XINYI SOLAR HOLDINGS LIMITED
信義光能控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 00968)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2019	2018	Change
	HK$'million	*HK$'million*	
Revenue	**9,096.1**	7,671.6	+18.6%
Profit attributable to equity holders of the Company	**2,416.5**	1,863.1	+29.7%
Earnings per share - Basic	**30.28 HK cents**	24.87 HK cents	+21.8%
Proposed final dividend per share	**8.5 HK cents**	4.2 HK cents	

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	4	**9,096,101**	7,671,632
Cost of sales	8	**(5,184,554)**	(4,711,194)
Gross profit		**3,911,547**	2,960,438
Other income	5	**130,593**	176,433
Other losses, net	6	**(5,434)**	(7,952)
Selling and marketing expenses	8	**(281,533)**	(271,169)
Administrative and other operating expenses	8	**(427,156)**	(412,690)
Impairment losses on trade receivables	8, 12(b)	**(14,429)**	(1,584)
Operating profit		**3,313,588**	2,443,476
Finance income	7	**49,088**	9,567
Finance costs	7	**(303,507)**	(255,959)
Share of profits of a joint venture		**39,371**	33,613
Share of (losses)/profits of associates		**(5,886)**	9,804
Bargain purchase arising from business combinations		**—**	5,839
Profit before income tax		**3,092,654**	2,246,340
Income tax expense	9	**(294,059)**	(204,662)
Profit for the year		**2,798,595**	2,041,678
Profit for the year attributable to:			
– the equity holders of the Company		**2,416,462**	1,863,146
– non-controlling interests		**382,133**	178,532
		2,798,595	2,041,678
Earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)			
– Basic	11	**30.28**	24.87
– Diluted	11	**30.27**	24.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**2,798,595**	2,041,678
Other comprehensive loss for the year, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(427,391)**	(1,012,101)
Share of other comprehensive loss of a joint venture accounted for under equity method		
– Share of currency translation differences	**(9,292)**	(23,435)
Total comprehensive income for the year	**2,361,912**	1,006,142
Total comprehensive income for the year attributable to:		
– the equity holders of the Company	**2,086,000**	940,262
– non-controlling interests	**275,912**	65,880
	2,361,912	1,006,142

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**16,710,968**	15,804,382
Right-of-use assets		**1,249,116**	—
Land use rights		**—**	319,877
Prepayments for property, plant and equipment, land use rights and operating leases	13	**319,143**	335,224
Finance lease receivables		**189,944**	187,806
Interests in a joint venture		**334,860**	358,296
Investments in associates		**69,237**	75,123
Deferred income tax assets		**46,091**	4,107
Goodwill		**10,471**	4,485
Total non-current assets		**18,929,830**	17,089,300
Current assets			
Inventories		**410,480**	429,576
Contract assets		**39,620**	56,122
Trade and bills receivables	12	**5,436,503**	4,153,804
Prepayments, deposits and other receivables	13	**1,347,567**	1,370,339
Finance lease receivables		**6,335**	5,355
Amount due from a joint venture		**5,630**	4,131
Cash and cash equivalents		**2,221,055**	783,873
Total current assets		**9,467,190**	6,803,200
Total assets		**28,397,020**	23,892,500
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**808,186**	765,969
Other reserves		**4,217,941**	2,232,726
Retained earnings		**9,150,719**	7,435,114
		14,176,846	10,433,809
Non-controlling interests		**4,396,283**	1,625,109
Total equity		**18,573,129**	12,058,918

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**11,533**	10,608
Bank borrowings	15	**3,879,527**	4,996,500
Lease liabilities		**585,442**	—
Other payables	14	**57,337**	89,125
Total non-current liabilities		**4,533,839**	5,096,233
Current liabilities			
Bank borrowings	15	**2,803,618**	3,773,009
Trade and other payables	14	**2,220,441**	2,780,434
Contract liabilities		**31,889**	33,978
Lease liabilities		**41,053**	—
Amounts due to related companies		**90,732**	101,687
Current income tax liabilities		**102,319**	48,241
Total current liabilities		**5,290,052**	6,737,349
Total liabilities		**9,823,891**	11,833,582
Total equity and liabilities		**28,397,020**	23,892,500

NOTES:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2 BASIS OF PREPARATION

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

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

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

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

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application.

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

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

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS39, HKFRS 7 and HKFRS 9	Hedge Accounting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 CHANGES IN ACCOUNTING POLICIES - HKFRS 16 “LEASES”

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

As indicated in Note 2 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 3(vi).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.25%.

(i) Practical expedients applied

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

– applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and

– relying on previous assessments on whether leases are onerous.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**1,199,862**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(650,956)**
Lease liabilities recognised as at 1 January 2019	**548,906**
Of which are:	
Current lease liabilities	**29,284**
Non-current lease liabilities	**519,622**
	548,906

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets as at 1 January 2019 are reconciled as follows:

	2019
	HK$'000
Lease liabilities recognised as at 1 January 2019 (Note 3 (ii))	**548,906**
Rental prepayments recognised as at 31 December 2018	**66,573**
Rental accruals recognised as at 31 December 2018	**(5,488)**
Land use rights recognised as at 31 December 2018	**319,877**
Right-of-use assets recognised as at 1 January 2019	**929,868**

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Land use rights – decrease by HK$319,877,000
- Prepayments, deposits and other receivables – decrease by HK$66,573,000
- Right-of-use assets – increase by HK$929,868,000
- Lease liabilities – increase by HK$548,906,000
- Other payables – decrease by HK$5,488,000
- There was no impact on retained earnings at 1 January 2019

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(vi) Accounting policies applied from 1 January 2019 - Leases

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonable certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Directors that they used to make strategic decisions.

The Executive Directors consider the business from product type perspective. Generally, the Executive Directors consider the performance of business of each product type within the Group separately. Thus, the performance of each product type within the Group is an individual operating segment.

For the year ended 31 December 2019, there are three operating segments based on business type: (1) sales of solar glass; (2) solar farm business, which includes solar farm development and solar power generation; and (3) engineering, procurement and construction ("**EPC**") services.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate operating costs to its segments as this information is not reviewed by the Executive Directors.

The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

The segment information provided to the Executive Directors for the reportable segments is as follows:

	Year ended 31 December 2019			
	Sales of solar glass	**Solar farm business**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue				
Recognised at a point in time	**6,767,427**	**2,227,571**	**—**	**8,994,998**
Recognised over time	**—**	**—**	**101,103**	**101,103**
Revenue from external customers	**6,767,427**	**2,227,571**	**101,103**	**9,096,101**
Cost of sales	**(4,593,921)**	**(522,937)**	**(67,696)**	**(5,184,554)**
Gross profit	**2,173,506**	**1,704,634**	**33,407**	**3,911,547**

	Year ended 31 December 2018			
	Sales of solar glass	Solar farm business	EPC services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Recognised at a point in time	5,562,253	1,920,475	—	7,482,728
Recognised over time	—	—	188,904	188,904
Revenue from external customers	5,562,253	1,920,475	188,904	7,671,632
Cost of sales	(4,106,449)	(479,455)	(125,290)	(4,711,194)
Gross profit	1,455,804	1,441,020	63,614	2,960,438

	Other segment information			
	Solar glass	**Solar farm business**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2019				
Depreciation charge of property, plant and equipment	**334,606**	**460,001**	**720**	**795,327**
Depreciation charge of right-of-use assets	**13,192**	**26,288**	**625**	**40,105**
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	**1,147,342**	**1,772,056**	**2,133**	**2,921,531**
Year ended 31 December 2018				
Depreciation charge of property, plant and equipment	283,030	415,978	689	699,697
Amortisation charge of land use rights	7,519	—	—	7,519
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	991,239	2,099,248	4,525	3,095,012

	Assets and liabilities				
	Solar glass	Solar farm business	EPC services	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 31 December 2019					
Total assets	**9,550,312**	**17,941,676**	**485,023**	**420,009**	**28,397,020**
Total liabilities	**1,156,483**	**3,620,257**	**315,056**	**4,732,095**	**9,823,891**
At 31 December 2018					
Total assets	7,831,812	15,193,002	420,029	447,657	23,892,500
Total liabilities	1,439,032	4,172,562	355,747	5,866,241	11,833,582

Reportable segment assets/(liabilities) are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets/(liabilities)	**27,977,011**	23,444,843	**(5,091,796)**	(5,967,341)
Unallocated:				
Property, plant and equipment	**1,333**	396	**—**	—
Interests in a joint venture	**334,860**	358,296	**—**	—
Investments in associates	**69,237**	75,123	**—**	—
Prepayments, deposit and other receivables	**1,000**	13,265	**—**	—
Cash and cash equivalents	**3,372**	577	**—**	—
Deferred income tax assets	**10,207**	—	**—**	—
Other payables	**—**	—	**(1,918)**	(1,351)
Bank borrowings	**—**	—	**(4,730,177)**	(5,864,890)
Total assets/(liabilities)	**28,397,020**	23,892,500	**(9,823,891)**	(11,833,582)

A reconciliation of segment gross profit to profit before income tax is provided as follows:

	2019	2018
	HK$'000	*HK$'000*
Segment gross profit	**3,911,547**	2,960,438
Unallocated:		
Other income	**130,593**	176,433
Other losses, net	**(5,434)**	(7,952)
Selling and marketing expenses	**(281,533)**	(271,169)
Administrative and other operating expenses	**(427,156)**	(412,690)
Impairment losses on trade receivables	**(14,429)**	(1,584)
Bargain purchase arising from business combinations	**—**	5,839
Finance income	**49,088**	9,567
Finance costs	**(303,507)**	(255,959)
Share of profits of a joint venture	**39,371**	33,613
Share of (losses)/profits of associates	**(5,886)**	9,804
Profit before income tax	**3,092,654**	2,246,340

An analysis of the Group's revenue by geographical area and by segment of its customers is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from sales of solar glasses		
The PRC	**4,906,517**	4,170,198
Other countries	**1,860,910**	1,392,055
	6,767,427	5,562,253
Revenue from solar farm business in the PRC		
Sales of electricity	**929,726**	763,763
Tariff adjustment	**1,297,845**	1,156,712
	2,227,571	1,920,475
Revenue from construction contracts in respect of EPC services		
The PRC	**16,198**	52,194
Other countries	**84,905**	136,710
	101,103	188,904
	9,096,101	7,671,632

For the year ended 31 December 2019, revenue of approximately HK$1,460,322,000 (2018: HK$1,220,267,000) were derived from customer A from solar farm business, which accounted for more than 10% of the Group's revenue for the year.

Revenue of approximately HK$1,080,258,000 were derived from customer B from solar glass business, which accounted for more than 10% of the Group's revenue for the year. None of the customer from solar glass business accounted for more than 10% of the Group's revenue for the year ended 31 December 2018.

An analysis of the Group's non-current assets other than finance lease receivables and deferred income tax assets by geographical area in which the assets are located is as follows:

	2019	2018
	HK$'000	*HK$'000*
The PRC	**17,157,609**	15,486,410
Other countries	**1,536,186**	1,410,977
	18,693,795	16,897,387

5 OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Rental income	**2,970**	3,449
Government grants (Note (i))	**70,434**	115,037
Others (Note (ii))	**57,189**	57,947
	130,593	176,433

Notes:

(i) Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations and certain tax payments.

(ii) It mainly represents scrap sales, compensation of insurance claims and tariff adjustments in relation to the electricity generated by the solar power system installed on the roof-top at the Group's production complex.

6 OTHER LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Foreign exchange losses, net	**(1,329)**	(5,896)
Losses on disposal of property, plant and equipment	**(4,105)**	(2,056)
	(5,434)	(7,952)

7 FINANCE INCOME AND COSTS

	2019	2018
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**49,088**	9,567
Finance costs		
Interest for lease liabilities	**38,509**	—
Interest on bank borrowings	**303,020**	291,785
Less: Amounts capitalised on qualifying assets	**(38,022)**	(35,826)
	303,507	255,959

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, administrative and other operating expenses and impairment losses on trade receivables are analysed as follows:

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
- Audit services	**3,210**	1,980
- Non-audit services	**2,011**	5,701
Depreciation charge of property, plant and equipment	**795,327**	699,697
Depreciation charge of right-of-use assets	**40,105**	—
Amortisation charge of land use rights	**—**	7,519
Employee benefit expenses (including directors' emoluments)	**374,620**	337,823
Raw material and consumables used	**4,018,420**	3,676,962
Changes in inventories	**19,096**	(55,634)
Cost of inventories sold	**4,037,516**	3,621,328
Construction contracts costs	**67,696**	125,290
Impairment losses of trade receivables	**14,429**	1,584
Impairment on inventories	**9,109**	2,837
Operating lease payments in respect of land and buildings	**—**	47,677
Transportation costs	**259,356**	238,525
Research and development expenditures	**194,946**	169,587
Other expenses	**109,347**	137,089
	5,907,672	5,396,637

9 INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax (Note (ii))	**184**	667
- PRC corporate income tax ("**CIT**") (Note (iii))	**334,265**	196,081
- Overseas income tax (Note (iv))	**150**	532
	334,599	197,280
Deferred income tax	**(40,540)**	7,382
Income tax expense	**294,059**	204,662

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK$2 million of the estimated assessable profits for one of the Group's subsidiaries in Hong Kong and 16.5% on the remaining estimated assessable profits for the year (2018: same).

(iii) The Group's operations in the PRC are subject to the corporate income tax of the PRC (the "**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25% (2018: 25%). The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited, a subsidiary established in the PRC, was 15% (2018: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. Solar farm companies of the Group in the PRC enjoyed tax holiday and the profits are fully exempted from CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, the government grants and insurance claims received during the year are subject to the CIT with the statutory income tax rate of 25%.

(iv) Taxation on overseas profits mainly include Malaysia income tax which has been calculated on the estimated assessable profits for the year at the standard Malaysia corporate income tax rates of 24% (2018: 24%). Subsidiary of the Group in Malaysia is entitled to investment tax allowance ("**ITA**") on its qualifying capital expenditure incurred during the eligible period to be utilised against its assessable profit.

(v) 5%-10% withholding income tax is imposed on dividends relating to profits remitted from the PRC subsidiaries to the Hong Kong intermediate holding companies.

10 DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend of 5.5 HK cents (2018: 8.0 HK cents) per share (Note (a))	**443,183**	594,205
Proposed final dividend of 8.5 HK cents (2018: final dividend of 4.2 HK cents) per share (Note (b))	**686,958**	337,989

Notes:

(a) An interim dividend of 5.5 HK cents per share (2018: 8.0 HK cents) was partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend for 2019 interim dividend (2018 interim dividend: same) whose names appeared on the Register of Members of the Company on 26 August 2019 (2018: 17 August 2018).

(b) A final dividend in respect of the year ended 31 December 2019 of 8.5 HK cents per share (2018: 4.2 HK cents), amounting to a total dividend of HK$686,958,000 (2018: HK$337,989,000) is to be proposed at the forthcoming annual general meeting. The amount of 2019 proposed final dividend is based on 8,081,863,343 shares in issue as at 31 December 2019. These financial statements do not reflect the proposed final dividend for the year ended 31 December 2019. The amount of 2018 final dividend represents the aggregated dividend partially paid in cash and partially settled by the issuance of shares in respect of scrip dividend based on 8,047,365,833 shares in issue as at the record date for the dividend entitlement.

Subject to the approval by the shareholders at the forthcoming annual general meeting, the proposed final dividend of 8.5 HK cents per share will be payable on or about 24 June 2020 to the shareholders whose names appear on the register of members of the Company on 25 May 2020. The register of members of the Company will be closed from 21 May 2020 to 25 May 2020, both days inclusive, during which period no transfer of shares will be registered.

Shareholder will be given an option to receive the 2019 final dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend (the "**Scrip Dividend Scheme**"). The Scrip Dividend Scheme is subject to the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in the shares to be allotted and issued under the Scrip Dividend Scheme.

For the purpose of calculating the number of the scrip shares (the "**Scrip Shares**") under the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at 95% of the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on 19 May 2020 until 25 May 2020 (both days inclusive) rounded down to two decimal places. Further details of the Scrip Dividend Scheme will be announced later.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year and considering for scrip dividend issued in July and October 2019.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**2,416,462**	1,863,146
Weighted average number of ordinary shares in issue (thousands)	**7,981,305**	7,492,798
Basic earnings per share (HK cents)	**30.28**	24.87

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares from share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**2,416,462**	1,863,146
Weighted average number of ordinary shares in issue (thousands)	**7,981,305**	7,492,798
Adjustments for share options (thousands)	**2,750**	646
	7,984,055	7,493,444
Diluted earnings per share (HK cents)	**30.27**	24.86

12 TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**4,257,049**	3,452,905
Bills receivables	**1,194,111**	701,254
Trade and bills receivables (Note (a))	**5,451,160**	4,154,159
Less: Loss allowance of trade receivables (Note (b))	**(14,657)**	(355)
Trade and bills receivables, net	**5,436,503**	4,153,804

(a) Trade and bills receivables

Breakdown of trade receivables by segment is as follows:

	Solar glass	Solar farm Business	EPC services	Total
	HK$'000	*HK$'000*	*HK$'000*	HK$'000
At 31 December 2019				
Sales of solar glass	**1,156,796**	**—**	**—**	**1,156,796**
Sales of electricity	**—**	**94,677**	**—**	**94,677**
Tariff adjustment	**—**	**2,862,525**	**—**	**2,862,525**
EPC service revenue	**—**	**—**	**143,051**	**143,051**
Total	**1,156,796**	**2,957,202**	**143,051**	**4,257,049**
At 31 December 2018				
Sales of solar glass	943,132	—	—	943,132
Sales of electricity	—	70,920	—	70,920
Tariff adjustment	—	2,178,452	—	2,178,452
EPC service revenue	—	—	260,401	260,401
Total	943,132	2,249,372	260,401	3,452,905

The credit terms granted by the Group to its customers in respect of sales of solar glass are generally from 30 to 90 days.

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

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**4,124,075**	3,354,976
91 days to 180 days	**49,027**	51,609
181 days to 365 days	**52,631**	26,992
1 to 2 years	**13,727**	11,836
Over 2 years	**17,589**	7,492
	4,257,049	3,452,905

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

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**383,191**	356,569
91 days to 180 days	**483,518**	390,319
181 days to 365 days	**674,521**	622,026
1 to 2 years	**1,152,600**	824,450
Over 2 years	**263,372**	56,008
	2,957,202	2,249,372

The maturity of the bills receivables is within 1 year.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
RMB	**5,126,171**	3,972,778
US$	**236,984**	112,891
Other currencies	**88,005**	68,490
	5,451,160	4,154,159

(b) Loss allowance of trade receivables

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

Sales of solar glass

The closing loss allowances for trade receivables from sales of solar glass as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019	2018
	HK$'000	*HK$'000*
Opening loss allowance	**355**	—
Increase in loss allowance recognised in consolidated income statement during the year	**14,429**	1,584
Receivables written off during the year as uncollectible	**(127)**	(1,229)
Closing loss allowance	**14,657**	355

Sales of electricity

Given the track record of regular repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "**Catalogue**") issued by government authority. Since June 2018, the Group has another eight ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality with an aggregate capacity of 724MW, successfully enlisted on the seventh batch of the Catalogue.

During the year ended 31 December 2019, the Group received aggregate payment of RMB624,066,000 (equivalent to approximately HK$706,205,000) for the subsidies mainly incurred during April 2017 to February 2018 of the solar farm projects enlisted on the sixth and seventh batch of the Catalogue (2018: RMB684,027,000 (equivalent to approximately HK$773,936,000) for the subsidies incurred up to March 2017 of solar farm projects enlisted on the sixth and seventh batch of the Catalogue).

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

As of 31 December 2019, except a loss allowance of trade receivables of HK$14,657,000 (2018: HK$355,000), all other trade receivables were expected to be recoverable. The carrying amounts of trade and bills receivables approximate their fair values.

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**715,231**	541,522
Deposits and other receivables	**139,417**	197,414
Other tax receivables (Note)	**812,062**	966,627
	1,666,710	1,705,563
Less: Non-current portion:		
Prepayments for land use rights and property, plant and equipment	**(319,143)**	(273,936)
Prepayments for operating leases	**—**	(61,288)
Current portion	**1,347,567**	1,370,339

Note: Other tax receivables mainly represent value added tax recoverable.

14 TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**533,472**	581,009
Retention payables for EPC services	**2,629**	7,197
Trade payables and retention payable for EPC services (Note (a))	**536,101**	588,206
Bills payables (Note (b))	**140,435**	493,838
Trade, retention and bills payables	**676,536**	1,082,044
Accruals and other payables (Note (d))	**1,601,242**	1,787,515
	2,277,778	2,869,559
Less: Non-current portion:		
Retention payables for construction of solar farms	**(57,337)**	(89,125)
Current portion	**2,220,441**	2,780,434

Notes:

(a) The ageing analysis of the trade payables and retention payables for EPC services based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**413,328**	450,534
91 days to 180 days	**15,117**	14,898
181 days to 365 days	**87,892**	98,413
Over 1 year	**19,764**	24,361
	536,101	588,206

(b) The maturity of the bills payables is within 6 months.

(c) The carrying amounts of the Group's trade, retention and bills payables are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
RMB	**631,707**	1,048,152
Other currencies	**44,829**	33,892
	676,536	1,082,044

(d) Details of accruals and other payables are as follows:

	2019	2018
	HK$'000	*HK$'000*
Payables for property, plant and equipment	**1,149,085**	1,544,762
Accruals for employee benefits and welfare	**86,749**	80,960
Payables for transportation costs and other operating expenses	**73,583**	57,273
Provision for value added tax and other taxes in the PRC	**173,053**	15,859
Payables for utilities	**44,706**	41,075
Others	**74,066**	47,586
	1,601,242	1,787,515

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

15 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
Repayable on demand and within 1 year	**2,803,618**	3,773,009
Between 1 and 2 years	**2,985,701**	2,327,609
Between 2 and 5 years	**893,826**	2,668,891
	6,683,145	8,769,509
Less: Non-current portion	**(3,879,527)**	(4,996,500)
Current portion	**2,803,618**	3,773,009

16 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 28 May 2019, the Group completed the spin-off (the "**Spin-off**") and separate listing of Xinyi Energy Holdings Limited ("**Xinyi Energy**"), its solar farm operation arm, on the Main Board of the Stock Exchange. By way of global offering, Xinyi Energy issued and allotted 1,882,609,471 shares at an offer price of HK$1.94 each. The gross proceeds was approximately HK$3,652.3 million. Immediately after the Spin-off, the Company's indirect interest in Xinyi Energy had been reduced from 75% to 53.7%. The Group recognised an increase in non-controlling interests of HK$3,003.7 million and an increase in equity attributable to owners of the Company of HK$451.2 million.

On 3 June 2019, the Group completed the disposal (the "**Disposal**") of all issued shares of Xinyi Solar Farm (Group 1) Limited ("**Xinyi Solar Farm (1)**") to Xinyi Energy at a cash consideration of HK$4,083.3 million. Xinyi Solar Farm (1), through its subsidiaries, owns and operates 540MW solar farm projects in the PRC. Upon completion of the Disposal, the Company's indirect equity interest in Xinyi Solar Farm (1) had been reduced from 100% to 53.7% without loss of control. Hence, the Group recognised a transaction with non-controlling interests of HK$473.3 million in relation to the fair value adjustment of the Disposal attributable to the non-controlling interests.

On 24 June 2019, Xinyi Energy issued and allotted an aggregate of 125,129,000 shares (the "**Over-allotment Issue**") at an offer price of HK$1.94 each in relation to the partial exercise of the over-allotment option under its global offering. The gross proceeds was approximately HK$242.8 million. Immediately after the Over-allotment Issue, the Company's indirect interest in Xinyi Energy had been reduced from 53.7% to 52.7%. The Group recognised an increase in non-controlling interests of HK$202.1 million and an increase in equity attributable to equity holders of the Company of HK$35.7 million.

The effect of changes in the ownership interest of Xinyi Energy and Xinyi Solar Farm (1) on the equity attributable to owners of the Company during the year ended 31 December 2019 is summarised as follows:

	Spin-off	**Disposal**	**Over-allotment Issue**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Increase in equity attributable to owners of the Company	451,198	473,315	35,668	960,181
Increase/(decrease) in non-controlling interests	3,003,701	(473,315)	202,120	2,732,506
Increase in total equity	3,454,899	—	237,788	3,692,687

17 BUSINESS COMBINATION

To speed up its development pace and build up a more diversified solar farm investment portfolio, the Group has acquired 90% equity interest of Guangdong Jike Renewable Energy Development Limited which owns a grid-connected solar farm with aggregate approved capacity of approximately 30MW in the PRC at a consideration of RMB16,200,000 (equivalent to HK$18,939,000) in February 2019. Details of the financial information as at acquisition date is presented as follows:

	HK$'000
Purchases consideration	
Cash consideration	18,939
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	270,618
Right-of-use assets	38,653
Trade and other receivables	11,077
Cash and cash equivalents	1,397
Lease liabilities	(33,573)
Other payables and accruals	(273,780)
	14,392
Less: Non-controlling interests	(1,439)
	12,953
Goodwill	5,986
	18,939
Net cash outflow arising from the acquisitions	
Cash consideration	18,939
Less: Cash and cash equivalents acquired	(1,397)
	17,542

18 SUBSEQUENT EVENT

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In 2019, the domestic photovoltaic ("**PV**") installations in China declined year-on-year, mainly due to the belated release of policies and approval of projects, together with the postponement of the intstallations by solar farm developers, amid the continuous decreases in the component costs. Despite the decrease in China, the global PV demand remained bullish and grew at a faster rate than expected in overseas markets, such as the Netherlands, Spain, Germany, Italy, Turkey and Ukraine.

With both price and sales volume up, the profit contributions from the Group's solar glass business improved significantly during the year, driving the Group's profit to a historic high. During the year, the Group achieved consolidated revenue of HK$9,096.1 million, representing a 18.6% increase as compared to 2018. Profit attributable to equity holders of the Company increased by 29.7% to HK$2,416.5 million. Basic earnings per share were 30.28 HK cents for 2019, as compared to 24.87 HK cents for 2018. A final dividend of 8.5 HK cents per share has been proposed, which is subject to approval by the shareholders of the Company ("**Shareholders**") at the forthcoming annual general meeting ("**AGM**").

BUSINESS REVIEW

Slowdown of PV installations in China during the transitional period

The year was a transitional period for the Chinese PV market. PV projects evolved from solely subsidy-driven to a mix of both "subsidy-free" and "FiT-supported". Subsequent to the "2018 Photovoltaic Power Generation Notice (二零一八年光伏發電有關事項的通知)" ("**531 Policy**"), the Chinese government rolled out a series of new PV policies and measures in 2019, with the main purpose of reducing pressure on the China Renewable Energy Development Fund ("**Renewable Energy Fund**") by shifting the development focus to non-subsidised (grid parity) projects. Subsidies would continue for some time, but at a lower level and decline gradually. In addition, the competitive bidding mechanism and quota allocation method have also changed.

The belated release of policies and approval of projects has dampened PV installation sentiment in China during the year. China only installed 11.4 gigawatt ("**GW**") of solar PV capacity in the first half of 2019, representing a year-on-year decline of about 53%. The decrease is quite substantial because new additions primarily related to the Top Runner Programme, Poverty Alleviation Programme and incomplete projects brought forward from last year. Newly started utility scale projects, including both subsidised and non-subsidised, were very few. With the release of the first batch of approved grid-parity projects and the first national unified bidding results for subsidised projects in May and July 2019 respectively, market participants generally expected that the demand would recover in the third and fourth quarters of 2019. However, as some developers had halted construction amid declining installation cost, new additions were still lower than expected in the second half of the year. According to National Energy Administration (the "**NEA**") data, new PV installations in China reached 30.11GW in 2019, representing a year-on-year decline of about 31.6%. The robust global PV demand during the year was mainly driven by countries other than China.

More diversified global PV installation

Despite the slowdown in China, the global PV installation rate achieved double-digit growth in 2019. The increase was attributed to the steep drop in solar system costs, growing energy demand and the emission reduction policies of different governments. Market diversification has also continued in 2019. The pursuit of PV deployment has spread from the top three markets (China, United States ("**US**") and India) to emerging and re-awakening markets, including the Netherlands, Spain, Germany, Italy, Turkey and Ukraine. According to SolarPower Europe, 11 countries installed more than 1 GW of solar panel systems in 2018 and the number of GW-scale solar markets was expected to increase to 16 in 2019.

More diversified global PV installations means less dependence on the incentive regime and related policies of a single country, hence lower risk of PV demand fluctuation, which is beneficial to the Group in planning capacity expansion.

Increased capacity and new product development to align with market growth

The high rate of PV installations in 2019 has stimulated the demand for different components in the solar value chain, including solar glass. In light of the quick and strong recovery of the solar glass market, the Group has strived to increase its production capacity as much as possible. Before the end of 2018, the Group added a new 1,000-tonne/day solar glass production line in Malaysia and resumed the operation of a 500-tonne/day solar glass production line after cold repair in Tianjin, which together increased its aggregate daily melting capacity from 5,200 tonnes to 6,700 tonnes. In the second half of 2019, the Group further increased its capacity from 6,700-tonne/day to 7,800-tonne/day by resuming the operation of two solar glass production lines after cold repair in Anhui. This timely expansion has helped the Group to capture market growth opportunities and better satisfy its customers' orders.

To further expand the application of solar glass in the niche market, the Group has spared no effort in the research and development of new products. Given that bifacial and double-glass solar modules are becoming increasingly popular, the Group has modified and upgraded its production facilities so as to produce thinner glass products – 2.5mm and 2.0mm solar glass – to meet different application requirements. With the commencement of mass production in the fourth quarter of 2019, sales of thinner solar glass products have increased quickly since then.

Quick and strong recovery of solar glass market

After the setbacks in 2018, the solar glass market got back on track with a quick and strong recovery in 2019. Because of tight industrial supply and rising raw material costs, solar glass prices have kept an upward trend during the year. Although there were some new or resumed capacities that entered the market during the year, supply still lagged far behind demand. After the price hike in March, product prices rebounded to the pre-531 Policy level. Prices continued to rise further in the third and fourth quarters of the year amid growing demand. Revenue and profit contributions from the Group's solar glass segment thus improved significantly, particularly in the second half of the year.

Development focus shifted to non-subsidised PV power projects

Starting from 2019, China's PV development has shifted from solely subsidy-driven to a mix of both "subsidy-free" and "FiT-supported".

In respect of non-subsidised PV power projects, no quota restriction will apply in 2019 and 2020. However, projects can only go ahead after obtaining approval from relevant provincial governments and in regions with no power consumption (curtailment) issue. Purchase of power from grid parity projects at a fixed price (i.e. the prevailing feed-in-tariff ("**FiT**") at the grid-connection date) is guaranteed. An offtake agreement of at least 20 years will be signed with the grid companies and priority dispatch against subsidised projects is assured. In May 2019, China's National Development and Reform Commission and NEA jointly released the first batch of grid parity projects for 2019, which the Group was successful in securing three projects, specifically, 300MW in Guangxi, 100MW in Hubei and 70MW in Guangdong. To take full advantage of declining PV system costs and the two-year policy window (i.e. developers can still enjoy this policy if the construction of their projects can start before the end of 2020), most of the construction work for these projects will commence in 2020.

With reference to subsidised PV power projects, China launched a new competitive bidding mechanism during the year, which was more market-oriented. A budget of RMB3 billion was set aside to subsidise new projects in 2019. Under this new mechanism, the lowest bidders of projects tendered at the national level would receive subsidies until the funds are depleted. To receive the subsidy, the project must be grid-connected with full capacity no more than six months after the agreed completion date. Every quarter of delay in the completion will cause a reduction of the FiT price by RMB0.01 per kilowatt-hour ("**kWh**"). According to the first national bidding results released by NEA in July 2019, subsidised projects with total capacity of 22.78 GW had been approved, and among them the Group secured two projects, with 30MW in Anhui and 40MW in Guangxi.

Due to the declining proportion of subsidies and simplified application procedures employed under the grid parity policy, the Group will gradually shift its development focus towards non-subsidised (grid parity) projects. In order to boost its project pipeline, the Group has been proactively exploring development opportunities in different regions of China. Priority will be given to projects that are in areas with high sunlight utilisation hours and high electricity cost.

Successful spin-off of Xinyi Energy to enhance financial capability

The successful spin-off (the "**Spin-off**") of Xinyi Energy Holdings Limited ("**Xinyi Energy**", together with its subsidiaries, the "**Xinyi Energy Group**") in May 2019 not only helped the Group expand its investor base, but also strengthened its financial capability.

After the Spin-off, Xinyi Energy will focus on the operation and management of solar farm projects, while the remaining group (the "**Remaining Group**"), which comprises Xinyi Solar and its member companies other than Xinyi Energy Group, will focus on the solar glass business, the development and construction of solar farms, and the engineering, procurement and construction ("**EPC**") business. Xinyi Energy is positioned as a dividend-oriented company that can attract investors seeking investment opportunities in the renewable energy sector, where well-defined and predictable amounts of revenue and relatively high dividend payout ratio can be found.

With separate fund-raising platforms, the Remaining Group and Xinyi Energy Group can obtain the required funding independently from the equity and debt capital markets. This can enhance the financial flexibility of both groups. Besides, investors can appraise and assess the value and performance of the two groups separately.

Following completion of the Spin-off, the Company's interest in Xinyi Energy has been reduced from 75% to 53.7% (or from 75% to 52.7% after taking into account the impact of the over-allotment issue). Xinyi Energy Group therefore continues to be a subsidiary of Xinyi Solar and its financial results will continue to be consolidated into the accounts of the Group. The disposal of solar farm projects to Xinyi Energy can help the Remaining Group to speed up cash inflow, enabling it to have more financial resources for new project development. The disposal gain, though cannot be reflected through profit and loss, will be recorded as an equity transaction and can enhance shareholders' equity in the Group. During the year, Xinyi Solar recorded an increase in shareholders' equity of approximately HK$960.2 million in relation to the Spin-off, over-allotment issue and the disposal of 540MW solar farm projects to Xinyi Energy. Net gearing of the Group improved substantially from 66.2% as at 31 December 2018 to 24.0% as at 31 December 2019.

The optimised financing model can enable the Group to pursue more new solar farm projects and achieve a sustainable and holistic business model.

Stable contributions from solar power electricity generation

The Group's electricity sales grew steadily in 2019, primarily due to the capacities added last year. Revenue and gross profit increased by 16.0% and 18.3% year-on-year respectively. During the year, the Group had three solar farms with aggregate capacity of 130MW newly connected to the grid. As at 31 December 2019, the accumulated approved grid-connected capacity of the Group's solar farm projects was 2,630MW, of which 2,474MW was utility-scale ground-mounted projects and 156MW was rooftop distributed generation projects (with electricity generated for self-consumption and for sale to the grid). In terms of ownership, 1,494MW projects were held through Xinyi Energy, 52.7% owned by Xinyi Solar; 936MW projects were held through wholly-owned subsidiaries; 100MW projects were held through non-wholly owned subsidiaries (90%-owned by the Group); and 100MW project held by a joint-venture owned as to 50% by the Group.

Other than capacity expansion, the Group has also strived to enhance the operational efficiency of its solar farms by monitoring the operating statistics on a real-time basis, performing regular cleaning and implementing timely preventive maintenance to minimise the risk of failure.

EPC services – an additional income source

As in previous years, the Group has engaged in EPC services in order to broaden its experience and enhance its knowledge of different types of solar farm projects and their development. During the year, the Group's EPC business derived revenue primarily from residential and commercial distributed generation projects carried out in Canada by a non-wholly owned subsidiary. Because of the one-off and ad-hoc nature of such projects, the Group considers EPC revenue as an additional source of income, instead of a key growth driver.

FINANCIAL REVIEW

In 2019, the dramatic drop in the cost of PV systems stimulated solar installations in different countries. However, as China's PV industry has been transitioning from being solely subsidy-driven to a mix of "subsidy-free" and "FiT-supported", new installations were led by countries other than China. The revived overseas demand has driven solar glass sales growth, contributing to a remarkable increase in revenue and profit contributions from the Group's solar glass segment.

For the year ended 31 December 2019, the Group achieved consolidated revenue of HK$9,096.1 million, representing a 18.6% increase when compared to 2018. Profit attributable to equity holders of the Company increased by 29.7% to HK$2,416.5 million. Basic earnings per share were 30.28 HK cents for 2019, as compared to 24.87 HK cents for 2018.

Revenue

The Group's revenue for the year ended 31 December 2019 was mainly derived from two core business segments, namely (a) sale and manufacturing of solar glass and (b) solar farm business. Both segments recorded notable revenue growth in 2019.

Revenue – By Product

	Year Ended 31 December					
	2019		2018		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**6,767.4**	**74.4**	5,562.3	72.5	1,205.1	21.7
Solar farm business	**2,227.6**	**24.5**	1,920.5	25.0	307.1	16.0
EPC services	**101.1**	**1.1**	188.9	2.5	(87.8)	(46.5)
Total external revenue*	**9,096.1**	**100.0**	7,671.6	100.0	1,424.5	18.6

* Because of rounding off, the sum of the individual amounts may not be the same as the actual total amount.

Solar Glass Revenue – By geographical market

	Year Ended 31 December					
	2019		2018		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
The People's Republic of China ("**PRC**")	**4,906.5**	**72.5**	4,170.2	75.0	736.3	17.7
Other countries	**1,860.9**	**27.5**	1,392.1	25.0	468.8	33.7
	6,767.4	**100.0**	5,562.3	100.0	1,205.1	21.7

For the year ended 31 December 2019, the Group's solar glass sales revenue increased by 21.7% to HK$6,767.4 million. The increase was primarily due to higher sales volume and increased average selling price ("**ASP**") of solar glass, though partially offset by the impact of depreciation of the Renminbi ("**RMB**") and Malaysian Ringgit ("**MYR**") against the Hong Kong dollar ("**HKD**").

PV demand in 2019 was primarily fuelled by the burgeoning overseas market. The sharp decline of Chinese solar module prices that started from mid-2018 has substantially reduced installation costs for new PV projects, hence, has stimulated demand for different PV products. The new capacity added around the year-end of 2018 (1,000-tonne/day in Malaysia) and the resumption of suspended capacity after cold repair in 2019 (1,100-tonne/day in Anhui province) have helped the Group to capture growth opportunities. In 2019, the sales volume of the Group's solar glass grew 21.7% year-on-year.

With reviving downstream demand, the price of solar glass maintained an upward trajectory throughout 2019. In the second quarter, the price of solar glass had already returned to the pre-531 policy level. Because of surging demand and limited increase in supply, price continued to climb in the second half year. The mainstream product price at the end of 2019 was about 20% higher than the price at the beginning of the year, and the annual average price was about 4% to 5% higher than last year.

The increase in revenue resulting from volume growth and higher selling price was partially offset by the unfavourable impact of foreign exchange rates. The RMB/HKD and MYR/HKD exchange rates used for converting RMB-denominated and MYR-denominated revenue for the different months of 2019 into HKD were relatively lower – roughly by 4% and 3% year-on-year respectively – than those applied in the corresponding months of 2018, hence impacted negatively on the Group's revenue.

The Group recorded year-on-year revenue growth of 17.7% and 33.7% in the PRC domestic market and overseas market, respectively. Overseas sales accounted for 27.5% (2018: 25.0%) of the Group's total solar glass sales in 2019. The capacity expansion of the Malaysia production plant – from 900-tonne/day to 1,900-tonne/day near year-end 2018 – has enabled the Group to fulfil overseas orders more flexibly and efficiently.

Revenue from electricity generation for the year ended 31 December 2019 was derived from the Group's solar farms in the PRC as set forth below:

	As at 31 December 2019 *MW*	As at 30 June 2019 *MW*	As at 31 December 2018 *MW*
Utility-scale ground-mounted solar farms			
Anhui province	**1,370**	1,340	1,340
Others (Hubei, Tianjin, Henan, Fujian, etc.)	**1,004**	934	904
Sub-total	**2,374**	2,274	2,244
Commercial distributed generation projects	**38**	38	38
Total	**2,412**	2,312	2,282
Utility-scale ground-mounted solar farms listed in the Subsidy Catalogue			
– The 6th batch	**250**	250	250
– The 7th batch	**724**	724	724
Total	**974**	974	974
Total number of solar farms	**32**	30	29
Weighted average FiT * (RMB/kWh)	**0.88**	0.90	0.90

* The weighted average FiT rate is proportionately weighted in accordance with the approved grid-connection capacity of each solar farm.

After the Spin-off, Xinyi Energy and its subsidiaries continue to be non-wholly owned subsidiaries of Xinyi Solar. Their financial results will therefore continue to be consolidated into the accounts of the Group; hence, their electricity generation revenues will continue to be recorded as part of the Group's total revenue.

Revenue from the solar farm segment increased by 16.0% from HK$1,920.5 million in 2018 to HK$2,227.6 million in 2019. Given the fixed FiT after grid-connection and the relatively stable sunlight irradiation, the increase in revenue from the solar farm segment was mainly attributable to the first full-year of contributions from new capacities added in 2018, as well as electricity generation from new additions in 2019.

Like other solar farm operators in China, the Group has also experienced delay in receiving subsidy payments in relation to electricity generation of its solar farms. As at 31 December 2019, the outstanding tariff adjustment (subsidy) receivable of the Group amounted to HK$2,862.5 million, of which HK$1,537.4 million is related to solar farm projects listed in the sixth and seventh batches of the renewable energy tariff subsidy catalogue (the "**Subsidy Catalogue**") respectively. The receivables from sales of electricity are generally settled on a monthly basis by state grid companies, while the tariff adjustment (subsidy) receivables are settled by state grid companies in accordance with the prevailing government policies. In 2019, the Group received tariff adjustment (subsidy) payments of RMB624.1 million (equivalent to approximately HK$706.2 million), which were mainly related to the electricity generation during April 2017 to February 2018 by the Group's solar farms listed in the sixth and seventh batches of the Subsidy Catalogue.

EPC revenue of the Group for 2019 was mainly derived from residential and commercial distributed generation projects carried out by a non-wholly owned subsidiary, Polaron Solartech Corp ("**PSC**"), in Canada. As compared to 2018, revenue of this segment was down by 46.5% year-on-year to HK$101.1 million. The subsidy programme of the province where PSC previously operated was terminated, hence, the company has been developing new projects in other provinces. As PSC required time to adjust to this territorial shift, fewer projects were completed in 2019.

Gross profit

The Group's gross profit increased by HK$951.1 million, or 32.1%, from HK$2,960.4 million in 2018 to HK$3,911.5 million in 2019. The increase was mainly due to greater contributions from the solar glass and solar farm businesses, though was partly offset by a decline in profit from the EPC service segment. Overall gross profit margin of the Group rose to 43.0% (2018: 38.6%), primarily due to the enhanced gross profit margins of both the solar glass and solar farm businesses.

During the year, gross profit margin of the Group's solar glass segment increased by 5.9 percentage points to 32.1% (2018: 26.2%). The increase was mainly attributable to the net impact of: (i) higher ASP when compared to last year; (ii) improved production efficiency because of new capacities added and the completion of cold repairs at certain production facilities; (iii) higher energy costs as a result of the price hike of natural gas in China and Malaysia; and (iv) higher cost pressure on raw materials such as soda ash and silica sands.

Gross profit contribution from the Group's solar farm segment increased by 18.3% in 2019 to HK$1,704.6 million (2018: HK$1,441.0 million) and accounted for 43.6% (2018: 48.7%) of the total gross profit of the Group. Gross profit margin of the segment increased from 75.0% in 2018 to 76.5% in 2019, mainly due to the streamlining of operations and the adoption of various efficiency enhancement measures during the year, as well as certain savings in fixed cost resulting from the scaling up of business.

With fewer EPC projects undertaken, gross profit contribution of the EPC service segment decreased by HK$30.2 million from HK$63.6 million in 2018 to HK$33.4 million in 2019.

Other income

During the year, the Group's other income decreased by HK$45.8 million to HK$130.6 million, as compared to HK$176.4 million recorded in 2018. The decline was principally due to less government grants received, though partially offset by the increase in scrap sales and tariff adjustments in relation to electricity generated by the solar power system installed on the rooftops of the Group's production complex.

Other losses, net

Other losses, net decreased by HK$2.6 million to HK$5.4 million in 2019 from HK$8.0 million in 2018. For the year, foreign exchange losses of HK$1.3 million and losses on disposal of property, plant and machinery of HK$4.1 million were recorded .

Selling and marketing expenses

The Group's selling and marketing expenses increased by 3.8% from HK$271.2 million in 2018 to HK$281.5 million in 2019. The increase stemmed primarily from additional transportation costs alongside the rise in overseas solar glass sales. Selling and marketing expenses to revenue ratio dropped from 3.5% in 2018 to 3.1% in 2019 as expanded capacity at the Malaysia production plant has helped the Group to fulfil more overseas orders at lower logistics costs.

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK$14.5 million, or 3.5%, from HK$412.7 million in 2018 to HK$427.2 million in 2019. The increase was mainly attributable to the increase in research and development expenses of HK$25.4 million, though partially offset by the net impact of: (i) listing fee charged to profit and loss for the Spin-off of Xinyi Energy amounted to HK$14.7 million in 2019, compared to HK$31.2 million in 2018; and (ii) decrease in miscellaneous operating expenses. Because of the increased revenue and certain expenses being relatively fixed, the ratio of administrative and other operating expenses to revenue decreased from 5.4% in 2018 to 4.7% in 2019.

Finance costs

The Group's finance costs increased from HK$256.0 million (or HK$291.8 million before capitalisation) in 2018 to HK$303.5 million (or HK$341.5 million before capitalisation) in 2019. The increase was mainly attributable to the recognition of interest on lease liabilities as a result of the adoption of HKFRS16 "Leases" from 1 January 2019 and rising interest rates, which were partially offset by the decrease in average bank borrowings of the Group. During the year, interest expense of HK$38.0 million (2018: HK$35.8 million) was capitalised into the construction costs of different solar farm projects and solar glass production facilities. The capitalised amounts will depreciate together with relevant assets over their estimated useful lives.

Share of profit in joint venture

For the year, the Group recorded a share of profit in a joint venture of HK$39.4 million (2018: HK$33.6 million), attributable to contributions from Xinyi Solar (Lu'an) Company Limited, a 50%-owned joint venture that engages in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, China.

Income tax expense

The Group's income tax expense increased from HK$204.7 million in 2018 to HK$294.1 million in 2019. The increase was primarily attributable to the net impact of: (i) increase in profit of the solar glass business; (ii) increase in income tax expenses of the Group's solar farm business on expiry of the three-year full-exemption period of corporate income tax ("**CIT**") for certain solar farms during the year; and (iii) recognition of deferred tax assets in relation to the investment tax allowance on qualifying capital expenditure of a subsidiary of the Group in Malaysia.

The Group's solar farms are eligible for CIT exemption in the first three years from the year they started recording revenue after offsetting prior year losses, and a 50% tax reduction in the subsequent three years.

EBITDA and net profit

In 2019, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK$4,231.6 million, representing an increase of 31.8% as compared to HK$3,209.5 million in 2018. The Company's EBITDA margin (calculated based on total revenue for the year) was 46.5% in 2019 as compared to 41.8% in 2018.

Net profit attributable to equity holders of the Company in 2019 was HK$2,416.5 million, representing an increase of 29.7%, as compared to HK$1,863.1 million in 2018. Net profit margin increased to 26.6% in 2019 from 24.3% in 2018, mainly due to the improved profit margin of the solar glass business, which was partially offset by the reduced share of profit from Xinyi Energy Group (from 75% to 52.7%) after the Spin-off.

Financial resources and liquidity

For the year, total assets of the Group increased by 18.9% to HK$28,397.0 million and shareholders' equity increased by 35.9% to HK$14,176.8 million. The Group's current ratio as at 31 December 2019 was 1.8, compared to 1.0 as at 31 December 2018. The improvement in current ratio was primarily due to: (i) increase in cash and cash equivalents from fund raising activities, including the placing in March 2019 and the Spin-off of Xinyi Energy in May 2019; and (ii) decrease in bank borrowings.

The confluence of the cash flow generated from the Group's business operations and equity fund raising has substantially strengthened the Group's financial resources. As at 31 December 2019, total cash and bank balances of the Group stood at HK$2,221.1 million, 183.3% higher than the corresponding figure at 31 December 2018. For the year ended 31 December 2019, net cash inflow from operating activities amounted to HK$1,582.8 million (2018: HK$2,310.4 million). The decrease was primarily attributable to: (i) increase in tariff adjustments receivables in relation to the solar farm business; and (ii) increase in trade receivables of the solar glass business resulting from the expansion of business operation. Net cash used for investing activities amounted to HK$2,262.4 million in 2019 (2018: HK$3,035.2 million). The decline was primarily due to lower capital expenditures as fewer solar farm projects were under construction during the year. Net cash generated from financing activities amounted to HK$2,126.8 million in 2019 (2018: HK$174.0 million). During the year, the Group secured new bank borrowings of HK$1,709.0 million, repaid bank borrowings of HK$3,818.4 million and raised net proceeds of HK$1,305.5 million from the placing in March 2019 and HK$3,808.1 million from the Spin-off of Xinyi Energy in May 2019.

The Group's net debt gearing ratio, which is bank borrowings less cash and cash equivalents divided by total equity, as at 31 December 2019 was 24.0% (31 December 2018: 66.2%). The gearing level of the Group decreased during the year primarily due to: (i) increase in cash and cash equivalents; (ii) decrease in bank borrowings; and (iii) increase in shareholders' equity of approximately HK$960.2 million in relation to the Spin-off, over-allotment issue and the disposal of 540MW solar farm projects to Xinyi Energy.

BUSINESS OUTLOOK

China aims to develop a subsidy-free solar market in the coming years and has entered a transitional period. Although the country's new PV installation declined in 2019, it has made several important changes to its PV policies, including the grid parity policy for non-subsidised projects and the migration from fixed FiT programme to the competitive bidding allocation mechanism for subsidised projects. This could encourage enterprises to pursue improvements in technological innovation and efficiency, mitigate the burden of subsidies and lay the foundation for the long-term growth of its solar industry.

China's PV installation rate is poised to achieve a rebound in 2020. Pursuant to the grid parity policy, projects are required to start construction before the end of 2020. Therefore, many grid parity projects brought forward from 2019 are set to begin installation in 2020. Besides, subsidised projects granted under the competitive bidding mechanism in 2019 also need to complete their installation work before the first half of 2020.

According to NEA statistics, solar power electricity generation in 2019 amounted to 224.3 billion kWh, which only accounted for about 3.1% of total electricity generated in China, hence, there is still tremendous room for solar power to develop in the future. On 1 January 2020, China undertook electricity market reforms. It has changed from a benchmark on-grid electricity price regime to a market price mechanism with "benchmark price plus up-and-down adjustment". Based on the new mechanism, prices are negotiated and determined by power plant operators, electricity sales companies and power users, ranging from 15% below the benchmark price to 10% above it. As FiTs are linked to the benchmark price, which will not be adjusted frequently, it is expected that this policy change will not have a material impact on renewable energy subsidies in the short term. What really matters is the oversupply of electricity in some areas and whether this would affect the priority dispatch of renewable energy. Liberalisation of the electricity market may drive down the price of electricity, hence increase the difficulty to achieve solar power grid parity. However, with system costs falling sharply in recent years, solar power is now capable of competing with traditional energy sources in many cities in China. Further marketisation can provide more opportunities for its development in the long run.

Diversification and expansion of solar installation demand across the globe is expected to continue in 2020, amid the continuous decline in PV system costs. More and more countries and emerging markets will include solar power in their energy mix. The change in demand in a single country or region will have less bearing on overall global PV demand.

To capture market growth and enlarge its market share, the Group has proactively accelerated capacity expansion and is preparing to add four new solar glass production lines with an aggregate capacity of 4,000-tonne/day in 2020, thereby increasing the total daily melting capacity from 7,800 tonnes to 11,800 tonnes. The two new production lines in Guangxi, with daily melting capacity of 1,000-tonne/day each, are expected to commence operation in June 2020 and the third quarter of 2020, respectively. Another two new production lines in Anhui, with daily melting capacity of 1,000-tonne/day each, are expected to start running in the fourth quarter and the year end of 2020, respectively. Depending on the development and impact of the novel coronavirus (COVID-19), the actual commencement dates of the new production lines are subject to change. Besides, the Group is also aiming to add two new solar glass production lines with daily melting capacity 1,000 tonnes each in the first half of 2021.

In addition to capacity expansion, the Group will continue to optimise its scale and technical advantages, streamline and automate production processes, and develop new products so as to sharpen its competitive edge. As a measure to mitigate rising raw material costs, the Group has been developing a low-iron silicon sand mine in Guangxi. The mine is expected to begin operation in the third quarter of 2020, which can help the Group further enhance its cost competitiveness and ensure long-term stable supply of the raw material. Recently, double-glass and bifacial solar modules have been gaining wider acceptance and their market penetration is expected to further accelerate in the coming years. The Group will step up efforts on research and development, enhance product quality and enrich its product range to fulfil different customer needs.

As for the solar farm business, the successful Spin-off of Xinyi Energy has optimised the Group's financing model and strengthened its financial capability, both developments will be conducive to the long-term advancement of the business. Subject to the development and impact of the novel coronavirus (COVID-19), the Group aims to meet the installation target of 600MW in 2020. With China aiming for grid parity, the number of subsidised PV projects will gradually decrease. Therefore, the Group will progressively shift its development focus from subsidised projects to subsidy-free projects and explore development opportunities in more different locations.

In January 2020, China issued new provisions in relation to administrative measures for the renewable energy subsidy payment. According to the new provisions, the country will no longer publish the Subsidy Catalogue from time to time. Instead, all renewable energy projects must submit subsidy applications through the national renewable energy information management platform. Grid companies will observe the principles set out by the Ministry of Finance and other departments that determine and regularly announce a list of renewable energy power generation projects that are eligible for subsidy (the "**Renewable Energy Power Generation Project List**") in accordance with the project type, grid connection time, and technical level. Projects listed in the first to seventh batches of the Subsidy Catalogue will be included in the Renewable Energy Power Generation Project List directly. For subsidy payment, priority will be given to projects such as PV poverty alleviation, distributed generation owned by natural persons, green certificate trading participants, and projects that are willing to be classified as grid parity (unsubsidised) projects. Subsidies for all other projects will be paid at the same percentage on a unified basis. Having considered the limited funding of the Renewable Energy Fund, the new measures may benefit projects that have not been included in the first seven batches of the Subsidy Catalogue, but may extend the subsidy payback period for the projects in the first seven batches. With no payment delay for the forthcoming newly-added subsidised projects and with subsidies distributed to all eligible existing projects on a pro-rata basis, the new measures can help solar power projects achieve more predictable and stable cash flows.

The spreading coronavirus outbreak to different countries around the world may add challenges to the global solar installation in 2020 and thereby change the demand dynamics and cause price fluctuation to the solar glass market. Despite these uncertainties, the Directors remain cautiously optimistic about the growth potential of the Group's solar glass and solar farm businesses amid rapid development of solar technology and increased penetration of solar energy in different countries, and may adjust the Group's solar glass capacity expansion plan and solar farm installation target where necessary.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$2,351.5 million for the year ended 31 December 2019 which was primarily used in the development of the solar farm projects as well as the expansion of solar glass production capacities. Capital commitments contracted for but not incurred by the Group as at 31 December 2019 amounted to HK$1,292.1 million, which were mainly related to the development and construction of the solar farm projects and the addition of new solar glass production facilities.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as of 31 December 2019.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in notes 16 and 17 to the consolidated financial statements, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2019.

USE OF PROCEEDS OF PLACING

In March 2019, the Company raised net proceeds of approximately HK$1,305.5 million by the issuance of 380,000,000 shares. The table below sets out the proposed application of the net proceeds and actual utilisation up to 31 December 2019.

Capital expenditure	Proposed application of the net proceeds	Amount utilised up to 31 December 2019	Unutilised balance up to 31 December 2019
	HK$ million	*HK$ million*	*HK$ million*
Solar glass production capacity expansion	587.5	587.5	—
Development and construction of solar farm projects	587.5	587.5	—
General working capital	130.5	130.5	—
Total	1,305.5	1,305.5	—

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollar ("**USD**"). Given the pegged exchange rate between HKD and USD, the Directors do not foresee that the Group is subject to significant foreign exchange risk for transactions conducted in HKD or USD. However, exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group's performance and asset value. The Group also has solar glass production facilities and production activities in Malaysia. Exchange rate fluctuations between MYR and HKD could also affect the Group's performance and asset value.

Because of the depreciation of RMB against HKD in 2019, the Group reported non-cash translation losses — a decline in the reserve of consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2019, exchanges losses of HK$330.5 million were recorded as the exchange reserve movement. As a result, the debit balance in the consolidated exchange reserve account increased from HK$827.8 million as of 31 December 2018 to HK$1,158.3 million as of 31 December 2019.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst its bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance to minimise the risk of currency mismatch between the source of revenue with bank borrowings and the advantage of the lower borrowing rates of HKD as compared to those of the RMB. As at 31 December 2019, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2019, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had about 3,713 full-time employees of whom 3,069 were based in Mainland China and 644 were based in Hong Kong, Malaysia and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$374.6 million for the year ended 31 December 2019.

The Group maintains good relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are generally consistent with the prevailing levels in the market and are reviewed on a regular basis. Apart from basic remuneration and the statutory retirement benefit scheme, discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company in June 2014, 8,865,000 share options were granted to selected employees and an executive director in March 2019. The validity period of the options is from 28 March 2019 to 31 March 2023. One third of the options will vest on each of the year-end date of 2019, 2020 and 2021 if each grantee has met the conditions of vesting as stated in the letter of grant.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float with at least 25% of the shares held by the public as required under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, and Mr. KAN E-ting, Martin. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended and as of 31 December 2019.

PUBLICATION OF FINAL RESULTS

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

SCOPE OF WORK OF AUDITOR

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

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the board of Directors held on 16 March 2020, the Directors proposed a final dividend (the "**Final Dividend**") of 8.5 HK cents per share for 2019. The recommendation of the payment of the Final Dividend are subject to the approval of the shareholders at the AGM of the Company to be held on 15 May 2020. If approved by the shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 24 June 2020 to Shareholders whose names appear on the register of members of the Company on Monday, 25 May 2020.

The register of members of the Company will be closed from Thursday, 21 May 2020 to Monday, 25 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 20 May 2020.

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

For the purpose of calculating the number of the Scrip Shares under the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at 95% of the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on Tuesday, 19 May 2020 until Monday, 25 May 2020 (both days inclusive) rounded down to two decimal places. Further details of the Scrip Dividend Scheme will be announced later.

ANNUAL GENERAL MEETING

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

On behalf of the Board
Xinyi Solar Holdings Limited
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 16 March 2020

As of the date of this announcement, the Board comprises four executive Directors, namely Dr. LEE Yin Yee, B.B.S. (Chairman of the Board), Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M and Mr. LEE Shing Put, B.B.S., and three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and Xinyi Solar at www.xinyisolar.com.