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

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 03868)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2021	2020	
	HK\$ million	HK\$ million	
Revenue	1,112.6	853.1	30.4%
Profit attributable to the Company's equity holders	620.7	437.6	41.8%
Earnings per Share – basic and diluted	8.73 HK cents	6.48 HK cents	34.7%
Distributable Income ⁽¹⁾	525.9	405.0	29.9%
Interim dividend	526.1	405.1	29.9%
Interim dividend per share	7.4 HK cents	6.0 HK cents	23.3%

Note:

(1) The calculation of the amount of the “Distribution Income” is set forth under the paragraphs headed “Adjusted EBITDA, Distributable Income and net profit” in this announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Energy Holdings Limited (the “**Company**” or “**Xinyi Energy**”, together with its subsidiaries, the “**Group**”) announces the unaudited interim consolidated results of the Group for the six months ended 30 June 2021 (“**1H2021**”), together with the comparative figures for the six months ended 30 June 2020 (“**1H2020**”).

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<i>Note</i>	<u>Six months ended 30 June</u>	
		<u>2021</u>	<u>2020</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	1,112,638	853,148
Cost of sales		(287,898)	(233,429)
Gross profit		824,740	619,719
Other income	3	2,201	5,735
Other gains/(losses), net	4	450	(22)
Administrative expenses		(22,694)	(18,772)
Operating profit	5	804,697	606,660
Finance income	6	13,869	18,410
Finance costs	6	(93,831)	(101,932)
Profit before income tax		724,735	523,138
Income tax expense	7	(102,830)	(85,558)
Profit for the period		621,905	437,580
Profit for the period attributable to:			
– Equity holders of the Company		620,738	437,580
– Non-controlling interests		1,167	—
		621,905	437,580
Basic and diluted earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)	8	8.73	6.48

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	621,905	437,580
Other comprehensive income/(loss), net of tax:		
Items that may be reclassified to profit or loss		
– Currency translation differences	127,471	(234,008)
Total comprehensive income for the period	749,376	203,572
Total comprehensive income for the period		
attributable to:		
– Equity holders of the Company	748,119	203,572
– Non-controlling interests	1,257	—
	749,376	203,572

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

		As at	
		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	12,682,518	10,998,038
Right-of-use assets		602,290	507,588
Prepayments for property, plant and equipment	12	26,208	126,649
Deferred income tax assets		12,892	10,557
Goodwill		433,180	362,058
Total non-current assets		13,757,088	12,004,890
Current assets			
Trade and other receivables and prepayments	12	4,766,186	3,916,334
Amounts due from fellow subsidiaries	16	1,904	199
Cash and cash equivalents		803,160	1,312,419
Total current assets		5,571,250	5,228,952
Total assets		19,328,338	17,233,842
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	71,100	71,100
Other reserves		7,756,013	8,232,630
Retained earnings		4,322,288	3,701,550
		12,149,401	12,005,280
Non-controlling interests		6,262	5,005
Total equity		12,155,663	12,010,285

		As at	
		30 June 2021	31 December 2020
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	2,117,683	653,293
Lease liabilities		598,400	500,921
Other payables	14	54,113	60,957
Deferred income tax liabilities		301,806	233,282
Total non-current liabilities		3,072,002	1,448,453
Current liabilities			
Bank borrowings	15	1,376,860	1,209,809
Lease liabilities		29,503	18,803
Accruals and other payables	14	784,546	719,659
Amount due to immediate holding company	16	1,854,802	1,766,328
Amounts due to fellow subsidiaries	16	—	625
Current income tax liabilities		54,962	59,880
Total current liabilities		4,100,673	3,775,104
Total liabilities		7,172,675	5,223,557
Total equity and liabilities		19,328,338	17,233,842

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<u>Attributable to the equity holders of the Company</u>					Total equity
	Share capital <i>(Note 13)</i>	Other reserves	Retained earnings	Total	Non- controlling interest	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Balance at 1 January 2021	71,100	8,232,630	3,701,550	12,005,280	5,005	12,010,285
Comprehensive income						
Profit for the period	—	—	620,738	620,738	1,167	621,905
Other comprehensive income						
Currency translation differences	—	127,381	—	127,381	90	127,471
Total comprehensive income for the period	—	127,381	620,738	748,119	1,257	749,376
Transactions with the owner of the Company						
Employees' share option scheme:						
– value of employee service	—	352	—	352	—	352
2020 final dividend <i>(Note 9)</i>	—	(604,350)	—	(604,350)	—	(604,350)
Balance at 30 June 2021	<u>71,100</u>	<u>7,756,013</u>	<u>4,322,288</u>	<u>12,149,401</u>	<u>6,262</u>	<u>12,155,663</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Attributable to the equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Balance at 1 January 2020	67,525	7,224,779	2,901,435	10,193,739
Comprehensive income				
Profit for the period	—	—	437,580	437,580
Other comprehensive income				
Currency translation differences	—	(234,008)	—	(234,008)
Total comprehensive income for the period	—	(234,008)	437,580	203,572
Transactions with the owner of the Company				
Employees' share option scheme:				
– value of employee service	—	63	—	63
2019 final dividend (<i>Note 9</i>)	—	(573,961)	—	(573,961)
Balance at 30 June 2020	67,525	6,416,873	3,339,015	9,823,413

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities			
Cash generated from operations		427,180	299,941
Interest paid		(17,581)	(33,805)
Income tax paid		(112,150)	(61,829)
Net cash generated from operating activities		297,449	204,307
Cash flows from investing activities			
Purchases of and prepayments for property, plant and equipment		(397,232)	(72,836)
Proceeds from disposal of property, plant and equipment		43	—
Payment for acquisition of subsidiaries, net of cash acquired	10	(1,438,499)	(64)
Settlement of deferred consideration payable for acquisition		(4,683)	—
Interest received		13,869	18,410
Net cash used in investing activities		(1,826,502)	(54,490)
Cash flows from financing activities			
Proceeds from bank borrowings		2,550,000	345,000
Repayments of bank borrowings		(918,559)	(185,355)
Principal elements of lease payments		(14,702)	(8,102)
Dividend paid to Company's shareholders		(604,350)	(573,961)
Net cash generated from/(used in) financing activities		1,012,389	(422,418)
Net decrease in cash and cash equivalents		(516,664)	(272,601)
Cash and cash equivalents at beginning of the period		1,312,419	1,631,244
Effect of foreign exchange rate changes		7,405	(3,230)
Cash and cash equivalents at end of the period		803,160	1,355,413

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The following interim condensed consolidated financial information is presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 2 August 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION

2.1 Basic of preparation and accounting policies

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Hong Kong Accounting Standards (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements. Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

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

The following new standard or amendments to standards are effective for accounting periods beginning on or after 1 January 2021. The adoption of which does not have a material impact on the results and financial position for the current or prior periods of the Group.

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

(b) New standards, amendments to standards and revised framework have been issued but not yet effective for the accounting period beginning on 1 January 2021 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020 Cycle		1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 and HKFS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statement — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause	1 January 2023

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

2.2 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as at 31 December 2020 and 30 June 2021. The carrying value of receivables and payables are a reasonable approximation of their fair values.

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue		
Recognised at a point in time:		
– Sales of electricity	510,475	334,919
– Tariff adjustment	597,539	514,120
Recognised over time:		
– Solar farm operation and management services	4,624	4,109
	1,112,638	853,148
Other income		
Government grants (<i>Note</i>)	645	4,224
Others	1,556	1,511
	2,201	5,735

Note:

Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations.

Segment information

The Group is mainly engaged in the 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.

4 OTHER GAINS/(LOSSES), NET

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Foreign exchange gains/(losses), net	<u>450</u>	<u>(22)</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation charge of property, plant and equipment (<i>Note 11</i>)	251,469	196,302
Depreciation charge of right-of-use assets	12,547	8,833
Employee benefit expenses (including directors' emoluments)	17,894	16,933
Electricity	5,984	6,559
Repair and maintenance	6,977	12,047
Insurance expenses	<u>3,325</u>	<u>2,599</u>

6 FINANCE INCOME AND FINANCE COSTS

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income		
Interest income from bank deposits	<u>13,869</u>	<u>18,410</u>
Finance costs		
Interest on lease liabilities	18,975	13,859
Interest expense on bank borrowings	18,024	32,539
Interest expense on deferred payment of business combination purchase consideration	<u>56,832</u>	<u>55,534</u>
	<u>93,831</u>	<u>101,932</u>

7 INCOME TAX EXPENSE

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax	106,887	88,776
Deferred income tax	(4,057)	(3,218)
	<u>102,830</u>	<u>85,558</u>

Notes:

- (a) The Company was incorporated in the British Virgin Islands and is exempted from payment of the British Virgin Islands income tax.
- (b) No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period.
- (c) Provision made for PRC corporate income tax (“**CIT**”) amounted to HK\$106,887,000 and HK\$88,776,000 for 1H2021 and 1H2020, respectively. The statutory income tax rate applicable to the PRC subsidiaries of the Group is 25% (2020: 25%). Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Energy Technology (Wuhu) Limited (“**Xinyi Technology (Wuhu)**”), are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants, insurance claim received and interest income are subject to the CIT with the statutory income tax rate of 25%. Xinyi Technology (Wuhu) is subject to the CIT with the statutory income tax rate of 15% (2020: 15%).

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 periods.

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	620,738	437,580
Weighted average number of ordinary shares in issue (thousands)	7,109,998	6,752,478
Basic earnings per share (HK cents)	<u>8.73</u>	<u>6.48</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 1H2021, the Company has share option of dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	<u>620,738</u>	<u>437,580</u>
Weighted average number of ordinary shares in issue (thousands)	<u>7,109,998</u>	<u>6,752,478</u>
Adjustments for share options (thousands)	<u>747</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>7,110,745</u>	<u>6,752,478</u>
Diluted earnings per share (HK cents)	<u>8.73</u>	<u>6.48</u>

9 DIVIDENDS

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Final dividend for 2020 of 8.5 HK cents (2019: 8.5 HK cents) per share	604,350	573,961
Proposed interim dividend of 7.4 HK cents (2020: 6.0 HK cents) per share	<u>526,140</u>	<u>405,149</u>

At a meeting of the Board held on 2 August 2021, the Directors resolved to declare an interim dividend of 7.4 HK cents per share for the six months ended 30 June 2021. This interim dividend, amounting to HK\$526,140,000, is based on 7,109,998,471 issued shares as at 30 June 2021 and has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2021.

10 BUSINESS COMBINATION

The Group's strategy is to continue to acquire solar farm projects for the purpose of enhancing its portfolio. During the six months ended 30 June 2021, the Group completed the acquisition of several solar farm projects in the PRC from Xinyi Power (BVI) Limited ("Xinyi Power (BVI)"), the immediate holding company of the Company, and an independent third party. The Group also acquired solar farm projects from Xinyi Power (BVI) in 2020, further information on which is set forth in the announcement of the Company dated 6 January 2021. Information on the each business combination for the period ended 30 June 2021 set forth below:

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)
Great Power Investments Limited and its subsidiaries, Xinyi Renewable Energy (Huaibei) Limited* 信義新能源(淮北)有限公司 and Zaoqiang County Huisheng Renewable Energy Limited* 棗強縣輝盛新能源有限公司	100%/100%	Anhui Province & Hebei Province, PRC	2	100/100
East Shine Investments Limited and its subsidiary, Huainan Xinyi Renewable Energy Limited* 淮南信義新能源有限公司	100%	Anhui Province, PRC	1	50
Hubei Jingping Renewable Energy Limited* 湖北京平新能源有限公司	100%	Hubei Province, PRC	1	80

* 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 <i>(Unaudited)</i>
Purchases consideration	
Fair value of cash consideration	521,381
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,703,306
Right-of-use assets	78,918
Trade and other receivables and prepayments <i>(Note (d))</i>	186,020
Cash and cash equivalents	2,636
Accruals and other payables	(1,371,767)
Lease liabilities	(75,610)
Deferred tax liabilities <i>(Note (e))</i>	(68,464)
Total identifiable net assets	455,039
Goodwill <i>(Note (f))</i>	66,342
	<u>521,381</u>
Net cash outflow arising from the acquisitions	
Cash consideration	521,381
Settlement to Xinyi Power (BVI) <i>(Note (g))</i>	972,965
Less: Cash and cash equivalents acquired	(2,636)
Less: Deferred cash consideration payable	(53,211)
	<u>1,438,499</u>
Cash consideration represents	
Upfront payment upon completion of acquisitions <i>(Note (a))</i>	468,170
Deferred cash consideration <i>(Note (b))</i>	53,211
	<u>521,381</u>

Notes:

(a) Upfront payment upon completion of acquisitions

Upfront payment represents 90% of the gross agreed purchase price of approximately HK\$468,170,000.

(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 acquisitions.

	Total HK\$'000 <i>(Unaudited)</i>
Revenue	100,912
Profits contributed to the Group	<u>74,319</u>

If the acquisitions had occurred on 1 January 2021, the consolidated income statement would show pro-forma revenue of approximately HK\$1,133,981,000 and pro-forma profit of approximately HK\$634,823,000.

(d) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately HK\$186,020,000 and included trade and tariff adjustment receivables with fair values as below:

	Total HK\$'000 <i>(Unaudited)</i>
Trade and tariff adjustment receivables	<u>85,197</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$85,197,000.

(e) Provisional fair value of acquired identifiable assets

Deferred tax liabilities of approximately HK\$68,464,000 have been provided for in relation to these fair value adjustments.

(f) Goodwill

The Group recognised goodwill of approximately HK\$66,342,000 in the consolidated balance sheet in connection with the acquisitions which was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the acquisitions, the Group benefits through the synergies expected to arise after the acquisitions 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) 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.

11 PROPERTY, PLANT AND EQUIPMENT

	<u>Solar farms</u>	<u>Buildings</u>	<u>Motor vehicles, furniture and fixtures, equipment and others</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2021				
<i>(Unaudited)</i>				
Opening net book amount	10,813,323	174,203	10,512	10,998,038
Additions	139,441	—	690	140,131
Acquisition of subsidiaries	1,703,157	—	149	1,703,306
Disposals	—	—	(100)	(100)
Depreciation charge (<i>Note 5</i>)	(247,058)	(3,583)	(828)	(251,469)
Currency translation differences	91,134	1,393	85	92,612
Closing net book amount	<u>12,499,997</u>	<u>172,013</u>	<u>10,508</u>	<u>12,682,518</u>
At 30 June 2021 (Unaudited)				
Cost	14,440,960	205,827	15,458	14,662,245
Accumulated depreciation	<u>(1,940,963)</u>	<u>(33,814)</u>	<u>(4,950)</u>	<u>(1,979,727)</u>
Net book amount	<u>12,499,997</u>	<u>172,013</u>	<u>10,508</u>	<u>12,682,518</u>

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<u>As at</u>	
	<u>30 June</u>	31 December
	<u>2021</u>	<u>2020</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables <i>(Note (a))</i>	4,331,883	3,501,306
Bills receivables <i>(Note (a))</i>	1,201	3,574
	<hr/>	<hr/>
Trade and bills receivables	4,333,084	3,504,880
Deposits and other receivables <i>(Note (c))</i>	36,346	14,379
Other tax receivables <i>(Note (d))</i>	382,306	382,754
Prepayments for property, plant and equipment	26,208	126,649
Other prepayments	14,450	14,321
	<hr/>	<hr/>
	4,792,394	4,042,983
Less: Non-current portion		
Prepayments for property, plant and equipment	(26,208)	(126,649)
	<hr/>	<hr/>
Current portion	4,766,186	3,916,334
	<hr/> <hr/>	<hr/> <hr/>

(a) **Trade and bills receivables**

Trade receivables comprise receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables was set out below:

	<u>As at</u>	
	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Receivables from sales of electricity	191,512	75,507
Tariff adjustment receivables	4,140,371	3,425,799
	<u>4,331,883</u>	<u>3,501,306</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 based on the Group's revenue recognition policy is as follows:

	<u>As at</u>	
	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 90 days	537,349	338,788
91 days to 180 days	319,416	353,257
181 days to 365 days	659,606	635,729
Over 365 days	2,815,512	2,173,532
	<u>4,331,883</u>	<u>3,501,306</u>

The maturity of the bills receivables is within one year.

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

(b) Loss allowance of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance.

During the period ended 30 June 2021, the Group received aggregate payment of RMB38.6 million (equivalent to HK\$46.3 million) 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 30 June 2021 (2020: Nil).

(c) Deposits and other receivables

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

13 SHARE CAPITAL

	Number of ordinary shares	Ordinary shares of HK\$0.01 each	Total
		<i>HK\$</i>	<i>HK\$'000</i>
Authorised:			
At 1 January and 30 June 2021	<u>800,000,000,000</u>	<u>8,000,000,000</u>	<u>8,000,000</u>
Issued and fully paid: <i>(Unaudited)</i>			
At 1 January and 30 June 2021	<u>7,109,998,471</u>	<u>71,099,985</u>	<u>71,100</u>

14 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Payables for property, plant and equipment	819,621	757,885
Accrued listing expenses	1,516	1,516
Others	<u>17,522</u>	<u>21,215</u>
	838,659	780,616
Less: Non-current portion		
Retention payables for property, plant and equipment	<u>(54,113)</u>	<u>(60,957)</u>
Current portion	<u>784,546</u>	<u>719,659</u>

The carrying amounts of accruals and other payables are mainly denominated in RMB and approximate their fair values.

15 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2021	31 December 2020
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Within 1 year	1,376,860	1,209,809
Between 1 and 2 years	994,465	344,781
Between 2 and 5 years	1,123,218	308,512
	3,494,543	1,863,102
Less: Non-current portion	(2,117,683)	(653,293)
Current portion	<u>1,376,860</u>	<u>1,209,809</u>

As at 30 June 2021, all bank borrowings bore floating interest rates (2020: same). These bank borrowings are repayable by instalments up to 2024 (2020: 2023). The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 30 June 2021, as the impact of discounting is not significant.

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

	As at	
	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Bank borrowings	<u>1.18%</u>	<u>1.52%</u>

The bank borrowings were secured by corporate guarantee provided by the Company and its subsidiaries.

16 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

<u>Name of related parties</u>	<u>Relationship</u>
Xinyi Solar Holdings Limited (“ Xinyi Solar ”)	Ultimate holding company
Xinyi Power (BVI)	Immediate holding company
Xinyi Solar (Hong Kong) Limited (“ Xinyi Solar (HK) ”)	Fellow subsidiary
Chaohu Jindao Photovoltaic Power Generation Company Limited (“ Chaohu Jindao ”)	Fellow subsidiary
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited (“ Taonan Runhe ”)	Fellow subsidiary
Xinyi Solar (Bozhou) Limited (“ Xinyi Solar (Bozhou) ”)	Fellow subsidiary
Xinyi Solar (Jinzhai) Limited (“ Xinyi Solar (Jinzhai) ”)	Fellow subsidiary
Xinyi Renewable Energy (Huaibei) Limited (“ Xinyi Renewable Energy (Huaibei) ”)	Fellow subsidiary
Guangdong Shenke Renewable Energy Limited (“ Guangdong Shenke ”)	Fellow subsidiary
Xinyi Solar (Wangjiang) Limited (“ Xinyi Solar (Wangjiang) ”)	Fellow subsidiary
Xinyi Solar (Haikou) Limited (“ Xinyi Solar (Haikou) ”)	Fellow subsidiary
Huainan Xinyi Renewable Energy Limited (“ Huainan Xinyi Renewable Energy ”)	Fellow subsidiary
Qingyang County Hewu Renewable Energy Technology Limited (“ Qingyang Renewable Energy ”)	Fellow subsidiary
Zaoqiang County Huisheng Renewable Energy Limited (“ Zaoqiang Renewable Energy ”)	Fellow subsidiary
Heshan City Hongde Renewable Energy Limited (“ Heshan Renewable Energy ”)	Fellow subsidiary
Hepu County Xinyi Solar Limited (“ Hepu Xinyi Solar ”)	Fellow subsidiary
Xinyi Glass Holdings Limited (“ Xinyi Glass ”)	<i>Note (i)</i>
Cheer Wise Investment Limited (“ Cheer Wise ”)	<i>Note (ii)</i>
Xinyi Energy Smart (Wuhu) Company Limited (“ Xinyi Energy Smart ”)	<i>Note (ii)</i>

Notes:

- (i) A shareholder of Xinyi Solar.
- (ii) Companies under control of Xinyi Glass, a major shareholder of Xinyi Solar.

(b) Related party transactions

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the periods.

		<u>Six months ended 30 June</u>	
		<u>2021</u>	<u>2020</u>
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
One-off transaction			
Acquisition of subsidiaries from immediate holding company			
	– Xinyi Power (BVI)	(i) <u>520,187</u>	<u>—</u>
Continuing transactions			
Solar farm operation and management services			
	fee receivable from fellow subsidiaries	(ii)	
	– Chaohu Jindao	103	106
	– Taonan Runhe	612	476
	– Xinyi Solar (Bozhou)	356	324
	– Xinyi Solar (Jinzhai)	825	713
	– Xinyi Renewable Energy (Huaibei)	166	780
	– Guangdong Shenke	—	368
	– Xinyi Solar (Wangjiang)	761	671
	– Xinyi Solar (Haikou)	789	496
	– Huainan Xinyi Renewable Energy	80	280
	– Qingyang Renewable Energy	160	—
	– Zaoqiang Renewable Energy	195	—
	– Heshan Renewable Energy	338	—
	– Hepu Xinyi Solar	239	—
		<u>4,624</u>	<u>4,214</u>

Notes:

- (i) The acquisition of subsidiaries was transacted at mutually agreed prices and terms. Details of the acquisition are disclosed in the Note 10 to the interim condensed consolidated financial information.
- (ii) The transactions were conducted at mutually agreed prices and terms.

(c) Balances with related parties

	As at	
	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Due from fellow subsidiaries:		
– Chaohu Jindao	80	10
– Taonan Runhe	70	4
– Xinyi Solar (Bozhou)	124	—
– Xinyi Solar (Jinzhai)	591	—
– Xinyi Solar (Wangjiang)	418	—
– Xinyi Solar (Haikou)	218	21
– Huainan Xinyi Renewable Energy	—	139
– Qingyang Renewable Energy	154	25
– Heshan Renewable Energy	106	—
– Hepu Xinyi Solar	143	—
	<u>1,904</u>	<u>199</u>
Due to immediate holding company:		
– Xinyi Power (BVI)	<u>1,854,802</u>	<u>1,766,328</u>
Due to fellow subsidiaries:		
– Xinyi Solar (Bozhou)	—	(125)
– Xinyi Solar (Jinzhai)	—	(96)
– Xinyi Renewable Energy (Huaibei)	—	(255)
– Xinyi Solar (Wangjiang)	—	(149)
	<u>—</u>	<u>(625)</u>

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

The amount due to immediate holding company represents present value amount of the remaining 50% consideration of the acquisition of solar farm projects in 2019 discounted at the effective interest rate of 6.38% (2020: 6.38%). The amount is unsecured, non-interest bearing and payable on the 28 May 2023, or upon the receipt of the payment from the PRC Government of the tariff adjustments of the solar power plants acquired, whichever is earlier. The amount approximates its fair value and is denominated in HK\$.

(d) **Leases**

	<u>As at</u>	
	30 June	31 December
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Interest expense on lease liabilities in relation to office area recognised by the Group as a lessee to related parties:		
– Cheer Wise	(i) 6	13
– Xinyi Energy Smart	(ii) 16	9
	22	22

Notes:

- (i) Approximate 30 square meter (“**sq.m.**”) office area in Hong Kong was provided by Cheer Wise for the Group’s operations with rental mutually agreed.
- (ii) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart, a related company owned as to 100% by Xinyi Glass, for the Group’s occupations with rental mutually agreed.

(e) **Key management compensation**

Key management includes directors of the Company and certain senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Basic salaries, bonus, other allowances and benefits	2,023	1,881
Retirement benefits - defined contribution scheme	9	9
	<u>2,032</u>	<u>1,890</u>

17 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 30 June 2021 and 31 December 2020.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Overview

During the six months ended 30 June 2021 (“**1H2021**”), the COVID-19 pandemic continued to affect the global economies. China was not severely affected by the COVID-19 pandemic during the 1H2021 and the number of confirmed cases remained at low levels. As a solar farm owner and operator, the Group was not affected by the adversity, and the amount of revenue generated from the solar farm business during 1H2021 remained stable.

The Group has completed the acquisition of 340 MW of solar farm projects during the year ended 31 December 2020. During 1H2021, the Group has completed a further acquisition of 330 MW of solar farm projects. All of these solar farm projects have been in full operation during 1H2021 and as such, the amount of revenue of the Group during 1H2021 increased to HK\$1,112.6 million, representing an increase by 30.4%, as compared to the same for the six months ended 30 June 2020 (“**1H2020**”). The amount of the profit for the six-month period attributable to the equity holders of the Company amounted to HK\$620.7 million, representing an increase of 41.8%, as compared to the same for 1H2020. During 1H2021, the basic earnings per share attributable to the equity holders of the Company were 8.73 HK cents, as compared to 6.48 HK cents for 1H2020.

BUSINESS REVIEW

Continued steady growth of revenue contribution

During 1H2021, the electricity generated by the solar farm projects owned and operated by the Group grew significantly, primarily due to the full operation of the solar farm projects recently acquired by the Group. The sunny weather in the regions in which the Group’s solar farm projects are situated also increased the total electricity generated by the solar farm projects of the Group.

The amount of revenue contributed by the Group from the newly acquired solar farm projects in 2020 (the “**2020 Portfolio**”) of 340MW during 1H2021 amounted to HK\$90.6 million, representing a significant increase as compared to 1H2020. The revenue contribution from the other solar farm projects remained generally stable. During 1H2021, the Group has completed a further acquisition of 330 MW of solar farm projects, and these projects are currently in full operation and are expected to increase their revenue contribution from the second half of the year of 2021.

All solar farm projects owned and operated by the Group are located in provinces or municipality with high electricity demand for electricity. As a result, the Group has not encountered the electricity curtailment issue.

Acquisition of the solar farm projects during 1H2021

Following the change in photovoltaic (the “**PV**”) industry of the People’s Republic of China (the “**PRC**”) from the feed-in-tariff (the “**FiT**”) regime to the grid-parity or grid-bidding regime since 2019, the Group has acquired a total of five solar farm projects under the grid-parity or grid-bidding regime in 2020. These acquisitions are not subject to any delay in receiving any subsidy payments. Hence, the mismatch between the amount of revenue recognised and the cash inflows of the Group has been slightly improved. The Group will continue to focus on the acquisition of grid-parity or grid-bidding solar farm projects or those solar farm projects which have been enlisted on the “Renewable Energy Power Generation Project List” (《可再生能源發電項目清單》) (the “**List**”) and received the subsidy payment under the FiT regime.

During 1H2021, the Group successfully completed the acquisition of an aggregate of four solar farm projects (the “**2021 Portfolio**”) from Xinyi Solar Holdings Limited (“**Xinyi Solar**”), the parent company of the Company, and an independent third party in early February 2021. They are all located in Anhui Province, Hebei Province and Hubei Province with an aggregate approved capacity of 330MW. The revenue contributed by these solar farm projects amounted to HK\$100.9 million, representing 9.1% of the total revenue of the Group during 1H2021.

Latest update about the List

Following the announcement by the PRC government in 2020 of two important industry policies, namely “Notice on Relevant 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》) and “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》), one of the Group’s solar farm project with approved capacity of 200 MW was added to the List in the first quarter of this year. Besides, two newly acquired solar farm projects from Xinyi Solar with approved capacity of 150 MW have been enlisted in 2020. So far as at 30 June 2021, the Group has 17 solar farm projects with an aggregate approved capacity of 1,534 MW enlisted on the List. The Group will continue to cooperate with the relevant authorities/departments and closely monitor the approval progress to ensure that the remaining solar farm projects owned and operated by the Group can be added to the List. Going forward, as mentioned above, the Group will focus on the acquisition of grid-parity or grid-bidding solar farm projects or FiT solar farm projects which are enlisted on the List. The Directors believe that this will improve the cash flows of the Group from the electricity generation business and will be less reliance on the tariff adjustment under the FiT regime.

FINANCIAL REVIEW

Revenue

During 1H2021, the Group’s revenue was mainly derived from (i) solar power electricity generation; and (ii) service fee income from the provision of the solar farm operation and management services. Revenues from solar power electricity generation significantly increased, as compared to 1H2020, due to contribution from the solar farms acquired in second half of 2020 and 1H2021.

The table below sets forth an analysis of the Group’s revenue in 1H2021, as compared to 1H2020:

	1H2021		1H2020		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	510.5	45.9	334.9	39.3	175.6	52.4
Tariff adjustment	597.5	53.7	514.1	60.2	83.4	16.2
	1,108.0	99.6	849.0	99.5	259.0	30.5
Operation and management services	4.6	0.4	4.1	0.5	0.5	12.2
Total	1,112.6	100.0	853.1	100.0	259.5	30.4

The Group’s revenue contributed by the sales of electricity and the tariff adjustment increased by 52.4% to HK\$510.5 million and 16.2% to HK\$597.5 million, respectively, as compared to the corresponding period in 2020. The increase was primarily due to the full performance and contribution of the 2020 Portfolio, completion of the acquisition of the 2021 Portfolio and appreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HK\$”).

During 1H2021, the Group’s revenue from solar power electricity generation was contributed by the following solar farms projects:

<u>Name of the solar farm projects</u>	<u>Locations</u>	<u>Approved capacity (MW)</u>
Initial solar farm projects owned and operated by the Group	Nine solar farm projects located in Anhui Province, Fujian Province, Hubei Province and Tianjin Municipality	954
Solar farm projects acquired by the Group in 2019	Six solar farm projects located in Anhui Province, Hubei Province and Henan Province	540

Name of the solar farm projects	Locations	Approved capacity (MW)
Solar farm projects acquired by the Group in 2020		
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
Solar farm projects acquired by the Group in 1H2021		
Hubei Jingping Solar Farm	Hubei Province, PRC	80
Huainan Solar Farm Two.....	Anhui Province, PRC	50
Huaibei Solar Farm	Anhui Province, PRC	100
Hebei Zaoqiang Solar Farm	Hebei Province, PRC	100
		330
Total		2,164

The Group recorded HK\$4.6 million from the solar farm operation and management services rendered for 1H2021, which represented for 0.4% of the total revenue. All of the revenue generated by the solar farms operation and management services were provided to Xinyi Solar's connection-ready solar farm projects, which in accordance with Solar Farm Operation and Management Agreement. Those services provided by the Group are on commercial terms, taking into consideration factors such as price, work efficiency, and service quality, as compared to the services provided to independent third parties.

Cost of sales

The Group has continuously achieved an effective and efficient operation with lower costs through implementing the sophisticated management for the individual solar farms and nationwide centralized surveillance system in 1H2021.

Cost of sales of the Group increased by 23.3% to HK\$287.9 million in 1H2021 from HK\$233.4 million in 1H2020. The increase was mainly due to the increase in (i) depreciation charge of property, plant and equipment and right-of-use assets; and (ii) staff cost following the completion of the acquisition of 2020 Portfolio and 2021 Portfolio, which was partially offset by decrease in repair and maintenance expenses.

Gross profit

The Group's gross profit increased by HK\$205.0 million, or 33.1%, from HK\$619.7 million in 1H2020 to HK\$824.7 million in 1H2021, which is in line with the increase in revenue. The increase was mainly due to the greater contributions from the solar power electricity generation and service fee income from the provision of the solar farm operation and management services businesses, respectively.

Overall gross profit margin of the Group increased by 2.1% to 74.1% in 1H2021 from 72.6% in 1H2020. The increase was primarily due to increase in revenue outweigh the increase in cost of sales.

Other income

In 1H2021, other income significantly decreased by 61.4% to HK\$2.2 million, as compared to HK\$5.7 million in 1H2020. The decrease was mainly due to the decrease in the receipt of the government grant and rental income during the six months ended of 30 June 2021.

Other gains/(losses), net

The Group recorded other gains, net of HK\$450,000 in 1H2021, as compared to other losses, net of HK\$22,000 in 1H2020 due to the appreciation of the RMB against HK\$.

Administrative expenses

In 1H2021, the Group's administrative expenses increased by HK\$3.9 million from HK\$18.8 million in 1H2020 to HK\$22.7 million. The increase was mainly due to the increase in (i) insurance expenses; (ii) legal and professional fees; and (iii) miscellaneous expenses, which was partially offset by the decrease in employee benefit expenses.

Finance income and finance costs

The finance income decreased by 24.7% to HK\$13.9 million in 1H2021 due to the bank interest income on (i) the net proceeds of the global offering in 2019 was fully utilised; and (ii) the receipt of an aggregate subsidy payment were decreased in 2020, respectively.

The total finance costs of the Group amounted to HK\$93.8 million in 1H2021, as compared to HK\$101.9 million in 1H2020. The interest expenses on bank borrowings decreased from HK\$32.5 million for 1H2020 to HK\$18.0 million for 1H2021. The decrease was primarily due to the continuous decrease in bank borrowing's effective interest rate partially offset by the addition in the balance of interest-bearing bank borrowings. Meanwhile, the Group also incurred the imputed interest expenses on the deferred payment of the consideration of the acquisition of solar farm projects in 2019 was HK\$56.8 million for 1H2021. The interest component on lease liabilities increased by HK\$5.1 million, or 36.7% from HK\$13.9 million in 1H2020 to HK\$19.0 million in 1H2021 due to the completion of new acquisition of solar farm projects.

Income tax expense

The Group incurred income tax expense of HK\$102.8 million for 1H2021 as compared to HK\$85.6 million for 1H2020. The increase was mainly due attributable to (i) the acquisition of the 2020 Portfolio and 2021 Portfolio; (ii) four solar farm projects commencing the full payment of PRC corporate income tax at the statutory rate of 25% (1H2020: one solar farm project); and (iii) the increase in the solar power electricity generated as well as the revenue during the corresponding period.

Adjusted EBITDA, Distributable Income and net profit

In 1H2021, the adjusted EBITDA was HK\$1,057.6 million, representing an increase of 32.1%, as compared to HK\$800.5 million for the same period ended in 2020. The adjusted EBITDA margin was increased by 1.4%, from 93.8% for 1H2020 to 95.1% for 1H2021.

The Distributable Income, pursuant to the distribution policy of the Group, was HK\$525.9 million, which represents an increase of 29.9%, as compared to HK\$405.0 million in 1H2020.

The reconciliation between from the profit for the period to adjusted EBITDA and Distributable Income during the 1H2021 and 1H2020 are as follows:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	621,905	437,580
Corporate income tax and dividend withholding tax expenses	106,887	88,776
Finance costs	93,831	101,932
Finance income	(13,869)	(18,410)
Depreciation charge of property, plant, and equipment	251,469	196,302
Adjustments:		
Other income	(2,201)	(5,735)
Other (gain)/loss, net	(450)	22
Adjusted EBITDA for the period	1,057,572	800,467
Less:		
Corporate income tax at national rate	(181,184)	(130,784)
Dividend withholding tax at notional rate	(34,338)	(27,535)
Notional long-term debt repayment principal amount	(221,123)	(135,211)
Total finance costs	(93,831)	(101,932)
Total profit attributable to non-controlling interests	(1,167)	—
Distributable Income for the period	525,929	405,005

Net profit attributable to equity holders of the Group in 1H2021 was HK\$620.7 million, representing an increase of 41.8%, as compared to HK\$437.6 million in 1H2020. The slight increase in the net profit margin from 51.3% for 1H2020 to 55.8% for 1H2021 was primarily due to (i) increased depreciation charge to property, plant and equipment and right-of-use assets; and (ii) increased income tax expense offset by (i) increased in revenue; (ii) decreased repair and maintenance expenses; and (iii) decreased in finance costs.

FINANCE RESOURCES AND LIQUIDITY

During 1H2021, the Group's total assets amounted to HK\$19,328.3 million, representing an increase by 12.2% and net assets amounted to HK\$12,155.7 million, increasing by 1.2% as at 31 December 2020. Current ratio of the Group as at 30 June 2021 remained the same as compared to 1.4 as at 31 December 2020 as the significant increase in trade and other receivables was offset by (i) the decrease in cash and cash equivalents; (ii) the increase in bank borrowings; and (iii) the increase in the amount due to immediate holding company.

The Group's net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 30 June 2021 was 22.1% (31 December 2020: 4.6%). The increase was mainly due to (i) the significant increase in bank borrowings; and (ii) the decrease in cash and cash equivalents.

As at 30 June 2021, the Group's financial position remained healthy, with the cash and cash equivalents balance at HK\$803.2 million. During 1H2021, net cash generated from operating activities was HK\$297.4 million (1H2020: HK\$204.3 million), which was primarily attributable to the profit before income tax of HK\$724.7 million and partially offset by an increase in trade and other receivables. Net cash used in investing activities amounted to HK\$1,826.5 million (1H2020: HK\$54.5 million), which was primarily attributable to payment for acquisition of the 2021 Portfolio and the settlement of outstanding capital expenditure for solar farm projects which had previously completed construction during the period. Net cash generated from financing activities amounted to HK\$1,012.4 million (1H2020: net cash used in financing activities, HK\$422.4 million) which was primarily attributable to the new bank borrowings at HK\$2,550.0 million, partially offset by (i) repayments of the bank borrowings; and (ii) dividends paid to the Company's shareholders during the period.

BUSINESS OUTLOOK

There has been more than a year since the outbreak of the COVID-19 pandemic, but the pandemic still continues to rage around the world. The outbreak is seemed under control with the use of vaccination in almost all major countries. The daily life is gradually returning to normal, and the levels of commercial and household use of electricity are increasing.

China is amongst the very few countries that experience and recover from the COVID-19 pandemic, and the new installed capacity of the PV power generation during 1H2020 was 10.2 gigawatts (the “**GW**”), as confirmed by the National Energy Administration (the “**NEA**”). However, due to the increases in the costs of polysilicon during the same period, the prices of PV modules increased by 20% in 1H2021 as compared to 1H2020. As a result, the construction progress of new PV facilities was hindered and the new installed capacity of the PV power generation in 1H2021 only recorded an insignificant increase to 13.0 GW.

Despite the slowdown in the development of the PV installation capacity during the 1H2021, based on the estimate by the International Energy Agency (the “**IEA**”), the additional global and PRC total installed capacity in 2021 could reach 140 – 150 GW and 40 – 50 GW, respectively, which are consistent with the estimate by the China Photovoltaic Industry Association (the “**CPIA**”).

In May 2021, the NEA issued the “Notice on the Development and Construction of Wind and PV Power in 2021” (《關於2021年風電、光伏發電開發建設有關事項的通知》) (the “**Notice**”), in which the level of carbon dioxide emissions would not continue to increase by 2030 and the target would be achieving carbon neutrality by 2060. The PRC government’s plans are to ensure that (i) non-fossil energy would account for not less than 25% of the primary energy consumption and (ii) the total installed capacity of renewable energy should be reached at least 1,200 GW by 2030. In fact, according to NEA, the renewable energy generation will account for 11% of the total national electricity consumption in 2021. In addition, the Notice also required that all PRC provinces including administrative regions and municipalities must complete the grid connection for those non-hydro renewable power generation with the aggregate capacity of not less than 90 GW in 2021. All of these show that there would be increasing potential opportunities for the renewable energy in the next decade.

In December 2020, the “Administrative Measures for Carbon Emissions Trading (for Trial Implementation)” (the “**Measures**”) were issued by the Ministry of Ecology and Environment (the “**MEE**”). The Measures are aimed to (i) build a national carbon emission trading market; (ii) use the market mechanism in addressing climate change and promoting the use of green and low-carbon development; (iii) encourage more reduction in greenhouse gas emissions reductions; and (iv) regulate the carbon emissions trading and related activities in the PRC.

In February 2021, the Group entered into two sale and purchase agreements with Xinyi Power (BVI) Limited (“**Xinyi Power (BVI)**”), a wholly-owned subsidiary of Xinyi Solar, pursuant to which the Group has agreed to acquire a total of six utility-scale solar farm projects, with an aggregate approved capacity of 520 MW, in 2021. The acquisition of the first three utility solar farm projects of aggregate approved capacity of 250 MW was completed in February 2021. The acquisition of the remaining three utility solar farm projects would be completed in the fourth quarter of 2021 as scheduled.

In May 2021, the MEE further published three regulations, namely the “Rules for Management of Carbon Emissions Registration (for Trial Implementation)”, “Rules for Management of Carbon Emissions Trading (for Trial Implementation)”, and the “Rules for Management of Carbon Emissions Settlement (for Trial Implementation)” on the establishment carbon trading market in the PRC. As a renewable energy power generation company, the power generated by the Group is green and clean with low or even zero carbon emissions. The Group is actively considering to participate the carbon trading activities in the PRC as and when such activities are formally launched in the country. The Directors believe that the introduction of the Measures would be beneficial to the business development of the Group.

In addition, the Group plans to complete the acquisition of grid-parity solar farm projects with an aggregate of approved capacity of 100MW from independent third parties during the second half of 2021. The Directors expect that the Group would be able to complete the acquisition of solar farm projects of not less than 700 MW in 2021.

Finally, the Directors believe that with the support of the national policies in the PRC on carbon emissions reduction and environmental protection, the future development of the renewable energy industry, including the solar energy, would be accelerated. The Group will seize the emerging business opportunities to expand and strengthen its businesses and asset portfolio.

Capital Expenditures and Commitments

During 1H2021, the Group incurred capital expenditures of HK\$397.2 million which was mainly used in (i) further refinement of the existing and new acquired solar farm projects; and (ii) settlement of outstanding capital expenditures of the existing solar farm projects. As at 30 June 2021, the Group did not have other capital commitments (2020: Nil).

Pledge of Assets

The Group did not have any pledged asset as security for bank borrowings as of 30 June 2021.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries

During 1H2021, save as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries.

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 minimized by the lower bank borrowing rates of HK\$, as compared to the RMB. As at 30 June 2021, all bank borrowings were denominated in HK\$.

During 1H2021, the Group has not experienced any material difficulties and liquidity problems resulting from the fluctuations of currency exchange. However, the Group may use financial instruments for hedging purposes as and when required. In 1H2021, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

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

As at 30 June 2021, the Group had 238 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$17.9 million during the six months ended 30 June 2021. The 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 statutory social welfare contribution to employees in PRC and provident fund scheme to employees in Hong Kong, respectively, under the laws and regulations.

Use of the 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 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 solar farm projects in 2019 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 at 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.

The table below sets out the use of the net proceeds from the global offering up to 30 June 2021:

Capital expenditure	Proposed allocation of the net proceeds	Remaining balance up to 31 December 2020	Amount utilised up to 30 June 2021	Remaining balance up to 30 June 2021
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of solar farm projects in 2019	3,376.3	—	—	—
General working capital	386.0	—	—	—
Acquisition of solar farm projects	—	1,039.7	1,039.7	—
Total	<u>3,762.3</u>	<u>1,039.7</u>	<u>1,039.7</u>	<u>—</u>

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company on 22 November 2018, 2,480,000 share options were granted to selected employees and an executive director in March 2021. The validity period of the options is from 31 March 2021 to 31 March 2025. One third of the options will vest on each of the year-end date of 2021, 2022 and 2023 if each grantee has met the conditions of vesting as stated in the letter of grant.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 7.4 HK cents per Share for 1H2021 (1H2020: 6.0 HK cents), totaling HK\$526.1 million (1H2020: HK\$405.1 million), to be paid to all shareholders (the “**Shareholders**”) of the Company with their names recorded on the register of members of the Company at the close of business on Thursday, 19 August 2021. The interim dividend is expected to be payable on or about Wednesday, 8 September 2021. The Company’s register of members will be closed from Tuesday, 17 August 2021 to Thursday, 19 August 2021 (both days inclusive), and during such period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares 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 Monday, 16 August 2021.

The interim dividend is made out of the Distributable Income during the period under review. The interim dividend will be paid from the Group’s internal financial resources as well as the available banking facilities in Hong Kong.

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

During 1H2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 as set forth in Appendix 14 to The Rules Governing the Listing of Securities on Stock Exchange (the “**Listing Rules**”) during 1H2021.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. 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 1H2021.

REVIEW OF THE INTERIM RESULTS

The Company’s unaudited interim results for 1H2021 have not been reviewed by the external auditor but have been reviewed by the Company’s audit committee, comprising the three independent non- executive Directors, namely, Mr. LEUNG Ting Yuk (Chairman of audit committee), The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

PUBLICATION OF INTERIM REPORT

This announcement is published on the website of the Stock Exchange and the Company. The interim report of the Company for 1H2021 containing all the relevant 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.

By order of the Board
XINYI ENERGY HOLDINGS LIMITED
LEE Shing Put, B.B.S.
Chairman

Hong Kong, 2 August 2021

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. LEE Shing Put, B.B.S. (Chairman of the Board), Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P., Mr. TUNG Fong Ngai, 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.