

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



XINYI ENERGY HOLDINGS LIMITED

信義能源控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2020	2019	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	1,722.1	1,593.1	8.1%
Profit attributable to the Company's equity holders	922.0	891.0	3.5%
Earnings per share - basic and diluted	13.44 HK cents	15.03 HK cents	-10.6%
Distributable Income ⁽¹⁾	1,008.0	906.8	11.2%
Dividends	1,009.5	911.6	10.7%
Proposed final dividend per share	8.5 HK cents	8.5 HK cents	—%

Note:

- (1) The calculation of Distributable Income is based on the dividend policy set forth in the prospectus of the Company dated 15 May 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Energy Holdings Limited (the “**Company**” or “**Xinyi Energy**”, together with its subsidiaries, the “**Group**”) announces herewith the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	1,722,051	1,593,086
Cost of sales	5	<u>(475,343)</u>	<u>(377,590)</u>
Gross profit		1,246,708	1,215,496
Other income	3	8,750	6,132
Other gains, net	4	2,459	432
Administrative expenses	5	<u>(44,716)</u>	<u>(51,294)</u>
Operating profit		1,213,201	1,170,766
Finance income	6	41,086	28,589
Finance costs	6	<u>(165,642)</u>	<u>(177,245)</u>
Profit before income tax		1,088,645	1,022,110
Income tax expense	7	<u>(166,218)</u>	<u>(131,124)</u>
Profit for the year		<u>922,427</u>	<u>890,986</u>
Profit for the year attributable to:			
– Equity holders of the Company		922,007	890,986
– Non-controlling interests		<u>420</u>	<u>—</u>
		<u>922,427</u>	<u>890,986</u>
Basic and diluted earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)	8	<u>13.44</u>	<u>15.03</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	922,427	890,986
Other comprehensive income/(loss) for the year, net of tax:		
Items that may be reclassified to profit or loss		
– Currency translation differences	<u>975,680</u>	<u>(233,550)</u>
Total comprehensive income for the year	<u>1,898,107</u>	<u>657,436</u>
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	1,897,291	657,436
– Non-controlling interests	<u>816</u>	<u>—</u>
	<u>1,898,107</u>	<u>657,436</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020	2019
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		10,998,038	9,495,521
Right-of-use assets		507,588	439,016
Prepayments for property, plant and equipment	11	126,649	10,268
Deferred income tax assets		10,557	7,634
Goodwill		362,058	330,303
Total non-current assets		12,004,890	10,282,742
Current assets			
Trade and other receivables and prepayments	11	3,916,334	3,052,167
Amount due from fellow subsidiaries		199	267
Cash and cash equivalents		1,312,419	1,631,244
Total current assets		5,228,952	4,683,678
Total assets		17,233,842	14,966,420
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		71,100	67,525
Other reserves		8,232,630	7,224,779
Retained earnings		3,701,550	2,901,435
		12,005,280	10,193,739
Non-controlling interests		5,005	—
Total equity		12,010,285	10,193,739

		2020	2019
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	13	653,293	1,225,580
Lease liabilities		500,921	426,527
Other payables	12	60,957	30,446
Deferred income tax liabilities		233,282	214,047
Total non-current liabilities		1,448,453	1,896,600
Current liabilities			
Bank borrowings	13	1,209,809	727,388
Lease liabilities		18,803	15,140
Accruals and other payables	12	719,659	387,622
Amount due to immediate holding company		1,766,328	1,717,870
Amount due to fellow subsidiaries		625	—
Current income tax liabilities		59,880	28,061
Total current liabilities		3,775,104	2,876,081
Total liabilities		5,223,557	4,772,681
Total equity and liabilities		17,233,842	14,966,420

NOTES:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2 BASIS OF PREPARATION

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

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

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

The Group has applied the following new standards, amendments to standards and interpretation for the first time for their annual reporting period commencing on 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

- (b) **New standards, amendments to standards and revised framework have been issued but are not effective for the accounting period beginning on 1 January 2020 and have not been early adopted:**

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions	1 June 2020
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-Scope Amendments	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new and amended standards and revised framework when they become effective. The Group anticipates that the application of the above new and amended standards and revised framework have no material impact on the results and the financial position of the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2020	2019
Revenue	HK\$'000	HK\$'000
Recognised at a point in time:		
– Sales of electricity	685,925	621,449
– Tariff adjustment	1,027,414	966,730
Recognised over time:		
– Solar farm operation and management services	8,712	4,907
	<u>1,722,051</u>	<u>1,593,086</u>
Other income		
Government grants (<i>Note</i>)	5,843	2,077
Others	2,907	4,055
	<u>8,750</u>	<u>6,132</u>

Note:

Government grants mainly represent grants received from the government of the People's Republic of China (the "PRC") in subsidising the Group's general operations.

Segment information

The Group is mainly engaged in the 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 year is set out below:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	277,806	232,853
Customer B	231,583	229,503
Customer C	226,481	230,287
Customer D (<i>Note</i>)	218,692	155,991
Customer E (<i>Note</i>)	160,622	176,260
Customer F (<i>Note</i>)	150,395	163,592

Note:

The revenue from Customer E and F for the year ended 31 December 2020, and Customer D for the year ended 31 December 2019 did not exceed 10% of total revenue for the years ended 31 December 2020 and 2019, respectively. The amounts shown above are for the comparative purpose only.

4 OTHER GAINS, NET

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange gains, net	2,511	432
Loss on disposal of property, plant and equipment	(52)	—
	<u>2,459</u>	<u>432</u>

5 EXPENSES BY NATURE

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation charge of property, plant and equipment	408,051	338,092
Depreciation charge of right-of-use assets	18,465	15,589
Employee benefit expenses (including directors' emoluments)	37,657	29,554
Electricity	11,501	7,955
Auditor's remuneration – statutory audits	1,364	1,379
Auditor's remuneration – non-audit services	—	410
Legal and professional fees	3,443	1,249
Listing expenses	—	14,726
Insurance expenses	5,040	3,664
Repair and maintenance	16,891	2,009
Other expenses	17,647	14,257
	<u>520,059</u>	<u>428,884</u>

6 FINANCE INCOME AND COSTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from bank deposits	<u>41,086</u>	<u>28,589</u>
Finance costs		
Interest on lease liabilities	28,826	24,047
Interest expense on bank borrowings	54,505	80,834
Interest expense on deferred payment of business combination purchases consideration	<u>82,311</u>	<u>72,364</u>
	<u>165,642</u>	<u>177,245</u>

7 INCOME TAX EXPENSE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	172,600	137,308
Deferred income tax	<u>(6,382)</u>	<u>(6,184)</u>
	<u>166,218</u>	<u>131,124</u>

Notes:

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

- (c) Provision made for PRC corporate income tax (“CIT”) amounted to approximately HK\$172,600,000 (2019: HK\$137,308,000) for the year ended 31 December 2020. The statutory income tax rate applicable to the PRC subsidiaries of the Group is 25% (2019: 25%). Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Energy Technology (Wuhu) Limited (“**Xinyi Technology (Wuhu)**”) and Beihai Intel-Solar Information Technology Limited (“**Beihai Intel-Solar**”), are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants, insurance claim received and interest income are subject to the CIT with the statutory income tax rate of 25%. Xinyi Technology (Wuhu) and Beihai Intel-Solar are subject to the CIT with the statutory income tax rate of 15% and 9%, respectively (2019: 25% and Nil).

8 EARNINGS PER SHARE

(a) Basic

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

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	922,007	890,986
Weighted average number of ordinary shares in issue (thousands)	<u>6,860,224</u>	<u>5,929,468</u>
Basic earnings per share (HK cents)	<u><u>13.44</u></u>	<u><u>15.03</u></u>

(b) Diluted

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

For the year ended 31 December 2020, the Company has one category of potentially dilutive shares, share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

For the year ended 31 December 2019, the Company has one category of potentially dilutive shares, the Over-allotment Option (“**Over-allotment Option**”). Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period from the listing date (28 May 2019) to lapse date of the lapsed option (19 June 2019) and exercise date of the exercised option (19 June 2019) respectively) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option.

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	<u>922,007</u>	<u>890,986</u>
Weighted average number of ordinary shares in issue (thousands)	6,860,224	5,929,468
Effect of potentially dilutive shares from Over-allotment Option granted (thousands)	—	438
Adjustment for share options (thousands)	<u>287</u>	<u>—</u>
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (thousands)	<u>6,860,511</u>	<u>5,929,906</u>
Diluted earnings per share (HK cents)	<u>13.44</u>	<u>15.03</u>

9 DIVIDENDS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 6.0 HK cents (2019: 5.0 HK cents) per share (<i>Note (a)</i>)	405,149	337,624
Proposed final dividend of 8.5 HK cents (2019: 8.5 HK cents) per share (<i>Note (b)</i>)	<u>604,350</u>	<u>573,961</u>

Notes:

- (a) An interim dividend of 6.0 HK cents per share (2019: 5.0 HK cents per share) was paid in cash to shareholders for whose names appeared on the Register of Members of the Company on 20 August 2020 (2019: 29 August 2019).
- (b) A final dividend in respect of the financial year ended 31 December 2020 of 8.5 HK cents per share (2019: 8.5 HK cents per share), amounting to approximately total dividend of HK\$604,350,000 (2019: HK\$573,961,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2020 proposed final dividend is based on 7,109,998,471 shares in issue as at 31 December 2020 (2019: 6,752,478,471 shares in issue as at 31 December 2019). These consolidated financial statements do not reflect this proposed dividend payable for the year ended 31 December 2020.

10 BUSINESS COMBINATION

It is the Group's strategy to continue to acquire solar farm projects for the purpose of enhancing the solar farm investment portfolio. During the year ended 31 December 2020, the Group acquired several solar farm projects in the PRC (the "**2020 Xinyi Solar Acquisition**") from Xinyi Solar Holdings Limited ("**Xinyi Solar**"), the ultimate holding company of the Company, and independent Third Parties (the "**2020 Other Acquisition**"). The Group also acquired solar farm projects from Xinyi Solar in 2019, further information on which is set forth in the announcement of the Company dated 16 March 2020. Information on the each business combination for the year ended 31 December 2020 set forth below:

(a) **Acquisition from Xinyi Solar**

On 30 September 2020, the Group completed the acquisition of the entire equity interest in Xinyi Solar Farm (Group 3) Limited which, through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 230MW in the PRC from Xinyi Power (BVI) Limited (“**Xinyi Power (BVI)**”), a wholly owned subsidiary of Xinyi Solar and the immediate holding company of the Company, at a gross agreed purchase price of approximately HK\$82,948,000 which was determined in compliance with the terms and conditions of the sale and purchase agreement dated 16 March 2020 between Xinyi Power (BVI) and the Company. Pursuant to the sale and purchase agreement, Xinyi Power (BVI) received 90% of the gross agreed purchase price upon completion of the acquisition and the deferred consideration will be fully settled on or before 30 September 2021.

The table below summarised the details of the solar farm projects acquired.

Name of the company	Equity interest acquired	Solar farm projects acquired		
		Location	Number of solar farms	Approved capacity (MW)
Max Wisdom Enterprises Limited and its subsidiaries, Guangdong Jike Renewable Energy Development Limited* 廣東吉科新能源發展有限公司 and Guangdong Shenke Renewable Energy Limited* 廣東深科新能源 有限公司	90%	Guangdong	1	100
Sun Harbour International Limited and its subsidiary, Wuwei Xinchuang Renewable Energy Limited* 無為信創新 能源有限公司	100%	Anhui	1	30
Power Sky Development Limited and its subsidiary, Xinyi Renewable Energy (Xiangyang) Limited* 信義新能 源(襄陽)有限公司	100%	Hubei	1	100

* for identification purpose only

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

	Total HK\$'000
Purchases consideration	
Fair value of cash consideration	<u>82,948</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	930,910
Right-of-use assets	49,347
Trade and other receivables and prepayments (<i>Note (d)</i>)	141,318
Cash and cash equivalents	4,282
Accruals and other payables	(1,004,913)
Lease liabilities	(38,856)
Deferred income tax liabilities (<i>Note (e)</i>)	<u>(8,532)</u>
Total identifiable net assets	73,556
Less: Non-controlling interests (<i>Note (g)</i>)	<u>(4,189)</u>
	69,367
Goodwill (<i>Note (f)</i>)	<u>13,581</u>
	<u><u>82,948</u></u>
Net cash outflow arising from 2020 Xinyi Solar Acquisition	
Cash consideration	82,948
Settlement to Xinyi Power (BVI) (<i>Note (h)</i>)	712,737
Less: Cash and cash equivalents acquired	(4,282)
Less: Deferred cash consideration payable	<u>(8,295)</u>
	<u><u>783,108</u></u>
Cash consideration	
Upfront payment upon completion of 2020 Xinyi Solar Acquisition (<i>Note (a)</i>)	74,653
Deferred cash consideration (<i>Note (b)</i>)	<u>8,295</u>
	<u><u>82,948</u></u>

Notes:

(a) Upfront payment upon completion of 2020 Xinyi Solar Acquisition

Upfront payment represents 90% of the gross agreed purchase price of approximately HK\$74,653,000.

(b) Deferred cash consideration

Deferred cash consideration represents the remaining 10% of the gross agreed purchase price. The impact of discounting is considered to be insignificant.

(c) Revenue and profits contribution

The table below illustrates the revenue and the profits included in the consolidated income statement since acquisition date contributed by the 2020 Xinyi Solar Acquisition.

	Total <i>HK\$'000</i>
Revenue	28,244
Profits contributed to the Group	<u>16,768</u>

If the 2020 Xinyi Solar Acquisitions had occurred on 1 January 2020, the consolidated income statement would show pro-forma revenue of approximately HK\$1,772,406,000 and pro-forma profit of approximately HK\$957,475,000.

(d) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately HK\$141,318,000 and included trade and tariff adjustment receivables with fair values as below:

	Total <i>HK\$'000</i>
Trade and tariff adjustment receivables	<u>45,066</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$45,066,000.

(e) Provisional fair value of acquired identifiable assets

Deferred tax liabilities of approximately HK\$8,532,000 have been provided for in relation to these fair value adjustments.

(f) Goodwill

The Group recognised goodwill of approximately HK\$13,581,000 in the consolidated balance sheet in connection with the 2020 Xinyi Solar Acquisition which was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the 2020 Xinyi Solar Acquisition, the Group benefits through the synergies expected to arise after the 2020 Xinyi Solar Acquisition because of the close proximity of these projects to other solar farms currently operated by the Group. The goodwill will not be deductible for tax purposes.

(g) Accounting policy choice for non-controlling interests

The Group recognised non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Max Wisdom Enterprise Limited and its subsidiaries, Guangdong Jike Renewable Energy Development Limited and Guangdong Shenke Renewable Energy Limited, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

(h) Settlement to Xinyi Power (BVI)

Acquired entities had amounts due to Xinyi Power (BVI). The Group has settled these balances on the same day when the acquisition happened.

(b) Acquisitions from independent third parties

During the year ended 31 December 2020, the following projects were acquired from independent third parties and have achieved on-grid connection. The table below summarised the details of the other projects acquired.

Name of the company	Consideration <i>HK\$'000</i>	Month of acquisition in 2020	Equity interest acquired	Solar farm projects acquired		
				Location	Number of solar farms	Approved capacity <i>(MW)</i>
Wuwei Rihao Renewable Energy Limited* 無為日昊 新能源有限公司	109	March	100%	Anhui	1	20
Anlu Jingshun Renewable Energy Limited* 安陸市京 順新能源有限公司	1,191	December	100%	Hubei	1	90

** for identification purpose only*

The above business combination is immaterial to the Group. Details of the financial information as at acquisition date is presented as follows:

	Total <i>HK\$'000</i>
Purchases consideration	
Fair value of cash consideration	<u>1,300</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	289,892
Right-of-use assets	4,347
Trade and other receivables and prepayments (<i>Note (b)</i>)	33,395
Deferred tax assets	74
Cash and cash equivalents	45
Accruals and other payables	(322,136)
Lease liabilities	(4,714)
Deferred tax liabilities	<u>(182)</u>
Total identifiable net assets	721
Goodwill (<i>Note (c)</i>)	<u>579</u>
	<u><u>1,300</u></u>
Net cash outflow arising from 2020 Other Acquisition	
Cash consideration	1,300
Less: Cash and cash equivalents acquired	(45)
Less: Cash consideration payable	<u>(1,191)</u>
	<u><u>64</u></u>

Notes:

(a) Revenue and profits contribution

The table below illustrates the revenue and the profits included in the consolidated income statement since acquisition date contributed by the 2020 Other Acquisition.

	Total <i>HK\$'000</i>
Revenue	7,077
Profits contributed to the Group	<u>4,405</u>

If the 2020 Other Acquisition had occurred on 1 January 2020, the consolidated income statement would show pro-forma revenue of approximately HK\$1,724,155,000 and pro-forma profit of approximately HK\$924,277,000.

(b) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately HK\$33,395,000 and included trade and tariff adjustment receivables with fair values as below:

	Total <i>HK\$'000</i>
Trade and tariff adjustment receivables	<u>555</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$555,000.

(c) Goodwill

The Group recognised goodwill of approximately HK\$579,000 in the consolidated balance sheet in connection with the 2020 Other Acquisition. The goodwill is attributable to the synergies expected to arise after the 2020 Other Acquisition because of the close proximity of this project to other solar farms currently operated by the Group as well as the potential of repowering to increase the electricity generation efficiency in the future. The goodwill will not be deductible for tax purposes.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	3,501,306	2,582,554
Bills receivables (<i>Note (a)</i>)	<u>3,574</u>	<u>9,905</u>
Trade and bills receivables	3,504,880	2,592,459
Deposits and other receivables (<i>Note (c)</i>)	14,379	4,937
Other tax receivables (<i>Note (d)</i>)	382,754	453,610
Prepayments for property, plant and equipment	126,649	10,268
Other prepayments	<u>14,321</u>	<u>1,161</u>
	<u>4,042,983</u>	<u>3,062,435</u>
Less: Non-current portion		
Prepayments for property, plant and equipment	<u>(126,649)</u>	<u>(10,268)</u>
Current portion	<u><u>3,916,334</u></u>	<u><u>3,052,167</u></u>

(a) Trade and bills receivables

As at 31 December 2020, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables is set out below:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables from sales of electricity	75,507	60,143
Tariff adjustment receivables	<u>3,425,799</u>	<u>2,522,411</u>
	<u><u>3,501,306</u></u>	<u><u>2,582,554</u></u>

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	338,788	308,102
91 days to 180 days	353,257	402,183
181 days to 365 days	635,729	572,959
Over 365 days	2,173,532	1,299,310
	<u>3,501,306</u>	<u>2,582,554</u>

The maturity of the bills receivables is within 1 year.

The carrying amounts of the Group's trade and bills receivables are denominated in RMB.

(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 trade receivable.

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.

The Group has fourteen ground-mounted solar farms with aggregate capacity of 1,184MW successfully enlisted on the Renewable Energy Power Generation Project List (“List”).

During the year ended 31 December 2020, the Group received aggregate payment of RMB435,007,000 (equivalent to HK\$497,242,000) for the subsidies in relation to the solar power generation by the solar farm projects enlisted on the List. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. However, given the collection of tariff adjustment receivables is well supported by the government policy, 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 2020 (2019: Nil).

(c) Deposits and other receivables

Deposits and other receivables are all expected to be recoverable and therefore no provision was made. The ageing of deposits and other receivables was within one year.

The carrying amounts of the Group’s deposits and other receivable are mainly denominated in RMB.

(d) Other tax receivables

Other tax receivables mainly represent value added tax (“VAT”) recoverable, which is creditable input VAT on purchase of property, plant and equipment (including construction in progress). They will be offset against output VAT on sales of solar electricity and tariff adjustment. The balance is denominated in RMB.

(e) The carrying amounts of other receivables approximate their fair values.

(f) The other classes within trade and other receivables do not contain impaired assets.

12 ACCRUALS AND OTHER PAYABLES

	2020	2019
	HK\$'000	HK\$'000
Payables for property, plant and equipment	757,885	404,131
Accrued listing expenses	1,516	1,516
Others (<i>Note (b)</i>)	21,215	12,421
	<u>780,616</u>	<u>418,068</u>
Less: Non-current portion		
Retention payables for property, plant and equipment	<u>(60,957)</u>	<u>(30,446)</u>
Current portion	<u>719,659</u>	<u>387,622</u>

Notes:

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

13 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2020	2019
	HK\$'000	HK\$'000
Within 1 year	1,209,809	727,388
Between 1 and 2 years	344,781	1,009,580
Between 2 and 5 years	308,512	216,000
	<u>1,863,102</u>	<u>1,952,968</u>
Less: Non-current portion	<u>(653,293)</u>	<u>(1,225,580)</u>
Current portion	<u>1,209,809</u>	<u>727,388</u>

As at 31 December 2020, all bank borrowings bore floating interest rates (2019: same). These bank borrowings are repayable by instalments up to 2023 (2019: 2022). The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 31 December 2020 (2019: same), as the impact of discounting is not significant.

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

	2020	2019
Bank borrowings	<u><u>1.52%</u></u>	<u><u>4.15%</u></u>

All bank borrowings were exposed to interest rate changes.

Before 28 May 2019, 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) Limited, a fellow subsidiary. Upon separate listing of the Company on 28 May 2019, the corporate guarantees were released and replaced by corporate guarantees provided by the Company and its subsidiaries.

14 SUBSEQUENT EVENT

On 6 January 2021, the Company entered into two sale and purchase agreements (“**S&P Agreements**”) with Xinyi Power (BVI), a wholly-owned subsidiary of Xinyi Solar, in respect of the proposed acquisition of the equity interest in Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited, respectively for a consideration to be calculated based on the formula set forth in the S&P Agreements. Through their respective subsidiaries, Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited respectively owns and operates solar farms with an aggregated approved capacity of 250MW and 270MW, in the PRC. The acquisition of the equity interest in Xinyi Solar Farm (Group 6) Limited was completed on 11 February 2021 for a cash consideration of HK\$530.9 million, and the acquisition of the equity interest in Xinyi Solar Farm (Group 7) Limited is expected to be completed on or before 31 December 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The novel coronavirus (“COVID-19”) pandemic has caused drastic fluctuations in the global economic and financial environment, resulting in an unprecedented impact on almost all industries and businesses lingered through the whole of 2020. As a solar farm owner and operator, however, the Group was not affected by the economic adversity caused by the pandemic. The revenue contribution from the solar farm business remained stable.

As a result of the full performance of the 2019 Portfolio and the new acquisitions in 2020, i.e. 2020 Xinyi Solar Acquisition and 2020 Other Acquisition, the Group's consolidated revenue increased by 8.1% to HK\$1,722.1 million during the year of 2020, and the profit for the year attributable to the equity holders of the Company increased by 3.5% to HK\$922.0 million. Basic earnings per share attributable to the equity holders of the Company were 13.44 HK cents for the year ended 31 December 2020, as compared with 15.03 HK cents for 2019. The decrease in the basic earnings per share attributable to the equity holders of the Company in 2020 was due to the increase in number of shares of the Company in issue.

BUSINESS REVIEW

Stable revenue contribution from the solar farm portfolio

During the year ended 31 December 2020, the total electricity generated from the solar farm portfolio of the Group increased steadily, primarily due to the full performance of the 2019 Portfolio with an aggregated approved capacity of 540 megawatts (“**MW**”). In 2020, the 2019 Portfolio contributed total revenue of HK\$566.9 million, representing an increase of 44.5% as compared with 2019, and 33.1% of the Group’s total revenue from the solar power electricity generation.

The Group acquired five solar farm projects (the “**2020 Portfolio**”) with an aggregated approved capacity of 340 MW during the year ended 31 December 2020. The majority of these acquisitions were completed during the fourth quarter of 2020. Hence, the revenue contributed by the 2020 Portfolio was only HK\$35.3 million, representing 2.1% of the total revenue from the solar power electricity generation. The full performance of the 2020 Portfolio will be reflected in the amount of revenue contribution from 2021 onwards.

All of the solar farm projects owned and operated by the Group are located in provinces or municipality with a relatively high demand for electricity. Therefore, the Group has not encountered any curtailment problem in electricity generation from its customers, The State Grid Corporation or the China Southern Power Grid, since the commencement of operation.

Acquisition of the solar farm projects – 2020 Portfolio

In order to cope with the changes in the photovoltaic (the “**PV**”) industry of the People’s Republic of China (the “**PRC**”), the Group has transformed its acquisition targets from solar farm projects under the Feed-in-Tariff (the “**FiT**”) regime to grid-parity or grid-bidding solar farm projects since the second half of 2019, following completion of the 2019 Portfolio acquisition. The Directors believe that the development of these two types of solar farm projects would to a large extent eliminate the risk of delays in subsidy payments and provide better visibility and stability in future cash flows and determination of investment returns.

In 2020, the Group successfully completed the acquisition of the 2020 Portfolio from Xinyi Solar Holdings Limited (“**Xinyi Solar**”) and independent third parties. They are located in Anhui Province, Hubei Province and Guangdong Province, respectively, with an aggregated approved capacity of 340 MW. Going forward, the Group will continue to give priority to the acquisition of grid-parity and grid-bidding solar farm projects, unless the solar farm projects under the FiT regime are included in the “Renewable Energy Power Generation Project List” (《可再生能源發電項目清單》) (the “**List**”) and have already received the subsidy payments under the regime.

Latest developments regarding the List

As the PRC PV industry has become the world-leading industry the subsidy shortfall of the Chinese Renewable Energy Development Fund and the delay in making subsidy payments has been increasingly significant in recent years. Therefore, the PRC government initiated the grid-parity regime in 2019 to resolve the problem of delayed payments of subsidy payments.

The Ministry of Finance announced the “Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) in March 2020 and the “Notice on Accelerating Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” (《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) in November 2020. These two notices clearly stated the conditions and prerequisites for solar farm projects entering the List during the year.

During the year ended 31 December 2020, there were a total of ten Lists published by The State Grid Corporation. Fourteen of the Group’s solar farm projects, with an aggregated approved capacity of 1,184 MW, were successfully added to the List. The Directors expect that the remaining solar farm projects will receive the review approval and be enrolled in the List within the first half of 2021.

BUSINESS OUTLOOK

From the beginning of 2020, the COVID-19 pandemic caused governments around the world to be increasingly concerned on public health and safety issues. As a result, lockdown measures and different kinds of restrictions on both international and national levels were introduced to reduce the rate of spread of the disease. Consequently, the global economy is in a downturn, especially in countries in Europe and America.

The PRC implemented a series of lockdown measures from the first quarter of the year of 2020 until the start of the second quarter of 2020. Economic activities experienced severe disruption, which also led to a significant drop in the demand for electricity. The COVID-19 pandemic has been under effective control in the PRC and the economic stimulus measures have been introduced, which enable the PRC to become the first country to resume the normal social and economic activities. As a result, the electricity demand has begun to pick up from the second quarter of 2020.

According to data and statistics published by the National Energy Administration (the “NEA”), the steady recovery of the domestic economic operations and activities led to the country’s electricity demand and consumption to return to the normal level or at a higher level than that of 2019. The total electricity consumption for 2020 saw a year-on-year increase of 3.1% as compared with 2019. Meanwhile, the proportion of PV electricity consumption has recorded a year-on-year increase of 16.1% as compared with 2019. It is obvious that the proportion of PV electricity consumption in total power consumption is increasing.

Based on the estimate by the International Energy Agency, the renewable energy sector will lead capacity additions in 2021. In 2020, the net additions of the renewable energy capacity reached a new high of 200 gigawatts (the “GW”) and the global total capacity is expected to grow by around 218 GW in 2021, representing an increase of close to 10%. The additions are expected to be led by PV and wind electricity power sectors, representing around 54% and 31%, respectively. In fact, the majority of PV net capacity additions are expected to take place in the PRC, representing around one third of the global capacity increase.

In summary, as renewable energy, especially PV, as well as wind and hydroelectricity, have low or zero carbon emissions, the overall proportion of their usage is expected to gradually increase and will eventually replace the fossil fuels and become the mainstream in the future. In the PRC, in accordance with the relevant supporting government policies, the PV electricity power generation has been given priority and is generally assured by the full purchase by the grid companies. This will promote the use of the PV electricity power generation in the future.

The PRC government announced the new measures of “China’s Intended Nationally Determined Contributions” in the “75th General Assembly of the United Nations” and the “Climate Ambition Summit” in September and December 2020, respectively. The PRC government aims to peak carbon dioxide emission by 2030 and achieve carbon neutrality by 2060, which means (i) the carbon dioxide emissions per unit of gross domestic product will decrease by more than 65%; (ii) non-fossil energy will account for not less than 25% of the primary energy consumption; and (iii) the forest storage will increase by 6 billion cubic meters compared to 2005’s level by 2030. Meanwhile, the total installed capacity of PV and wind power generation is expected to reach more than 1,200 GW. At the end of 2020, the total installed capacity of PV and wind power in the PRC was close to 530 GW. The target for 2030 is almost tripling of the current total installed capacity and even exceeds the current global total installed capacity of PV and wind power. In the next decade, the rapid increase in the proportion of renewable energy is expected to provide additional opportunities for acquisitions of high-quality renewable energy projects.

In January 2021, the Energy Research Institute of the National Development and Reform Commission (the “**NDRC**”) issued the “2020 China Renewable Energy Outlook Report” (《2020年中國可再生能源展望報告》), which mentioned that the temperature change should be controlled at two degrees celsius or below. To achieve this target, the proportion of the renewable energy in the PRC will need to increase from less than 20% in 2020 to close to 80% in 2050. At the same time, the NEA also mentioned that it will focus on several aspects, namely: (i) giving priority to the promotion of the high proportion and quality development of the renewable energy through wind and PV electricity power generation under the 14th Five-Year Plan; (ii) strengthening the technological innovation of the renewable energy sector, especially for PV, wind and hydroelectricity power generation; and (iii) strengthening the policy coordination for the renewable energy development in the areas of fiscal and taxation mechanism, power reform and market development, etc.

The year of 2020 was the last year under the 13th Five-Year Plan. During the year, the NDRC and the NEA jointly announced the “Notice on the Renewable Energy Power Consumption Duties in Provincial Administrative Regions in 2020” (《關於印發各省級行政區域2020年可再生能源電力消納責任權重的通知》), which clearly stated that provinces including administrative regions should actively promote the construction of renewable energy power plants in their regions and the active implementation of policies to require businesses or enterprises to bear the responsibility of using the renewable energy and being conscientious in grid-connected consumption, cross-provincial and cross-regional transmission and various market measures. These policies provide the Group with more confidence in making investments in the renewable energy sector.

The Group will continue to acquire solar farm projects from Xinyi Solar during 2021. In January 2021, the Company entered into two sale and purchase agreements with Xinyi Power (BVI) Limited (“**Xinyi Power (BVI)**”), a wholly owned subsidiary of Xinyi Solar and the immediate holding company of the Company, pursuant to which it agreed to acquire in two batches of three and a total of six utility-scale ground-mounted solar farm projects from Xinyi Solar, with an aggregated approved capacity of 520 MW in 2021. The transaction thereunder constituted a connected and discloseable transaction for the Company, which was subsequently approved by the independent shareholders of the Company at the extraordinary general meeting in February 2021. The acquisition of the first batch of the solar farm projects with an aggregated approved capacity of 250MW was completed in February 2021 and the acquisition of the second batch of the solar farm projects with an aggregated capacity of 270MW is expected to be completed in the fourth quarter of 2021.

The Group will also continue to seek potential acquisition targets under the new era of grid-parity regime for the development of the renewable energy in the PRC during the 14th Five-Year Plan.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue was mainly derived from two core businesses, namely, (i) solar power electricity generation; and (ii) solar farm operation and management services. Revenue from solar power electricity generation increased, as compared to the corresponding period in 2019, due to completion of the acquisitions during the year.

The table below sets forth an analysis of the Group's revenue for the year ended 31 December 2020, as compared to the year ended 31 December 2019:

	2020		2019		Increase	
	<i>HK\$'million</i>	<i>% of revenue</i>	<i>HK\$'million</i>	<i>% of revenue</i>	<i>HK\$'million</i>	<i>%</i>
Sales of electricity	685.9	39.8	621.5	39.0	64.4	10.4
Tariff adjustment	1,027.4	59.7	966.7	60.7	60.7	6.3
	1,713.3	99.5	1,588.2	99.7	125.1	7.9
Operation and management services	8.8	0.5	4.9	0.3	3.9	79.6
Total	1,722.1	100.0	1,593.1	100.0	129.0	8.1

The Group's revenue contributed by the sales of electricity and the tariff adjustment slightly increased by 10.4% to HK\$685.9 million and 6.3% to HK\$1,027.4 million, respectively, as compared with the same for the year ended 31 December 2019. This increase was primarily due to the full performance and contribution of the 2019 Portfolio and completion of the acquisitions of the 2020 Portfolio. However, this increase was partially offset by the depreciation of the Renminbi (“**RMB**”) against the Hong Kong dollar (“**HK\$**”) during the first half of 2020 and the decrease in the utilisation hours in the middle of 2020. Since the monsoon season in the region along the Yangtze River, including a large part of Hubei Province, Anhui Province and Fujian Province, started earlier than usual, there was heavy rainfall and flooding in the region, which vastly reduced the electricity power generation total.

During the years ended 31 December 2020 and 2019, the Group did not experience any curtailment in the power purchased by customers of the Group.

In 2020, the Group's revenue from solar power electricity generation was derived from the solar farms operated and managed by the Group as follows:

Name of the solar farm projects	Location	Approved capacity (MW)
Initial Portfolio		
Nanping Solar Farm.....	Fujian Province, PRC	30
Hong'an Solar Farm.....	Hubei Province, PRC	100
Wuwei Solar Farm One.....	Anhui Province, PRC	100
Lixin Solar Farm.....	Anhui Province, PRC	140
Fanchang Solar Farm.....	Anhui Province, PRC	60
Binhai Solar Farm.....	Tianjin Municipality, PRC	174
Shouxian Solar Farm One.....	Anhui Province, PRC	100
Sanshan Solar Farm.....	Anhui Province, PRC	100
Jinzhai Solar Farm.....	Anhui Province, PRC	150
		954
2019 Portfolio		
Xiaochang Solar Farm One.....	Hubei Province, PRC	130
Xiaochang Solar Farm Two.....	Hubei Province, PRC	30
Suiping Solar Farm.....	Henan Province, PRC	110
Shouxian Solar Farm Two.....	Anhui Province, PRC	200
Huainan Solar Farm.....	Anhui Province, PRC	20
Wuwei Solar Farm Two.....	Anhui Province, PRC	50
		540
2020 Portfolio		
Wuwei Rihao Solar Farm	Anhui Province, PRC	20
Zhanjiang Solar Farm One and Two	Guangdong Province, PRC	100
Wuwei Solar Farm Three	Anhui Province, PRC	30
Laohekou Solar Farm One	Hubei Province, PRC	100
Anlu Jingshun Solar Farm ...	Hubei Province, PRC	90
		340
Total		1,834

The Group received HK\$8.8 million from solar farm operation and management services rendered for the year ended 31 December 2020, which accounted for 0.5% of total revenue in 2020. Pursuant to the Solar Farm Operation and Management Agreement, Xinyi Solar has agreed to engage the Group to operate and manage its connection-ready solar farm projects. All of the revenue in 2020 generated by the services was provided to Xinyi Solar, which is on commercial terms, taking into consideration factors such as service quality, work efficiency and price etc., as compared with the services provided to independent third parties.

Cost of sales

The Group has continuously achieved an effective and efficient operation with lower costs through enhancement on implementing the sophisticated management for individual solar farms and nationwide centralised surveillance systems for the year ended 31 December 2020.

In 2020, the Group's cost of sales increased by 25.9% to HK\$475.3 million from HK\$377.6 million in 2019. The increase was mainly due to the increased depreciation charge of property, plant and equipment and right-of-use assets, electricity expenses and repair and maintenance expenses following the completion of acquisitions of 2019 Portfolio and 2020 Portfolio during both years.

Gross profit

The Group's gross profit increased by 2.6% to HK\$1,246.7 million for the year ended 31 December 2020 from HK\$1,215.5 million during the year ended 31 December 2019. The slight increase was due to greater contributions from solar power electricity generation and service fee income from the provision of the solar farm operation and management services businesses, dramatically offset by the increase in cost of sales.

Overall gross profit margins of the Group decreased by 5.1% to 72.4% in 2020 from 76.3% in 2019. The decrease was mainly due to an increase in (i) depreciation charge of the property, plant and equipment of the solar farm projects; (ii) repair and maintenance expenses; and (iii) electricity expenses for the daily operation of the solar farms.

Other income

For the year ended 31 December 2020, other income significantly increased by 44.3% to HK\$8.8 million from HK\$6.1 million for the year ended 31 December 2019. The increase was primarily due to the increase in the receipt of government grants, though partially offset by (i) the decrease in the amount of insurance compensation; and (ii) the decrease in the number of discounts received from suppliers.

Other gains, net

The Group recorded other gains, net of HK\$2.5 million during the year ended 31 December 2020, as compared with other gains, net of HK\$0.4 million during the year ended 31 December 2019 due to the significantly appreciation of the RMB against the HK\$ during the second half of 2020.

Administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses decreased by HK\$6.6 million from HK\$51.3 million for the year ended 31 December 2019 to HK\$44.7 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in the listing expenses in 2019, which were partially offset by the increase in (i) employee benefit expenses; (ii) insurance expenses; (iii) legal and professional fees; and (iv) miscellaneous expenses.

Finance income and finance costs

The finance income increased by 43.7% to HK\$41.1 million for the year ended 31 December 2020 due to bank interest income on (i) the net proceeds of the global offering (the “**Global Offering**”) in 2019 and placing in 2020; and (ii) receipt of an aggregate subsidy payment in the second half year.

For the year ended 31 December 2020, the total finance costs amounted to HK\$165.6 million, as compared with HK\$177.2 million during the year ended 31 December 2019. The interest expense on bank borrowings decreased from HK\$80.8 million during the year ended 31 December 2019 to HK\$54.5 million during the year ended 31 December 2020. The decrease was mainly due to the decrease in the balance of interest-bearing bank borrowings and the bank borrowings effective interest rate. The interest component on lease liabilities increased by 20.0% to HK\$28.8 million during the year ended 31 December 2020 from HK\$24.0 million during the year ended 31 December 2019, due to the completion of the acquisitions of 2020 Portfolio. Meanwhile, the imputed interest expense on the deferred payment of the consideration of the 2019 Portfolio amounted to HK\$82.3 million during the year ended 31 December 2020.

Income tax expense

The Group incurred income tax expense of HK\$166.2 million during the year ended 31 December 2020, as compared with HK\$131.1 million during the year ended 31 December 2019. The increase was mainly attributable to (i) the acquisition of the 2019 Portfolio; (ii) one solar farm project under the Initial Portfolio commencing the full payment of PRC corporate income tax at the statutory rate of 25% (2019: Nil); and (iii) two more solar farm projects under the Initial Portfolio and 2019 Portfolio commencing the payment of PRC corporate income tax at the rate of 50% of the amount of the statutory rate (2019: eleven solar farm projects).

Adjusted EBITDA, Distributable Income and net profit

For the year ended 31 December 2020, the adjusted EBITDA was HK\$1,616.4 million, representing an increase of 8.9%, as compared with HK\$1,484.4 million for the previous year. The adjusted EBITDA margin was 93.9% during the year ended 31 December 2020 as compared with 93.2% during the year ended 31 December 2019.

Pursuant to the distribution policy of the Group, for the year ended 31 December 2020, the Distributable Income was HK\$1,008.0 million, which represents an increase of 11.2%, as compared with HK\$906.8 million during the year ended 31 December 2019.

Net profit attributable to equity holders of the Company during the year ended 31 December 2020 was HK\$922.0 million, representing an increase of 3.5%, as compared with HK\$891.0 million during the year ended 31 December 2019. The slight decrease in the net profit margin to 53.5% during the year ended 31 December 2020 from 55.9% during the year ended 31 December 2019 was due to (i) increased depreciation charge to property, plant and equipment; (ii) increased income tax expense; and (iii) increased repair and maintenance expenses.

Final Dividend

The Group is dedicated to enhancing value for its shareholders and has adopted a well-defined policy on distribution based on cash inflow generated by solar power electricity generation (the “**Distributions**”). It is the Board’s intention to declare and distribute interim and final Distributions each year not less than 90% of the Distributable Income, and with an intention to distribute 100% of the Distributable Income in each year. The year ended 31 December 2020 was the second and also the final year of the commitment to declare and distribute 100% of the Distributable Income.

Finance Resources and Liquidity

As at 31 December 2020, the Group’s total assets amounted to HK\$17,233.8 million, representing an increase of 15.1% and net assets amounted to HK\$12,010.3 million, increasing by 17.8% as at 31 December 2019. Current ratio of the Group as at 31 December 2020 was 1.4, as compared with 1.6 as at 31 December 2019, as the increases in trade and other receivables was offset by the decrease in cash and cash equivalents; alongside the increase in (i) bank borrowings; (ii) the amount due to immediate holding company; and (iii) the accruals and other payables.

The Group’s net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2020 was 4.6% (31 December 2019: 3.2%), representing an increase of 43.8%. The increase was primarily due to a slight decrease in bank borrowings partially offset by the decrease in cash and cash equivalents.

As at 31 December 2020, the Group's financial position remained healthy, with a cash and cash equivalents balance of HK\$1,312.4 million (2019: HK\$1,631.2 million). During the year ended 31 December 2020, net cash generated from operating activities was HK\$1,070.9 million (2019: HK\$1,120.5 million), which was primarily attributable to profit before income tax of HK\$1,088.6 million (2019: HK\$1,022.1 million), though partially offset by an increase in trade and other receivables and a decrease in accruals and other payables. Net cash used in investing activities amounted to HK\$1,253.6 million (2019: HK\$2,169.1 million), which was primarily attributable to the payment for acquisition of the 2020 Portfolio and settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the year. Net cash used in financing activities amounted to HK\$202.7 million (2019: net cash generated from financing activities, HK\$2,280.3 million) which was primarily attributable to (i) the new bank borrowings of HK\$545.0 million; and (ii) the issuance of shares in respect of placing of HK\$893.8 million, though partially offset by (i) repayments of the bank borrowings; and (ii) dividend paid to the Company's shareholders during the year.

For the year ended 31 December 2020, the Group received tariff adjustments of RMB435.0 million (equivalent to HK\$497.2 million) belonging to the List, in relation to electricity generation almost up to the third quarter of 2018.

Use of Net Proceeds from the Global Offering in May 2019

In May 2019, the Company completed the Global Offering by offering 2,007,738,471 new shares, representing 29.7% of the number of shares in issue immediately following completion of the Global Offering. The amount of gross proceeds raised from the Global Offering was HK\$3,895.0 million. The expenses incurred by the Group for the Listing and Global Offering amounted to HK\$132.7 million, of which HK\$45.9 million was charged to profit or loss and HK\$86.8 million was debited to the equity of the Group.

As disclosed in the Company's announcement on the change in the use of the net proceeds from the Global Offering dated 20 August 2020, the actual amount of the net proceeds received by the Company from the Global Offering was HK\$3,762.3 million, and the Group has used HK\$2,041.6 million for the payment of 50% of the acquisition of 2019 Portfolio and HK\$386.0 million for the general working capital and loan refinancing of the Group. The balance of the unutilised net proceeds from the Global Offering was HK\$1,039.7 million as of 31 December 2020. The Board has been looking for various investment options including money-market instruments and investment-grade bond products that could provide reasonable investment returns with acceptable risk levels. Due to the spread of COVID-19, the global financial markets have experienced significant fluctuations. The global lockdown has led to economic recession in a number of leading economies worldwide. Interest rates have also remained at low levels primarily due to the economic stimulus policies implemented by numerous governments. As the overall macroeconomic and investment environments are not currently favorable, the Directors believe that investing in the money-market instruments and investment-grade bond products may not generate a reasonable amount of investment returns for the Group.

In light of the foregoing, the Company stated in the announcement dated 20 August 2020 that it may deploy up to the full amount of the unutilised net proceeds from the Global Offering for acquisitions of solar farm projects in the PRC. There has been an increasing number of grid-parity solar farm projects available for sales at a decreasing valuation and purchase price. The Directors believe that these grid-parity solar farm projects could generate constant cash inflows from the generation of electricity.

The table below sets out the use of the net proceeds from the Global Offering up to 31 December 2020:

Capital expenditure	Proposed allocation of the net proceeds	Remaining balance up to 31 December 2019	Amount utilised up to 31 December 2020	Remaining balance up to 31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of 2019 Portfolio	3,376.3	1,334.7	—	—
General working capital	386.0	—	—	—
Acquisition of solar farm projects	—	—	295.0	1,039.7
Total	3,762.3	1,334.7	295.0	1,039.7

The remaining amount of net proceeds from the Global Offering is expected to be fully utilised by 31 December 2021.

Use of Proceeds of Placing in September 2020

In September 2020, the Company raised net proceeds of approximately HK\$893.2 million from the placing of 357,520,000 new shares. The table below sets out the proposed application of the net proceeds, the utilisation and remaining balance of the net proceeds up to 31 December 2020.

Capital expenditure	Proposed application of the net proceeds	Amount utilised up to 31 December 2020	Remaining balance up to 31 December 2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
General working capital.....	893.2	893.2	—

Capital Expenditures and Commitments

In 2020, the Group incurred capital expenditures of HK\$467.5 million which were mainly (i) used in further refinement of the existing and new acquired solar farm projects; and (ii) settlement of the outstanding capital expenditures of the existing solar farm projects. As at 31 December 2020, the Group did not have other capital commitments (2019: Nil).

Pledge of Assets

The Group did not have any pledged asset as security for bank borrowings as of 31 December 2020.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Event after the Reporting Period

On 6 January 2021, the Company entered into two sale and purchase agreements with Xinyi Power (BVI), a wholly owned subsidiary of Xinyi Solar and the immediate holding company of the Company, in respect of the proposed acquisitions of the entire equity interest in Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited, respectively. Through their respectively subsidiaries, Xinyi Solar Farm (Group 6) Limited and Xinyi Solar Farm (Group 7) Limited respectively owns and operates solar farms with an aggregated approved capacity of 250MW and 270MW in the PRC. Please refer to Note 14 to the consolidated financial statements in this announcement for further details.

Save as disclosed above, no significant event has taken place subsequent to 31 December 2020 and up to the date of this announcement.

Material Acquisitions and Disposal of Subsidiaries

For the year ended 31 December 2020, the Group acquired the 2020 Portfolio with an aggregate capacity of 340 MW. Please refer to Note 10 to the consolidated financial statements in this announcement for further details. Except for this, there was no further material acquisition and disposal of subsidiaries for the year ended 31 December 2020.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group's solar farm projects are in the PRC with most of the transactions denominated and settled in RMB. The financial performance and assets value could be affected by the exchange rate fluctuation between RMB and HK\$. The Group may use financial instruments for hedging purposes when faced material difficulties and liquidity problems resulting from currency exchange fluctuation.

All of the revenue generated from the solar farm projects are denominated in RMB and the bank borrowings are denominated in HK\$. There is a currency mismatch between bank borrowings with the source of revenue. The Directors believe that the risk of currency mismatch may be minimised by the lower bank borrowings interest rates of HK\$, as compared to the RMB. As at 31 December 2020, all bank borrowings were denominated in HK\$.

During the year ended 31 December 2020, the Group has not experienced any material difficulties and liquidity problems resulting from the fluctuation of currency exchange. However, the Group may use financial instruments for hedging purposes as and when required. For the year ended 31 December 2020, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

The Group has highly valued the human resources continuously shares the reciprocal benefits and shared growth with its employees. The Group consistently explore the potential and ability of its employees. On the other hand, the Group will continue to attract additional employees as and when appropriate for business development.

As at 31 December 2020, the Group had 224 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$37.7 million for the year ended 31 December 2020. Its employees are remunerated based on their qualifications, job nature, performance and working experiences plus reference to the prevailing market rate. Apart from the basic remuneration and discretionary bonus, the Group also provide mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in PRC, respectively, under the laws and regulations.

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 22 November 2018, 1,902,500 share options were granted to selected employees and an executive director in March 2020. The validity period of the options is from 31 March 2020 to 31 March 2024. One third of the options will vest on each of the year-end date of 2020, 2021 and 2022 if each grantee has met the conditions of vesting as stated in the letter of grant.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As at the date of this announcement and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from or any breach of the provisions in the Corporate Governance Code (the "CG Code") as set forth in Appendix 14 to the Listing Rules for the year ended 31 December 2020.

AUDIT COMMITTEE OF THE BOARD

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF 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 2020 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 Company and the Stock Exchange in due courses.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2020 as set out in the 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 the preliminary announcement.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the board of Directors held on 1 March 2021, the Directors has recommended the payment of a final dividend (the "**Final Dividend**") of 8.5 HK cents per share for the year ended 31 December 2020. The recommendation of payment of the Final Dividend are subject to the approval of the shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**") of the Company which to be held on or before Friday, 28 May 2021. If approved by the shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 23 June 2021 to the shareholders whose names appear on the register of members of the Company on Monday, 7 June 2021.

The Company's register of members will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the Final Dividend, all share transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Wednesday, 2 June 2021.

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on or before Friday, 28 May 2021. The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (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, 24 May 2021. A notice convening the Annual General Meeting will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders on or about Thursday, 22 April 2021.

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

Hong Kong, 1 March 2021

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

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