, as set out in the respective accountant's reports, the text of which are set out in Appendices IA to IF to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's reports.

		Pro forma adjustments									
	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of December 31, 2018	Estimated net proceeds from the Global Offering	Audited consolidated net tangible assets of New Wisdom Group attributable to the equity holders of New Wisdom as of December 31, 2018	Audited consolidated net tangible assets of Sky Falcon Group attributable to the equity holders of Sky Falcon as of December 31, 2018	Audited consolidated net tangible assets of Perfect Alliance Group attributable to the equity holders of Perfect Alliance as of December 31, 2018	Audited consolidated net tangible assets of Profit Noble Group attributable to the equity holders of Profit Noble as of December 31, 2018	Audited consolidated net tangible assets of Sky Cheer Group attributable to the equity holders of Sky Cheer as of December 31, 2018	Eliminations	Intangible assets	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK$'000 (Note 1(a))	HK$'000 (Note 2)	HK$'000 (Note 1(b))	HK$'000 (Note 1(c))	HK$'000 (Note 1(d))	HK$'000 (Note 1(e))	HK$'000 (Note 1(f))	HK$'000 (Note 3)	HK$'000 (Note 4)	HK$'000	HK$ (Note 5)
Based on the Offer Price of HK$1.89 per Share	6,405,701	3,464,802	402,030	380,574	764,432	252,533	340,837	(2,140,406)	(188,734)	9,681,769	1.461
Based on the Offer Price of HK$2.35 per Offer Share	6,405,701	4,316,738	402,030	380,574	764,432	252,533	340,837	(2,140,406)	(188,734)	10,533,705	1.589

Notes:

1. Audited consolidated net tangible assets

   (a) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IA to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as of December 31, 2018 of HK$6,405,701,000.

   (b) The audited consolidated net tangible assets of New Wisdom Group attributable to equity holders of New Wisdom as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IB to this prospectus, which is based on the audited consolidated net assets of New Wisdom Group attributable to equity holders of New Wisdom as of December 31, 2018 of HK$402,030,000.

   (c) The audited consolidated net tangible assets of Sky Falcon Group attributable to equity holders of Sky Falcon as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IC to this prospectus, which is based on the audited consolidated net assets of Sky Falcon Group attributable to equity holders of Sky Falcon as of December 31, 2018 of HK$380,574,000.

   (d) The audited consolidated net tangible assets of Perfect Alliance Group attributable to equity holders of Perfect Alliance as of December 31, 2018 is extracted from the accountant's report as set out in Appendix ID to this prospectus, which is based on the audited consolidated net assets of Perfect Alliance Group attributable to equity holders of Perfect Alliance as of December 31, 2018 of HK$764,432,000.

   (e) The audited consolidated net tangible assets of Profit Noble Group attributable to equity holders of Profit Noble as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IE to this prospectus, which is based on the audited consolidated net assets of Profit Noble Group attributable to equity holders of Profit Noble as of December 31, 2018 of HK$252,533,000.

   (f) The audited consolidated net tangible assets of Sky Cheer Group attributable to equity holders of Sky Cheer as of December 31, 2018 is extracted from the accountant's report as set out in Appendix IF to this prospectus, which is based on the audited consolidated net assets of Sky Cheer Group attributable to equity holders of Sky Cheer as of December 31, 2018 of HK$340,387,000.

2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.89 and HK$2.35 per Share respectively, after deduction of the relevant estimated underwriting fees and other related expenses payable by the Company subsequent to December 31, 2018 (excluding listing expenses of approximately HK$31,216,000 which have been charged to the income statement before December 31, 2018) and take no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of the options granted under the Post-IPO Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

3. The adjustment represents the elimination of investments in the Target Companies by the Company as of December 31, 2018 as if the Target Acquisition had taken place on December 31, 2018.

4. The adjustment represents exclusion of intangible asset in relation to goodwill arising from the Target Acquisition as of December 31, 2018 as if the Target Acquisition had taken place at December 31, 2018. Details of goodwill arising from Target Acquisition are described in the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix II to this prospectus.

5. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,627,349,471 Shares were in issue assuming that the Global Offering and Capitalization Issue had been completed on December 31, 2018 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of the options granted under the Post-IPO Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

6. No adjustment has been made to reflect any trading result or other transaction of the Group and Enlarged Group entered into subsequent to December 31, 2018. In particular, the unaudited pro forma net adjusted tangible assets of the Group has not taken into account the dividend of approximately HK$315,949,000 declared on January 21, 2019. The unaudited pro forma net tangible assets per Share would have been HK$1.413 and HK$1.542 per Share based on the Offer Price of HK$1.89 and HK$2.35, respectively, after taking into account the declaration of dividend of HK$315,949,000.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ADJUSTED NET TANGIBLE ASSETS

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xinyi Energy Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinyi Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as of December 31, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-2 of the Company's prospectus dated May 15, 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as of December 31, 2018 as if the proposed initial public offering had taken place at December 31, 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended December 31, 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, May 15, 2019

Set forth below is a summary of certain provisions of the Memorandum and the Articles of our Company and of certain aspects of BVI company law.

The Company was incorporated in the BVI as a BVI business company with limited liability on June 26, 2015 under the BVI Business Companies Act, 2004 (as amended) (the "**BVI BC Act**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of Shareholders (as defined in the Articles) is limited and that subject to the BVI BC Act and any other BVI legislation, the Company has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction.

(b) By special resolution the Company may amend the Memorandum except that the Company may amend its Memorandum by an ordinary resolution to change the maximum number of shares (**Shares**) that the Company is authorized to issue. The existing Shareholders should not alter the constitutional documents to increase an existing Shareholder's liability to the Company unless such increase is agreed by such Shareholder in writing.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on November 22, 2018 which will take effect upon registration by the Registrar of Corporate Affairs in the BVI. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of Shares

The authorized Shares consist of ordinary Shares.

(ii) Variation of rights of existing Shares or classes of Shares

Subject to the BVI BC Act, if at any time the Shares is divided into different classes of Shares, all or any of the special rights attached to any class of Shares may (unless otherwise provided for by the terms of issue of the Shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll. All Shareholders must have the right to speak and vote at the general meeting.

Any special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such Shares, be deemed to be altered by the creation or issue of further Shares ranking *pari passu* therewith.

(iii) Alteration of authorized Shares

The Company may, by an ordinary resolution of the Shareholders: (a) amend the Memorandum to change the maximum number of Shares that the Company is authorized to issue; (b) divide its Shares, including issued Shares, into a larger number of Shares; and (c) combine its Shares, including issued Shares, into a smaller number of Shares.

(iv) Transfer of Shares

Subject to the BVI BC Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of Shares shall be effected by a written instrument of transfer in the usual or common form or in such other form as the Board may accept and approve and may be under hand only or, if the transferor or transferee is a Clearing House (or its nominee(s)), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

The Board may, in its absolute discretion, at any time and from time to time remove any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no Shares on the principal register shall be removed to any branch register nor shall Shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and be registered, in the case of Shares on any branch register, at the relevant registration office of the Company and, in the case of any Shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid up Share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any Share issued under any Share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders.

The Board may refuse to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office of the Company or the place at which the principal register is located accompanied by the relevant Share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members of the Company may, subject to the Listing Rules, be closed at such time or for such period as the Board may determine.

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own Shares

The Company may, by resolution of the Board, purchase, redeem or otherwise acquire and hold its own Shares save that the Company may not purchase, redeem or otherwise acquire its own Shares without the consent of Shareholders whose Shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the BVI BC Act or any other provision in the Memorandum or the Articles to purchase, redeem or otherwise acquire the Shares without their consent.

(vi) Power of any subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(vii) Calls on Shares and forfeiture of Shares

The Board may, from time to time, make such calls as it thinks fit upon the Shareholders in respect of any moneys unpaid on the Shares held by them respectively and not by the conditions of allotment of such Shares made payable at fixed time. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any Shareholder willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the Shareholder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and other distributions declared in respect of the forfeited Share and not actually paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the forfeited Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the Shareholders in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board under the Articles shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not three or a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant general meeting appointed for such election and end no later than seven days before the date of such general meeting and the minimum length of the period during which such notices may be given will be at least seven days.

A Director is not required to hold any Shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "rotation and retirement of Directors" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue Shares and warrants

Subject to the BVI BC Act, the Shares and other securities may be issued by the Company for such consideration and on such terms as the Board may from time to time determine.

The Company may issue warrants to subscribe for any class of Shares or other securities of the Company on such terms as the Board may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the BVI BC Act, the Articles and, where applicable, the Listing Rules (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all unissued Shares and other securities of the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms and conditions as it in its absolute discretion thinks fit.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over, disposal of Shares or other securities of the Company, to make, or make available, any such allotment, offer, option or Shares to Shareholders or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no Shareholder affected as a result of the foregoing shall be, or be deemed to be, a separate class of Shareholders for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the BVI BC Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the assets, undertaking and property of the Company and, subject to the BVI BC Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is voted) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

A Director shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to all other Directors.

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the Shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly in that Share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' Share scheme or any Share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings and proceedings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under BVI law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of Shareholder

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such Shareholders as, being entitled so to do, vote in person or by proxy or, in the case of Shareholders which are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes cast by such Shareholders as, being entitled to do so, vote in person or, in the case of Shareholders which are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all Shareholders shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares at any general meeting: (a) on a poll every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative shall have one vote for every Share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for this purpose as paid up on the Share; and (b) on a show of hands every Shareholder who is present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a Shareholder which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by Shareholders present in person or by proxy or by a duly authorized corporate representative):

(A) at least two Shareholders;

(B) any Shareholder or Shareholders representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a Shareholder or Shareholders holding Shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Should a Clearing House or its nominee(s) be a Shareholder, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of Shareholders or at any creditors' meeting provided that, if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual Shareholder including the right to vote individually on a show of hands.

Where the Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

The Board may, whenever it thinks fit, convene an extraordinary general meeting. The Board shall call an extraordinary general meeting if requested in writing to do so by members Shareholders entitled to exercise at least ten per cent of the voting rights in respect of the matter for which the meeting is requested. Such request shall be made in writing to the Board for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such request.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a Share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any Shareholder personally, by post to such Shareholder's registered address or (in the case of a notice) by advertisement in the newspapers. Any Shareholder whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the BVI BC Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any Shareholder by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all Shareholders entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class.

(vii) Proxies

Any Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Shareholder and shall be entitled to exercise the same powers on behalf of a Shareholder who is an individual and for whom he acts as proxy as such Shareholder r could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he acts as proxy as such Shareholder could exercise if it were an individual Shareholder. On a poll or on a show of hands, votes may be given either personally (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a Shareholder for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the Shareholder, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall keep records that are sufficient to show and explain the Company's transactions and that will, at any time, enable the financial position of the Company to be determined with reasonable accuracy. The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts, together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the Listing Rules(as defined in the Articles), the Company may send summarized financial statements to Shareholders who have, in accordance with the Listing Rules (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the Listing Rules (as defined in the Articles), and must be sent to those Shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the Shareholders.

The Shareholders may, at any general meeting convened and held in accordance with these Articles, remove the Auditors by Special Resolution at any time before the expiration of the term of office and shall, by Ordinary Resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Hong Kong Stock Exchange.

(f) Dividends

The Board may from time to time declare and pay dividends in any currency if they are satisfied, on reasonable grounds, that, immediately after the dividend, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due. No dividend shall bear interest as against the Company. Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide:

(a) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the Shares during any portion(s) of the period in respect of which the dividend is paid; and

(b) the Board may deduct from any dividend or other moneys payable to any Shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board has resolved that a dividend be paid or declared, the Board may further resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up, provided that the Shareholders entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment;

(bb) that the Shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit; or

(cc) that such dividend be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends in respect of the Shares held by such joint holders.

Where the Board has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any Shareholder willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the Shareholder to receive any dividend or to exercise any other rights or privileges as a Shareholder in respect of the Share or the due portion of the Shares upon which payment has been advanced by such Shareholder before it is called up.

All dividends unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend payable by the Company on or in respect of any Share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividends by post if such cheques remain uncashed on two consecutive occasions or after the first occasion on which such a cheque is returned undelivered.

(g) Inspection of corporate records

For so long as any Shares is listed on the Stock Exchange, any Shareholder may inspect during business hours any register of members of the Company maintained in Hong Kong (except when the register of members of the Company is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority Shareholders in relation to fraud or oppression. However, certain remedies may be available to Shareholders under BVI law, as summarized in paragraph 3(E) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the Shareholders in proportion to the amount paid up on the Shares held by them respectively.

3. BRITISH VIRGIN ISLANDS COMPANY LAW

The Company was incorporated in the British Virgin Islands (the "**BVI**") as a business company limited by shares under the BVI Business Companies Act, 2004 (as amended) (the "**BVI BC Act**") and is subject to BVI law.

(A) Shares

There is no concept of authorized share capital, or of share capital, under the BVI BC Act. The memorandum of association of a company limited by shares must set out:

(i) either the maximum number of shares the company is authorized to issue or state that the company is authorized to issue an unlimited number of shares; and

(ii) the classes of shares that the company is authorized to issue, and, if the company is authorized to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares.

The BVI BC Act provides that, subject to the memorandum and articles of association of a company, a share may be issued with or without a par value. Where a company issues shares with par value, the consideration for a share shall not be less than the par value of the share. A share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.

Subject to the memorandum and articles of association of a company, its directors have the power to issue shares of the company from time to time.

Subject to the BVI BC Act and to a company's memorandum of association or the articles, shares may be issued, and options to acquire shares in a company granted, at such times, to such persons, for such consideration and on such terms as the directors may determine.

The issue by a company of a share that (i) increases a liability of a person, or (ii) imposes a new liability on a person to the company, is void if that person, or an authorized agent of that person, does not agree in writing to becoming the holder of that share. A share is deemed issued when the name of the shareholder is entered in the company's register of members.

A company may, subject to its memorandum and articles of association, (a) divide its shares, including issued shares, into a larger number of shares; or (b) combine its shares, including issued shares, into a smaller number of shares. A division or combination of shares, including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series. Where par value shares are divided or combined, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares. A company shall not divide its shares if it would cause the maximum number of shares that the company is authorized to issue by its memorandum to be exceeded.

(B) Membership

Under the BVI BC Act, the entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person. A company may treat the holder of a registered share as the only person entitled to: (a) exercise any voting rights attaching to the share; (b) receive notices; (c) receive a distribution in respect of the share; and (d) exercise other rights and powers attaching to the share.

(C) Purchase of Shares and Warrants by a Company and Its Subsidiaries

A BVI business company may purchase, redeem or otherwise acquire its own shares in accordance with either the provisions of the BVI BC Act or its memorandum or articles of association.

A company may not purchase, redeem or otherwise acquire its own shares without the consent of the member whose shares are to be purchased, redeemed or otherwise acquired, unless the company is permitted by the BVI BC Act or any provision of its memorandum or articles of association to purchase, redeem or otherwise acquire the shares without that consent.

No purchase, redemption or other acquisition of a company's own shares may be made unless the directors are satisfied on reasonable grounds that the company will, immediately after the purchase, redemption or acquisition, satisfy the solvency test. A company satisfies the solvency test if: (i) the value of its assets exceeds its liabilities; and (ii) the company is able to pay its debts as they fall due. The BVI BC Act provides for certain situations where this solvency test is not mandatory prior to repurchase, redemption or acquisition being permitted. These are where: (a) the company redeems the shares under and in accordance with section 62 of the BVI BC Act; (b) the company redeems the shares pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company; or (c) the company purchases, redeems or otherwise acquires the share or shares by virtue of the provisions of section 176 or 179 of the BVI BC Act; (d) the company acquires its own fully paid share or shares pursuant to section 59(1A) of the BVI BC Act.

The directors of a company may make an offer to purchase, redeem or otherwise acquire shares issued by the company, if the offer is:

(a) an offer to all members to purchase, redeem or otherwise acquire shares issued by the company that:

   (i) would, if accepted, leave the relative voting and distribution rights of the members unaffected; and

   (ii) affords each member a reasonable opportunity to accept the offer; or

(b) an offer to one or more members to purchase, redeem or otherwise acquire shares:

   (i) to which all members have consented in writing; or

   (ii) that is permitted by the memorandum or articles and is made in accordance with section 61 of the BVI BC Act.

Shares that are purchased, redeemed or otherwise acquired may be cancelled or held as treasury shares. A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (i) the memorandum or articles of the company do not prohibit it from holding treasury shares; (ii) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (iii) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled. All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share.

(D) Distributions

Subject to the BVI BC Act and its memorandum and articles of association, the directors of the company may by resolution, authorize a distribution (which includes a dividend) by the company to its members if the directors are satisfied, on reasonable grounds, that immediately after the distribution satisfy the solvency test, that is: (a) the company will be able to pay its debts as they fall due; and (b) the value of our assets exceeds its liabilities.

A distribution made to a member at a time when the company did not, immediately after the distribution, satisfy the aforesaid solvency test may be recovered by the company from the member unless (a) the member received the distribution in good faith and without knowledge of our failure to satisfy the solvency test; (b) the member has altered his position in reliance on the validity of the distribution; and (c) it would be unfair to require repayment in full or at all.

If, after a distribution is authorized and before it is made, the directors cease to be satisfied on reasonable grounds that the company will, immediately after the distribution is made, satisfy the solvency test, any distribution made by the company is deemed not to have been authorized. A director is personally liable to the company to repay to the company so much of the distribution as is not able to be recovered from members if the director (a) ceased, after authorization but before the making of the distribution, to be satisfied on reasonable grounds for believing that the company would satisfy the solvency test immediately after the distribution is made; and (b) failed to take reasonable steps to prevent the distribution being made.

(E) Protection of Minorities

The BVI BC Act provides that if a company or a director of a company engages in or has engaged in, or proposes to engage in, conduct that contravenes the BVI BC Act or the memorandum or articles of association of the company, the BVI High Court may, on the application of a member or a director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI BC Act or the memorandum or articles or association.

The BVI BC Act also contains provisions allowing the court, on the application of a member of a company, to grant leave to the member to (a) bring proceedings in the name and on behalf of that company; or (b) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company. No proceedings brought by a member or in which a member intervenes with the leave of the court may be settled or compromised or discontinued without the approval of the court. Under the BVI BC Act, a member of a company may bring an action against the company for breach of a duty owed by the company to him as a member.

In the case where a member of a company brings proceedings against the company and other members that have the same or substantially the same interest in relation to the proceedings, the BVI High Court may appoint that member to represent all or some of the members having the same interest and may, for that purpose, make such order as it thinks fit, including an order (a) as to the control and conduct of the proceedings; (b) as to the costs of the proceedings; and (c) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI BC Act provides that a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any act or acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him in that capacity, may make an application to the BVI High Court. If the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limiting the generality of this subsection, one or more of the following orders: (a) in the case of a member, requiring the company or any other person to acquire the shareholder's shares; (b) requiring the company or any other person to pay compensation to the member; (c) regulating the future conduct of our affairs; (d) amending the memorandum or articles of the company; (e) appointing a receiver of the company; (f) appointing a liquidator of the company under section 159(1) of the BVI Insolvency Act on the grounds specified in section 162(1)(b) of that Act; (g) directing the rectification of the records of the company; or (h) setting aside any decision made or action taken by the company or its directors in breach of the BVI BC Act or the memorandum or articles of the company. None of the foregoing orders may be made against the company or any other person unless the company or that person is a party to the proceedings in which the application is made.

A member or the Registrar of Corporate Affairs may apply to the BVI High Court ex parte or upon such notice as the court may require, for an order directing that an investigation be made of the company and any of its affiliated companies. If, upon such an application, it appears to the court that: (a) the business of the company or any of its affiliates is or has been carried on with intent to defraud any person; (b) the company or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or (c) persons concerned with the incorporation, business or affairs of the company or any of its affiliates have in connection therewith acted fraudulently or dishonestly, the court may make any order it thinks fit with respect to an investigation of the company and any of its affiliated companies by an inspector, who may be the Registrar of Corporate Affairs.

The BVI BC Act provides that a member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

(1) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares;

(2) a consolidation, if the company is a constituent company;

(3) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company, but not including:

    (i) a disposition pursuant to an order of the Court having jurisdiction in the matter,

    (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition, or

    (iii) a transfer pursuant to the power described in section 28(2) of the BVI BC Act;

(4) a redemption of his shares by the company pursuant to section 176 of the BVI BC Act; and

(5) an arrangement, if permitted by the BVI High Court.

(F) Management

Section 175 of the BVI BC Act provides that, subject to the memorandum or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% in value of the assets of the company (other than a transfer pursuant to a power described in section 28(3) of the BVI BC Act), if not made in the usual or regular course of business carried on by the company, shall be made as follows:

(a) the sale, transfer, lease, exchange or other disposition shall be approved by the directors;

(b) upon approval of the sale, transfer, lease, exchange or other disposition, the directors shall submit details of the disposition to the members for it to be authorized by a resolution of members;

(c) if a meeting of members is to be held, notice of the meeting, accompanied by an outline of the disposition, shall be given to each member, whether or not he is entitled to vote on the sale, transfer, lease, exchange or other disposition; and

(d) if it is proposed to obtain the written consent of members, an outline of the disposition shall be given to each member, whether or not he is entitled to consent to the sale, transfer, lease, exchange or other disposition.

A director of a company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the company. A director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes the BVI BC Act or the memorandum or articles of association of the company. A director of a company, when exercising powers or performing duties as a director, shall exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation, (a) the nature of the company; (b) the nature of the decision; and (c) the position of the director and the nature of the responsibilities undertaken by him.

(G) Accounting and Auditing Requirements

A BVI business company is required by the BVI BC Act to keep records that: (a) are sufficient to show and explain its transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

(H) Taxation in the BVI

A BVI business company is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(I) Stamp Duty on Transfer

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities in a BVI business company which is not a land owning company. A company is a land owning company if it, or any of its subsidiaries, has an interest in any land in the BVI.

(J) Inspection of Corporate Records

A member of a company is entitled, on giving written notice to the company, to inspect the memorandum and articles, the register of members, the register of directors, and minutes of meetings and resolutions of members and of those classes of members of which he is a member, and to make copies of or take extracts from the documents and records maintained at the office of the registered agent of the company. Subject to the memorandum and articles of association of the company, its directors may, if they are satisfied that it would be contrary to the company's interests to allow the member to inspect the register of members, register of directors or minutes/resolutions of members or part of any such documents, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors are required, as soon as reasonably practicable, to notify the member concerned. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI High Court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

The BVI BC Act requires a business company to keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members. The minutes of meetings and resolutions of members and of classes of members, and the minutes of meeting of directors and committees of directors are required by the BVI BC Act to be kept at the office of the company's registered agent or at such other places, within or outside the BVI, as the directors may determine. A company shall keep at the office of its registered agent the memorandum and articles of association of the company, the register of members (or a copy thereof), the register of directors (or a copy thereof) and copies of all notices and other documents filed by the company in the previous ten years. The BVI BC Act requires a company to have a common seal and an imprint of the seal shall be kept at the office of its registered agent.

A business company is required to keep a register of members containing the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in such form as the directors may approve but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. The entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person.

The BVI BC Act requires a business company to keep a register known as a register of directors containing the particulars as prescribed under the BVI BC Act. The register of directors is prima facie evidence of any matters directed or authorized by the BVI BC Act to be contained therein. A company shall file for registration by the Registrar of Corporate Affairs a copy of its register of directors. A company that has filed for registration by the Registrar of Corporate Affairs a copy of its register of directors shall, within 30 days of any changes occurring, file the changes in the register by filing a copy of the register containing the changes.

(K) Liquidation

(i) Where the business company is solvent

Where it is proposed to liquidate a solvent business company (that is, the company either has no liabilities or it is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities), the directors of the company shall (a) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due and the value of its assets equals or exceeds its liabilities, and (b) approve a liquidation plan specifying: (i) the reasons for the liquidation of the company, (ii) their estimate of the time required to liquidate the company, (iii) whether the liquidator is authorized to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company, (iv) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator, and (v) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions. In accordance with the memorandum and articles of association of the company, the directors and/or the members of the company will pass a resolution to appoint a voluntary liquidator and will give notice to the selected liquidator of his appointment. The liquidation of a company commences at the time at which the notice of the voluntary liquidator's appointment is filed. A resolution to appoint a voluntary liquidator is void and of no effect unless the voluntary liquidator files notice of his appointment on or before the fourteenth day following the date of the resolution.

Within 14 days of the date of his appointment, the voluntary liquidator is required to file a notice of his appointment in an approved form, a copy of the declaration of solvency made by the directors and a copy of the liquidation plan, with the Registrar. He is also required, within 30 days of the commencement of the liquidation, to advertise notice of his appointment in the manner prescribed.

With effect from the commencement of the voluntary liquidation of a company, the voluntary liquidator has custody and control of the assets of the company.

However, the right of a secured creditor to take possession of and realize or otherwise deal with assets of the company over which the creditor has a security interest will not be affected.

The directors of the company remain in office but they cease to have any powers, functions or duties other than those required or permitted under Part XII of the BVI BC Act.

The directors, after the commencement of the voluntary liquidation, may authorize the liquidator to carry on the business of the company if the liquidator determines that to do so would be necessary or in the best interests of the creditors or members of the company where the liquidation plan does not give the liquidator such authorization, and exercise such powers as the liquidator, by written notice, may authorize them to exercise.

The members of a company may, by resolution, appoint an eligible individual as an additional voluntary liquidator to act jointly with the voluntary liquidator or voluntary liquidators already appointed.

The BVI High Court may, at any time after the appointment of a voluntary liquidator, on application by a director, member or creditor of the company, make an order terminating the liquidation if it is satisfied that it would be just and equitable to do so. Where such an order is made, the company ceases to be in voluntary liquidation and the voluntary liquidator ceases to hold office with effect from the date of the order or such later date as may be specified in the order.

A voluntary liquidator shall, upon completion of a voluntary liquidation, file a statement that the liquidation has been completed and upon receiving the statement, the Registrar of Corporate Affairs shall strike the company off the Register of Companies and issue a certificate of dissolution in the approved form certifying that the company has been dissolved. The dissolution of the company is effective from the date of the issue of the certificate.

Immediately following the issue by the Registrar of Corporate Affairs of a certificate of dissolution, the person who, immediately prior to the dissolution, was the voluntary liquidator of the company shall cause to be published in the Gazette, a notice that the company has been struck off the Register of Companies and dissolved.

(ii) Where the business company is insolvent

If at any time the voluntary liquidator of a company in voluntary liquidation is of the opinion that the company is insolvent (that is to say, either the value of the company's liabilities exceeds, or will exceed, its assets or, the company is, or will be, unable to pay its debts as they fall due), he shall forthwith send a written notice to the Official Receiver in the approved form.

The voluntary liquidator shall then call a meeting of creditors of the company to be held within twenty one days of the date of the aforesaid notice to the Official Receiver. The said creditors meeting shall be treated as if it were the first meeting of the creditors of a company called under section 179 of the BVI Insolvency Act by a liquidator appointed by the members of a company and, sections 179 and 180 of the BVI Insolvency Act shall apply to the calling and holding of such a meeting.

Where a voluntary liquidator is not an eligible licensed insolvency practitioner with respect to the company, the Official Receiver may apply to the BVI High Court ex parte for the appointment of himself or an eligible licensed insolvency practitioner as the liquidator of the company and the court may make the appointment subject to such conditions as it considers appropriate.

From the time that an appointed liquidator first becomes aware that the company is not, or will not be, able to pay its debts he shall conduct the liquidation as if he had been appointed liquidator under the BVI Insolvency Act.

The BVI Insolvency Act will apply to the liquidation of the company subject to such modifications as are appropriate and the liquidation of the company shall be deemed to have commenced on the date of the appointment of the voluntary liquidator.

(L) Reconstruction

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the BVI High Court for approval of the proposed arrangement. Upon approval by the court, the directors of the company, if they are still desirous of executing the plan, shall confirm the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the order of court requires notice to be given and submit the plan of arrangement to those persons for such approval, if any, as the court order requires.

After the plan of arrangement has been so approved, articles of arrangement shall be executed by the company. The articles of arrangement shall contain the plan of arrangement, the order of the court approving the plan of arrangement and the manner in which the plan of arrangement was approved (if approval was required by the order of the court). The articles of arrangement shall be filed with the Registrar of Corporate Affairs who shall register them. Upon registration of the articles of arrangement, the Registrar shall issue a certificate in the approved form certifying that the articles of arrangement have been registered.

An arrangement is effective on the date the articles of arrangement are registered by the Registrar of Corporate Affairs or on such date subsequent thereto, not exceeding 30 days, as is stated in the articles of arrangement.

(M) Compulsory Acquisition

Subject to the memorandum or articles of association of a company, members of the company holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation, and members of the company holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company shall redeem the shares specified in the written instruction irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(N) Indemnification

Section 132 of the BVI BC Act provides that subject to the memorandum or articles of association of a company, the company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the company, or (b) is or was, at the request of the company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, provided that the said person had acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful. Any indemnity given in breach of the foregoing proviso is void and of no effect.

Expenses, including legal fees, incurred by a director or a former director in defending any legal, administrative or investigative proceedings may be paid by the company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director or the former director, as the case may be, to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the company. In the case of a former director, the undertaking to be furnished by such former director may also include such other terms and conditions as the company deems appropriate.

A company may purchase and maintain insurance in relation to any person who is or was a director of the company, or who at the request of the company is or was serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the company has or would have had the power to indemnify the person against the liability under section 132 of the BVI BC Act.

4. GENERAL

Appleby, the Company's legal advisor as to BVI law, has sent to the Company a letter of advice which summarizes certain aspects of the BVI company law. This letter, together with a copy of the BVI BC Act, is available for inspection as referred to in the paragraphs under "2. Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the BVI under the BVI BC Act with limited liability on June 26, 2015. We have established a principal place of business in Hong Kong at Unit 2118-2120, 21st Floor, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance since March 17, 2017 under the same address. We have also established a principal place of business in the PRC at No. 102, Meidiya Road, E Qiao Town, Sanshan District, Wuhu County, Anhui Province, the PRC. Mr. TUNG Fong Ngai has been appointed as our authorized representative under the Companies Ordinance for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company was incorporated in the BVI, our Company's operations are subject to the relevant laws of the BVI and our Company's constitution which comprises our Memorandum and our Articles. A summary of certain provisions of our Company's constitution and relevant aspects of the BVI BC Act is set forth in Appendix IV to this prospectus.

2. Changes in the authorized shares and par value of our Company

The following sets forth the changes in the share capital of our Company since its date of incorporation:

(a) As of the date of incorporation of our Company on June 26, 2015, our Company was authorized to issue 50,000 shares of a single class of par value of US$1.0 each, of which 200 fully-paid shares were allotted and issued to Xinyi Power.

(b) On December 30, 2015, 4,540 fully-paid shares of par value of US$1.0 each at the total consideration of HK$2,892,830,667 were allotted and issued to Xinyi Power.

(c) On December 31, 2015, an aggregate of 1,580 fully-paid shares of par value of US$1.0 each at the total consideration of HK$1,580,000,000 were allotted and issued as follows: 610 fully-paid shares at HK$610,000,000 to Charm Dazzle, 250 fully-paid shares at HK$250,000,000 to Xu Feng, 250 fully-paid shares at HK$250,000,000 to Sharp Elite, 150 fully-paid shares at HK$150,000,000 to Precious Smart, 60 fully-paid shares at HK$60,000,000 to Will Sail, 60 fully-paid shares at HK$60,000,000 to Yuanyi, 60 fully-paid shares at HK$60,000,000 to Heng Zhuo, 60 fully-paid shares at HK$60,000,000 to Far High and 80 fully-paid shares at HK$80,000,000 to Day Dimension.

(d) On May 31, 2017, our Company allotted and issued an aggregate of 632 shares credited as fully-paid of par value of US$1.0 each to each then existing Shareholder at a subscription price of HK$1,518,670 per share on a pro-rata basis by way of capitalization of a sum of HK$959,799,440 as settlement of their respective entitlement of distribution of HK$151,867 per share declared by our Company on May 22, 2017 as follows: 474 fully-paid shares at HK$719,849,580 to Xinyi Power, 61 fully-paid shares at HK$92,638,870 to Charm Dazzle, 25 fully-paid shares at HK$37,966,750 to Xu Feng, 25 fully-paid shares at HK$37,966,750 to Sharp Elite, 15 fully-paid shares at HK$22,780,050 to Precious Smart, 6 fully-paid shares at HK$9,112,020 to Will Sail, 6 fully-paid shares at HK$9,112,020 to Yuanyi, 6 fully-paid shares at HK$9,112,020 to Heng Zhuo, 6 fully-paid shares at HK$9,112,020 to Far High, and 8 fully-paid shares at HK$12,149,360 to Day Dimension.

(e) On May 21, 2018 the Shareholders passed written resolutions (the "**Resolutions**") to approve (i) the change in the maximum number of shares and the change of par value that our Company is authorized to issue from 50,000 shares of a single class with a par value of US$1.0 each to a total of 800,000,000,000 Shares of a single class with a par value of HK$0.01 each by amending clause 6.2 of the Memorandum (the "**Amendment**") and (ii) the redesignation of the following issued shares of our Company based on the exchange rate of US$1.00=HK$7.80 upon the Amendment becomes effective:

— the 5,214 shares of par value of US$1.0 each allotted and issued to Xinyi Power be redesignated to 4,066,920 Shares of par value of HK$0.01 each;

— the 671 shares of par value of US$1.0 each allotted and issued to Charm Dazzle be redesignated to 523,380 Shares of par value of HK$0.01 each;

— the 275 shares of par value of US$1.0 each allotted and issued to Xu Feng be redesignated to 214,500 Shares of par value of HK$0.01 each;

— the 275 shares of par value of US$1.0 each allotted and issued to Sharp Elite be redesignated to 214,500 Shares of par value of HK$0.01 each;

— the 165 shares of par value of US$1.0 each allotted and issued to Precious Smart be redesignated to 128,700 Shares of par value of HK$0.01 each;

— the 66 shares of par value of US$1.0 each allotted and issued to Will Sail be redesignated to 51,480 Shares of par value of HK$0.01 each;

— the 66 shares of par value of US$1.0 each allotted and issued to Yuanyi be redesignated to 51,480 Shares of par value of HK$0.01 each;

— the 66 shares of par value of US$1.0 each allotted and issued to Heng Zhuo be redesignated to 51,480 Shares of par value of HK$0.01 each;

— the 66 shares of par value of US$1.0 each allotted and issued to Far High be redesignated to 51,480 Shares of par value of HK$0.01 each; and

— the 88 shares of par value of US$1.0 each allotted and issued to Day Dimension be redesignated to 68,640 Shares of par value of HK$0.01 each.

The Amendment took effect on May 24, 2018 upon filing with the BVI Registry a certified extract of the Resolutions.

(f) On November 22, 2018, our Shareholders resolved that our Company was authorized to issue the Offer Shares and conditional further on the share premium account of our Company being credited with an amount of no less than HK$18,800,775.4 as a result of the Global Offering, our Directors were authorized to capitalize the sum of HK$47,393,174.4 (or any such amount any one Director may determine) and apply such sum in paying up in full at par 4,739,317,440 Shares (or any such number of Shares by any one Director may determine) for allotment and issue to our Shareholders whose names appeared on the register of members of our Company at close of business on November 22, 2018 (or another date as our Directors may direct) in proportion to their then existing shareholdings in our Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with our existing issued Shares.

(g) On May 10, 2019, at the EGM, our Shareholders resolved that the resolutions passed by our Shareholders on November 22, 2018 with the modification that the Capitalization Issue was made to our Shareholders whose names appear on the register of members of our Company at the close of business of May 10, 2019 (or such other date as they may direct) in proportion to their respective Shareholdings (save that no Shareholder shall be entitled to be allotted and issued a fraction of a share) by way of capitalization of the sum of HK$47,393,174.40 and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued Shares.

(h) Immediately after completion of the Global Offering and the Capitalization Issue (assuming that all XYS Qualifying Shareholders take up their respective XYS Qualifying Shareholders' Assured Entitlements in full, and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme), our Controlling Shareholders, the XYS Qualifying Shareholders, and new Shareholders taking up our Shares under the Global Offering (other than the XYS Assured Offering) will hold 71.59%, 12.15%, and 16.26%, respectively, of the enlarged number of Shares in issue.

(i) Immediately following completion of the Global Offering and the Capitalization issue (without taking into account any Share which may be issued upon any exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme), our issued share capital will be HK$66,273,494.7 divided into 6,627,349,471 Shares, all fully paid or credited as fully paid.

Save as disclosed above and mentioned in the paragraphs under "4. Resolutions passed by our Shareholders" below, there has been no alteration in our share capital since our establishment.

3. Changes in the share capital of our subsidiaries

Details of our subsidiaries are as set forth in the Accountant's Report in Appendix IA to this prospectus. Save as disclosed in the section headed "History, Development, and Corporate Structure — Our corporate history — Our subsidiaries" in this prospectus, there has been no alteration in the share capital or registered capital (as the case may be) of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions passed by our Shareholders

(a) Written resolutions of our Shareholders dated May 21, 2018

Pursuant to the written resolutions passed by our Shareholders on May 21, 2018, the following resolutions, among others, were duly passed:

(i) the Amendment; and

(ii) the redesignation of the following issued shares of our Company based on the exchange rate of US$1.00=HK$7.80:

- the 5,214 shares of par value of US$1.0 each allotted and issued to Xinyi Power be redesignated to 4,066,920 Shares of par value of HK$0.01 each;
- the 671 shares of par value of US$1.0 each allotted and issued to Charm Dazzle be redesignated to 523,380 Shares of par value of HK$0.01 each;
- the 275 shares of par value of US$1.0 each allotted and issued to Xu Feng be redesignated to 214,500 Shares of par value of HK$0.01 each;
- the 275 shares of par value of US$1.0 each allotted and issued to Sharp Elite be redesignated to 214,500 Shares of par value of HK$0.01 each;
- the 165 shares of par value of US$1.0 each allotted and issued to Precious Smart be redesignated to 128,700 Shares of par value of HK$0.01 each;
- the 66 shares of par value of US$1.0 each allotted and issued to Will Sail be redesignated to 51,480 Shares of par value of HK$0.01 each;
- the 66 shares of par value of US$1.0 each allotted and issued to Yuanyi be redesignated to 51,480 Shares of par value of HK$0.01 each;
- the 66 shares of par value of US$1.0 each allotted and issued to Heng Zhuo be redesignated to 51,480 Shares of par value of HK$0.01 each;
- the 66 shares of par value of US$1.0 each allotted and issued to Far High be redesignated to 51,480 Shares of par value of HK$0.01 each; and
- the 88 shares of par value of US$1.0 each allotted and issued to Day Dimension be redesignated to 68,640 Shares of par value of HK$0.01 each;

(b) Resolutions passed by our Shareholders at the EGM

Pursuant to the resolutions passed by our Shareholders at the EGM:

(i) the Memorandum and the Articles were adopted, which will take effect upon registration by the Registrar of Corporate Affairs in the BVI;

(ii) Conditional upon both (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering, the Capitalization Issue, and the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme and (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of such agreements or otherwise:

(A) the terms and conditions of the Global Offering and the granting of the Over-allotment Option were approved and our Directors were authorized to (a) implement the Global Offering and the Over-allotment Option; (b) to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option and such number of Shares as may be required to be allotted and issued on and subject to the terms and conditions stated in the prospectus and the relevant Application Forms; and (c) to do all things and execute all documents in connection with or incidental to the Global Offering and the Over-allotment Option subject to such modifications, amendments, variations or otherwise (if any) as may be made by our Board (or any committee of our Board thereof established by our Board) in its absolute discretion, and our Board or any such committee of our Board or any one Director was authorized and directed to effect such modifications, amendments variations or otherwise as necessary or appropriate;

(B) our Company was authorized to issue the Offer Shares and conditional further on the share premium account of our Company being credited with an amount of no less than HK$18,800,776.6 as a result of the Global Offering, our Directors were authorized to capitalize an amount of HK$47,393,174.4 by applying such sum in paying up in full at par 4,739,317,440 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the BVI at the close of business on November 22, 2018 (or another date as our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company, each ranking equally in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalization and distributions;

(C) the rules of the Post-IPO Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by our Board were authorized, at their sole discretion, to (a) administer the Post-IPO Share Option Scheme; (b) modify/amend the Post-IPO Share Option Scheme from time to time as requested by the Hong Kong Stock Exchange; (c) grant options to subscribe for Shares under the Post-IPO Share Option Scheme up to the limits referred to in the Post-IPO Share Option Scheme; (d) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Post-IPO Share Option Scheme; (e) make application at the appropriate time or times to the Hong Kong Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of any option that may be granted under the Post-IPO Share Option Scheme; and (f) take all such actions as they consider necessary;

(D) a general unconditional mandate was given to our Directors to allot, issue and otherwise deal with our Shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers (otherwise than pursuant to, or in consequence of, a rights issue, the exercise of any subscription rights which may be granted under any scrip distribution scheme or similar arrangements, any adjustment of rights to subscribe for shares under options and warrants or a special authority granted by the Shareholders) with an aggregate of not exceeding 20% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue, excluding any Shares which may be issued upon the exercise of the Over-allotment Option and the Post-IPO Share Option Scheme;

(E) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase our Shares with a total number of not more than 10% of total number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue, excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme; and

(F) the general unconditional mandate as mentioned in paragraph (D) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (E) above; provided that extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).

Each of the general mandates referred to in paragraphs (D), (E), and (F) above will remain in effect until the earlier of (a) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or (b) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(c) Written resolutions passed by our Shareholders on May 10, 2019

Pursuant to the written resolutions passed by our Shareholders on May 10, 2019, our Shareholders have agreed that:

(i) the Global Offering and the Listing (including the grant of the Over-allotment Option) be approved and that the Directors' full authority to take any further action or make any decision on the implementation of the Global Offering and the Listing (including for the avoidance of doubt any modification, amendment and variation to the timetable and the offering structure of the Global Offering (including the number of Shares to be offered for subscription under the Global Offering)) and other related matters as more particularly described in the resolutions passed our Shareholders at the EGM (the "**EGM Resolutions**") be confirmed and approved;

(ii) the EGM Resolutions constitute valid and legally binding approval given by all Shareholders on the Global Offering;

(iii) the EGM Resolutions (subject to the modifications as a result of any change in the number of the Shares under the Global Offering and the timetable for the Global Offering and the Listing) constitute valid and legally binding decisions of our Shareholders;

(iv) the date of the Capitalization Issue referred to in the EGM Resolutions be changed to May 10, 2019; and

(v) any executive Director is authorized to take all necessary steps and to do all such acts and things and sign all documents and deeds as he or she may consider necessary, desirable or expedient to implement the Global Offering and the Listing (including for the avoidance of doubt any modification, amendment and variation to the timetable and the offering structure of the Global Offering (including the number of Shares to be offered for subscription or sale under the Global Offering)) and other related matters resolved hereunder and under EGM Resolutions.

5. Buy-back of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to buy-back their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

The Listing Rules provide that all buy-back of securities (which must be fully paid up in the case of share for the purpose of Rule 10.06 (1)(a)(i) of the Listing Rules) on the Hong Kong Stock Exchange by a company with its primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Pursuant to the resolutions passed by our Shareholders at the EGM, the Buy-Back Mandate was given to our Directors authorizing them to exercise all powers of our Company to buy-back our Shares on the Hong Kong Stock Exchange or on any other stock exchange on which our Shares may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10.0% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of: (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held under the BVI BC Act or the Articles; and (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Buy-back transactions must be funded out of funds legally available for the purpose in accordance with the Articles, the BVI BC Act and the applicable laws and regulations in Hong Kong. A listed company may not buy-back its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. No buy-back of our Shares may be made unless our Directors are satisfied on reasonable grounds that our Company will, immediately after the buy-back, satisfy the solvency test, being (i) the value of our Company's assets exceeds our Company's liabilities; and (ii) our Company is able to pay its debts as they fall due.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of us and Shareholders for our Directors to have general authority from the Shareholders to enable our Directors to buy-back Shares in the market. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of buy-back transactions

In buying back securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the BVI.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. Our Directors, however, do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for us.

The exercise in full of the Buy-back Mandate, on the basis of 6,627,349,471 Shares in issue immediately following completion of the Global Offering without taking into account any Share which may be issued upon any exercise of the Over-allotment Option), could accordingly result in 662,734,947 Shares being bought back by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the Buy-back Mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(d) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Share to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the BVI. We have not bought back any Share since our incorporation.

If, as a result of any buy-back of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Codes**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Codes. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Codes as a consequence of any buy-back pursuant to the Buy-back Mandate. Any buy-back of Shares which results in the number of Shares held by the public being reduced to less than the percentage prescribed by the Hong Kong Stock Exchange of our Shares then in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell his or her or its Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

6. Corporate information of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries is set forth in the Accountant's Report, the text of which is set forth in Appendix IA to this prospectus.

Save for the subsidiaries mentioned in the Accountant's Report in Appendix IA to this prospectus, our Company has no other subsidiaries.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) Solar Farm Agreement;

(b) Solar Farm O&M Agreement;

(c) Target Sale and Purchase Agreement;

(d) Deed of Non-Competition;

(e) Previous Hong Kong Underwriting Agreement;

(f) Hong Kong Underwriting Agreement;

(g) the cornerstone investment agreement dated May 3, 2019 entered into between Xinyi Energy Holdings Limited, LAW Kar Po, BNP Paribas Securities (Asia) Limited, and Kingsway Financial Services Group Limited, further information on which is set forth in the section headed "Cornerstone Investment" in this prospectus; and

(h) the cornerstone investment agreement dated May 6, 2019 entered into between Xinyi Energy Holdings Limited, Splendid Steed Investments Limited, MA Jianrong, BNP Paribas Securities (Asia) Limited, and The Hongkong and Shanghai Banking Corporation Limited, further information on which is set forth in the section headed "Cornerstone Investment" in this prospectus.

2. Intellectual property rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights:

Patent	Type	Registrant	Patent number	Date of application
光伏連接器接頭隔離架	Utility model	Xinyi Technology (Wuhu)	201720588004.5	2017.05.24

Trademark	Classes	Owner	Trade Mark number	Date of expiry	Place of registration
XYE	4, 39, 40	The Company	304641345	2028.08.20	Hong Kong
	6, 9, 19, 39, 40, 42	Xinyi PV Product (Anhui) Holdings Ltd. ("**Xinyi PV**")[(1)]	29580709 29575126 29568714 29572241 29579215 29567906	2029.01.13	PRC
XYE	37	Xinyi Automobile Glass Shenzhen Company Limited ("**Xinyi Automobile Glass**")[(2)]	29366708	2029.01.06	PRC
XYE 信義能源	9	Xinyi PV[(1)]	29580646	2029.04.27	PRC
信義能源	37	Xinyi Automobile Glass[(2)]	29371266	2029.04.06	PRC
信義能源 XINYI ENERGY	35 37	Xinyi Automobile Glass[(2)]	29366692 29365159	2029.03.06 2029.04.06	PRC
信義能源	19	Xinyi PV[(1)]	29580867	2029.04.20	PRC
信義能源 XINYI ENERGY	9 19	Xinyi PV[(1)]	29566104 29568720	2029.04.27 2029.04.20	PRC
XYE	6, 40, 42	Xinyi PV[(1)]	29572203 29579049 29568635	2029.01.20	PRC
	9		29563061	2029.04.27	

As of the Latest Practicable Date, we have submitted applications for registration of the following trademarks which are under review and approval process of the relevant trademark offices:

Trademarks applied for	Name of applicant	Classes	Place of applications
XYE 信義能源	The Company	4, 39, 40	Hong Kong
XYE 信義能源 XINYI ENERGY	The Company	4, 39, 40	Hong Kong

Trademarks applied for	Name of applicant	Classes	Place of applications	Application numbers
	Xinyi Automobile Glass[2]	37	PRC	29371260
XYE 信義能源	Xinyi PV[1]	40	PRC	29567894
信義能源	Xinyi PV[1]	9, 40	PRC	29575146 29581999
信義能源 XINYI ENERGY	Xinyi PV[1]	40	PRC	29582006

Notes:

(1) Xinyi PV is a wholly-owned subsidiary of Xinyi Solar.

(2) Xinyi Automobile Glass is a wholly-owned subsidiary of Xinyi Glass.

As of the Latest Practicable Date, Xinyi PV and Xinyi Automobile Glass have submitted the above trademark applications. We have made arrangements for the ownership in these trademarks to be transferred to us for free upon completion of trademark registrations. Before completing the trademark registrations, both Xinyi PV and Xinyi Automobile Glass have confirmed to us that we can use these business logos for free. If there is any opposition to the registration of any of these trademarks or any infringement of any of these trademarks, both Xinyi PV and Xinyi Automobile Glass will assist us to oppose or defend upon our directions. These arrangements constitute exempt connected transactions with Xinyi Solar and Xinyi Glass, respectively. See the section headed "Connected Transactions" in this prospectus for further information.

As of the Latest Practicable Date, we have registered the following copyright:

Copyright name	Type	Owner	Completion Date	Date of registration
Logo of Xinyi Energy	Art work	Xinyi Solar (Wuhu)	July 24, 2017	August 11, 2017

As of the Latest Practicable Date, we have registered the following domain name:

Domain name	Registered owner	Date of registration	Expiry date
www.xinyienergy.com	Xinyi Solar (Wuhu)	August 12, 2016	August 12, 2023

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Disclosure of interests of Directors and chief executive

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued or allotted upon any exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme), the interests or short positions of our Directors or chief executives in our Shares, underlying shares and debentures of our Company or associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required under the Model Code to be notified to us once our Shares are listed, will be as follows:

(i) Interest in our Company

Name of Directors	Nature of interest	Number of Shares or underlying shares held	Percentage of Shareholding
Dr. LEE Yin Yee, B.B.S.	Interest in controlled corporation *(Note 1)*	457,957,500	6.91
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Mr. TUNG Ching Sai. . .	Interest in controlled corporation *(Note 2)*	187,687,500	2.83
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90

Notes:

(1) Charm Dazzle is a company incorporated in the BVI and wholly-owned by Dr. LEE Yin YEE, B.B.S., our non-executive Director and chairman. Therefore, Dr. LEE Yin YEE, B.B.S. is deemed to be interested in all our Shares held by Charm Dazzle for the purposes of the SFO. Dr. LEE Yin YEE, B.B.S. is the sole director of Charm Dazzle.

(2) Sharp Elite is a company incorporated in the BVI and wholly-owned by Mr. TUNG Ching Sai, our executive Director and vice chairman. Therefore, Mr. TUNG Ching Sai is deemed to be interested in all our Shares held by Sharp Elite for the purposes of the SFO. Mr. TUNG Ching Sai is the sole director of Sharp Elite.

(3) Pursuant to the Pre-emptive Agreement, each of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung has agreed to grant a right of first offer to the other parties to the Pre-emptive Agreement if any of them would like to dispose of their Shares received under the Equity Investment including those Capitalization Shares allotted to them because of the Equity Investment.

(ii) Interest in associated corporation

Name of Directors	Name of associated corporation	Number of shares held	Percentage of shareholding
Dr. LEE Yin Yee, B.B.S.	Charm Dazzle *(Note 1)*	2	100
Mr. TUNG Ching Sai. . .	Sharp Elite *(Note 2)*	2	100

Notes:

(1) Charm Dazzle is a company incorporated in the BVI and wholly-owned by Dr. LEE Yin YEE, B.B.S., our non-executive Director and chairman. Therefore, Dr. LEE Yin YEE, B.B.S. is deemed to be interested in all our Shares held by Charm Dazzle for the purposes of the SFO. Dr. LEE Yin YEE, B.B.S. is the sole director of Charm Dazzle.

(2) Sharp Elite is a company incorporated in the BVI and wholly-owned by Mr. TUNG Ching Sai, our executive Director and vice chairman. Therefore, Mr. TUNG Ching Sai is deemed to be interested in all our Shares held by Sharp Elite for the purposes of the SFO. Mr. TUNG Ching Sai is the sole director of Sharp Elite.

(b) Disclosure of interests of substantial shareholders

So far as is known to our Directors and without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Post-IPO Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Global Offering and the Capitalization Issue, have interests or short positions in Shares or underlying shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Number of Shares or underlying shares	Percentage of Shareholding
Xinyi Power	Beneficial owner *(Note 1)*	3,558,555,000	53.69
Xinyi Solar	Interest in controlled corporation *(Note 1)*	3,558,555,000	53.69
Charm Dazzle	Beneficial owner *(Note 2)*	457,957,500	6.91
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90

Name	Nature of interest	Number of Shares or underlying shares	Percentage of Shareholding
Sharp Elite	Beneficial owner *(Note 4)*	187,687,500	2.83
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Xu Feng	Beneficial owner *(Note 5)*	187,687,500	2.83
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Precious Smart	Beneficial owner *(Note 6)*	112,612,500	1.70
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Will Sail	Beneficial owner *(Note 7)*	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Yuanyi	Beneficial owner *(Note 8)*	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Heng Zhuo	Beneficial owner *(Note 9)*	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Far High	Beneficial owner *(Note 10)*	45,045,000	0.68
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90
Day Dimension	Beneficial owner *(Note 11)*	60,060,000	0.91
	Interest in Pre-emptive Agreement *(Note 3)*	1,186,185,000	17.90

Notes:

(1) Xinyi Power is wholly-owned by Xinyi Solar. Therefore, Xinyi Solar is deemed to be interested in all our Shares held by Xinyi Power for the purposes of the SFO.

(2) Charm Dazzle is a company incorporated in the BVI and wholly-owned by Dr. LEE Yin YEE, B.B.S., our non-executive Director and chairman. Therefore, Dr. LEE Yin YEE, B.B.S. is deemed to be interested in all our Shares held by Charm Dazzle for the purposes of the SFO. Dr. LEE Yin YEE, B.B.S. is the sole director of Charm Dazzle.

(3) Pursuant to the Pre-emptive Agreement, each of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung have agreed to grant a right of first offer to the other parties to the Pre-emptive Agreement if any of them would like to dispose of their Shares received under the Equity Investment including those Capitalization Shares allotted to them because of the Equity Investment.

(4) Sharp Elite is a company incorporated in the BVI and wholly-owned by Mr. TUNG Ching Sai, our executive Director and vice chairman. Therefore, Mr. TUNG Ching Sai is deemed to be interested in all our Shares held by Sharp Elite for the purposes of the SFO. Mr. TUNG Ching Sai is the sole director of Sharp Elite.

(5) Xu Feng is a company incorporated in the BVI and wholly-owned by Mr. TUNG Ching Bor. Therefore, Mr. TUNG Ching Bor is deemed to be interested in all our Shares held by Xu Feng for the purposes of the SFO. Mr. TUNG Ching Bor is the sole director of Xu Feng.

(6) Precious Smart is a company incorporated in the BVI and wholly-owned by Mr. LEE Sing Din. Therefore, Mr. LEE Sing Din is deemed to be interested in all our Shares held by Precious Smart for the purposes of the SFO. Mr. LEE Sing Din and Mr. LEE Yau Ching, our executive Director, are the directors of Precious Smart.

(7) Will Sail is a company incorporated in the BVI and wholly-owned by Mr. LI Man Yin. Therefore, Mr. LI Man Yin is deemed to be interested in all our Shares held by Will Sail for the purposes of the SFO. Mr. LI Man Yin is the sole director of Will Sail.

(8) Yuanyi is a company incorporated in the BVI and wholly-owned by Mr. LI Ching Wai. Therefore, Mr. LI Ching Wai is deemed to be interested in all our Shares held by Yuanyi for the purposes of the SFO. Mr. LI Ching Wai is the sole director of Yuanyi.

(9) Heng Zhuo is a company incorporated in the BVI and wholly-owned by Mr. LI Ching Leung. Therefore, Mr. LI Ching Leung is deemed to be interested in all our Shares held by Heng Zhuo for the purposes of the SFO. Mr. LI Ching Leung is the sole director of Heng Zhuo.

(10) Far High is a company incorporated in the BVI and wholly-owned by Mr. NG Ngan Ho. Therefore, Mr. NG Ngan Ho is deemed to be interested in all our Shares held by Far High for the purposes of the SFO. Mr. NG Ngan Ho is the sole director of Far High.

(11) Day Dimension is a company incorporated in the BVI and wholly-owned by Mr. SZE Nang Sze. Therefore, Mr. SZE Nang Sze is deemed to be interested in all our Shares held by Day Dimension for the purposes of the SFO. Mr. SZE Nang Sze is the sole director of Day Dimension.

2. Further information about our Directors

(a) Particulars of Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company on November 22, 2018. The principal particulars of the service agreement are: (a) for a term of three years commencing from the Listing Date and (b) subject to termination in accordance with their respective terms. The service agreement may be renewed in accordance with the Articles and the applicable laws and regulations.

The non-executive Director and each of the independent non-executive Directors have signed a letter of appointment with our Company on November 22, 2018 for a term of three years. The letters of appointment are subject to termination in accordance with their respective terms.

(b) Remuneration of Directors

The aggregate amount of salaries, allowances, discretionary bonuses, and retirement benefit scheme contributions paid and benefits-in-kind granted to our Directors (in a capacity as directors or employees of any member of our Group) for the Track Record Period were nil, HK$1.5 million, and HK$3.8 million, respectively. During the Track Record Period, Xinyi Solar paid HK$4.0 million, HK$2.4 million, and HK$2.8 million, respectively, to our executive Directors.

Under the arrangements presently in force, the aggregate remuneration of our Directors for the year ending December 31, 2019, excluding discretionary bonus, is expected to be HK$3.3 million.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the Track Record Period.

3. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors or any of the persons whose names are listed in the paragraphs under "E. Other information — 8. Consent of experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in our Shares, underlying shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in our Shares and underlying shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the parties listed in the paragraphs under "E. Other information — 8. Consent of experts" below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraphs under "E. Other information — 8. Consent of experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraphs under "E. Other information — 8. Consent of experts" below (i) is interested legally or beneficially in any of our Shares or any share in any of our subsidiarie or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or customers; and

(g) none of our Directors or any past directors of any members of our Group has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

D. POST-IPO SHARE OPTION SCHEME

The following is a summary of principal terms of the Post-IPO Share Option Scheme, which was conditionally adopted by our sole Shareholder on November 22, 2018 (the "**Adoption Date**") and has been approved by the XYS Shareholders at the XYS EGM. The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Our Company will disclose details of the Post-IPO Share Option Scheme in its annual and interim reports including but not limited to the number of options, date of grant, exercise price, exercise period and vesting period during the financial year in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

1. Purpose

The purpose of the Post-IPO Share Option Scheme is to enable our Company to grant Options (as defined below) to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to our Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:-

(a) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group;

(b) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group; and/or

(c) for such purposes as our Board may approve from time to time.

2. Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) subject to (b) and (c) below, the approval of our sole Shareholder and the Xinyi Solar's shareholders at the extraordinary general meeting of Xinyi Solar for the adoption of the Post-IPO Share Option Scheme;

(b) the approval of the Hong Kong Stock Exchange for the listing of and permission to deal in, a maximum of 662,734,947 Shares to be allotted and issued pursuant to the exercise of the options (the "**Options**") in accordance with the terms and conditions of the Post-IPO Share Option Scheme;

(c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with its terms or otherwise; and

(d) the commencement of dealing of our Shares on the Main Board on the Listing Date.

3. Who may join

Our Board may, at its absolute discretion, offer Options to subscribe for such number of Shares in accordance with the terms set forth in the Post-IPO Share Option Scheme to:-

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the "**Executive**"), any full-time or part time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (the "**Employee**");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (c) above. (the persons referred above are the "**Eligible Participants**").

4. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of our Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (i.e. 662,734,947 Shares, the "**Scheme Mandate Limit**") provided that:

(a) Our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Post-IPO Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

(b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

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

5. Maximum number of Option to each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Participant would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Participant, and containing the details and information required under the Listing Rules. The number and terms (including the exercise price) of the Options to be granted to such Eligible Participant must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such grant shall be taken as the date of grant for the purpose of calculating the subscription price of those Options.

6. Offer and grant of Options

Subject to the terms of the Post-IPO Share Option Scheme, our Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Post-IPO Share Option Scheme) determine (provided the same shall be a board lot for dealing in our Shares on the Hong Kong Stock Exchange or an integral multiple thereof).

7. Granting Options to connected persons

Subject to the terms in the Post-IPO Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company, or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:-

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to an Eligible Participant who is a substantial shareholder or an independent non-executive Director, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

8. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Participant concerned for a period of 30 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Post-IPO Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Participant and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Participant, being a date not later than 30 days after the Offer Date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. Restriction on the time of grant of Options

Our Board shall not grant any Option under the Post-IPO Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of our Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of our Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Post-IPO Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

11. Amount payable for Options

The amount payable on acceptance of an Option is HK$1.0.

12. Subscription price

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

(a) the nominal value of a Share;

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

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

13. Exercise of Option

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option period in the manner as set forth in this Post-IPO Share Option Scheme by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Post-IPO Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of our Shares so allotted.

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(iv) Subject as hereinafter provided:

(a) in the case of the grantee ceasing to be an Eligible Participant by reason of death or permanent disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Group under paragraph 16(e) below has occurred, the grantee or the personal representative(s) of the grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Option in full (to the extent not already exercised);

(b) in the event that the grantee ceases to be an executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliated company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(c) if a general offer is made to all Shareholders and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(d) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

(i) the Option period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Post-IPO Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Post-IPO Share Option Scheme);

(ii) the period of two months from the date of such notice; or

(iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option.

(e) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

14. Ranking of Shares

Our Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and the Articles and the laws of the BVI from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all distributions or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any distribution or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

15. Life of Post-IPO Share Option Scheme

Subject to the terms of the Post-IPO Share Option Scheme, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further Options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

16. Lapse of Post-IPO Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry date relevant to that Option;

(b) the expiry of any of the period referred to paragraphs related to exercise of Option;

(c) the date of the commencement of the winding-up of our Company; and

(d) the date on which the scheme of arrangement of our Company becomes effective;

(e) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his relationship with our Group on any one or more of the following grounds:

  (i) that he has been guilty of serious misconduct;

  (ii) that he has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our Group;

  (iii) that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or

(iv) on any other ground as determined by our Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board or our board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and

(f) the date on which our Board shall exercise our Company's right to cancel the Option at any time after the grantee commits a breach of the restriction on transferability of Option or the Options are cancelled.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. Adjustment

In the event of any capitalization issue, rights issue, sub-division or consolidation of Shares or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(a) the number of Shares subject to any outstanding Options;

(b) the subscription price of each Option;

(c) our Shares to which the Option relates;

(d) the method of exercise of the Option; and/or

(e) any combination thereof,

as the auditors or an approved independent financial advisor shall certify in writing at the request of our Company or any grantee, either generally or as regards any particular grantee, to be fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Hong Kong Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustments and the aggregate exercise price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors or the independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisor to our Company shall be borne by our Company. Notice of such adjustment shall be given to the grantees by our Company.

18. Cancellation of Options not exercised

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to our Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

19. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Post-IPO Share Option Scheme. Upon termination of the Post-IPO Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

20. Transferability of Options

The Option or an offer (the "**Offer**") of the grant of an Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option held by him or any Offer made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Post-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

21. Amendment

The Post-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions of the Post-IPO Share Option Scheme or any change to the terms of Options granted (except where the alterations take effect automatically under the terms of the Post-IPO Share Option Scheme); (ii) any alteration to the provisions of the Post-IPO Share Option Scheme in relation to the matters set forth in Rule 17.03 of the Listing Rules to the advantage of grantees or the Eligible Participants (as the case may be); and (iii) any alteration to the aforesaid termination provisions.

E. OTHER INFORMATION

1. No estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the BVI and Hong Kong.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any member of our Group that could have a material adverse effect on our financial condition or operating results.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme). The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee in relation to the Listing is approximately HK$4.9 million.

As of the Latest Practicable Date, BNP Paribas SA, of which the Sole Sponsor is a wholly-owned subsidiary, was interested in (i) 2,676 shares of Xinyi Glass representing an insignificant percentage of the total number of shares in issue of Xinyi Glass and (ii) 6,823,263 shares of Xinyi Solar, representing approximately 0.08% of the total number of shares in issue of Xinyi Solar.

4. Compliance advisor

Our Company has appointed Lego Corporate Finance Limited as its compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were nil.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

BNP Paribas Securities (Asia) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities under the SFO
Grandall Law Firm (Shanghai)	PRC legal advisor
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Appleby	Legal advisor as to BVI laws
K2 Management A/S	Industry consultant

8. Consent of experts

Each of the experts named in the paragraphs under "7. Qualification of experts" above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or opinion and/or summary thereof and/or references to its name included in this prospectus in the form and context in which it is respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Taxation of holders of Shares

(a) Hong Kong

Dealings in our Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) BVI

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities in a BVI business company which is not a land owning company. A company is a land owning company if it, or any of its subsidiaries, has an interest in any land in the BVI.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or parties involved in the Public Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing our Shares.

F. MISCELLANEOUS

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

 (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

 (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

 (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

 (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any Share or loan capital of our Company or any of its subsidiaries; and

 (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of our Share or any share in any of our subsidiaries.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding, or authorized or otherwise created but unissued, debentures, or any term loans whether guaranteed or secured, or any outstanding convertible debt securities as of the Latest Practicable Date.

(c) Our Directors confirm that:

(i) there has been no material adverse change in our financial or trading position or prospects of our Group since December 31, 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and

(ii) there is no arrangement under which future distributions are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our BVI Share Registrar, namely, Estera Corporate Services (BVI) Limited, in the BVI and our Hong Kong register of members will be maintained by our Hong Kong Registrar, namely, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Registrar and may not be lodged in the BVI.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) None of the experts named in the paragraphs "7. Qualification of experts" above:

(i) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including our Shares.

(h) We had not issued any debentures nor did it have any outstanding debentures or convertible debt securities.

G. BILINGUAL PROSPECTUS

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW**, **GREEN**, and **BLUE** Application Forms;

(b) a copy of each of the material contracts referred to in the paragraphs under "B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in the paragraphs under "E. Other information — 8. Consent of experts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Squire Patton Boggs at 29th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountant's report of the Group from PricewaterhouseCoopers, the text of which is set forth in Appendix IA to this prospectus;

(c) the accountant's reports of each of the Target Companies and their subsidiaries, namely the New Wisdom Group, the Sky Falcon Group, the Perfect Alliance Group, the Profit Noble Group, and the Sky Cheer Group, from PricewaterhouseCoopers, the text of which is set forth in Appendices IB to IF to this prospectus;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set forth in Appendix II to this prospectus;

(e) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information following completion of the Global Offering and the Target Acquisition, the text of which is set forth in Appendix III to this prospectus;

(f) the audited consolidated financial statements of our Group and each of the Target Companies and their subsidiaries for the Track Record Period;

(g) the legal opinion issued by Grandall Law Firm (Shanghai), our PRC Legal Advisor, in respect of certain aspects of the PRC subsidiaries of our Company;

(h) the letter of advice issued by Appleby, our BVI legal advisor, summarizing certain aspects of the BVI law referred to in Appendix IV to this prospectus;

(i) the BVI BC Act;

(j) the material contracts referred to in the paragraphs under "B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus;

(k) the written consents referred to in the paragraphs under "E. Other information — 8. Consent of experts" in Appendix V to this prospectus;

(l) the rules of the Post-IPO Share Option Scheme;

(m) the service contracts and the letters of appointment entered into between our Company and each of our Directors; and

(n) the K2 Management Report.

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