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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)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

	Year ended 31 December		Change
	2021	2020	
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	<b>2,296.6</b>	1,722.1	33.4%
Profit attributable to the equity holders of the Company	<b>1,232.3</b>	922.0	33.7%
Earnings per share – basic and diluted	<b>17.33 HK cents</b>	13.44 HK cents	28.9%
Distributable Income <sup>(1)</sup>	<b>1,242.7</b>	1,008.0	23.3%
Dividends	<b>1,237.1</b>	1,009.5	22.5%
Proposed final dividend per share	<b>10.0 HK cents</b>	8.5 HK cents	17.6%

*Note:*

- (1) See the paragraphs headed “Adjusted EBITDA, Distributable Income and net profit” in this announcement for the calculation of the “Distributable Income”.

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 audited consolidated results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows.

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>2,296,648</b>	1,722,051
Cost of sales	5	<u>(617,267)</u>	<u>(475,343)</u>
<b>Gross profit</b>		<b>1,679,381</b>	1,246,708
Other income	3	<b>23,243</b>	8,750
Other (losses)/gains, net	4	<b>(22,405)</b>	2,459
Administrative expenses	5	<u>(54,532)</u>	<u>(44,716)</u>
<b>Operating profit</b>		<b>1,625,687</b>	1,213,201
Finance income	6	<b>18,875</b>	41,086
Finance costs	6	<u>(188,171)</u>	<u>(165,642)</u>
<b>Profit before income tax</b>		<b>1,456,391</b>	1,088,645
Income tax expense	7	<u>(221,585)</u>	<u>(166,218)</u>
<b>Profit for the year</b>		<b><u>1,234,806</u></b>	<b><u>922,427</u></b>
<b>Profit for the year attributable to:</b>			
– Equity holders of the Company		<b>1,232,275</b>	922,007
– Non-controlling interests		<u>2,531</u>	<u>420</u>
		<b><u>1,234,806</u></b>	<b><u>922,427</u></b>
<b>Basic and diluted earnings per share attributable to the equity holders of the Company</b>			
(Expressed in HK cents per share)	8	<b><u>17.33</u></b>	<b><u>13.44</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>1,234,806</b>	922,427
<b>Other comprehensive income for the year, net of tax:</b>		
Item that may be reclassified to profit or loss		
– Currency translation differences	<u>444,995</u>	<u>975,680</u>
<b>Total comprehensive income for the year</b>	<u><b>1,679,801</b></u>	<u>1,898,107</u>
<b>Total comprehensive income for the year attributable to:</b>		
– Equity holders of the Company	<b>1,676,954</b>	1,897,291
– Non-controlling interests	<u>2,847</u>	<u>816</u>
	<u><b>1,679,801</b></u>	<u>1,898,107</u>

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021	2020
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>13,838,059</b>	10,998,038
Right-of-use assets		<b>698,594</b>	507,588
Prepayments for property, plant and equipment	11	<b>61,239</b>	126,649
Deferred income tax assets		<b>20,192</b>	10,557
Goodwill		<b>445,192</b>	362,058
<b>Total non-current assets</b>		<b>15,063,276</b>	12,004,890
<b>Current assets</b>			
Trade and other receivables and prepayments	11	<b>5,030,652</b>	3,916,334
Amount due from fellow subsidiaries		<b>3,164</b>	199
Cash and cash equivalents		<b>1,104,858</b>	1,312,419
<b>Total current assets</b>		<b>6,138,674</b>	5,228,952
<b>Total assets</b>		<b>21,201,950</b>	17,233,842
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		<b>71,100</b>	71,100
Other reserves		<b>7,703,506</b>	8,232,630
Retained earnings		<b>4,777,994</b>	3,701,550
		<b>12,552,600</b>	12,005,280
Non-controlling interests		<b>7,852</b>	5,005
<b>Total equity</b>		<b>12,560,452</b>	12,010,285

		2021	2020
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	13	<b>2,843,918</b>	653,293
Lease liabilities		<b>692,013</b>	500,921
Other payables	12	<b>65,743</b>	60,957
Deferred income tax liabilities		<b>335,437</b>	233,282
<b>Total non-current liabilities</b>		<b>3,937,111</b>	1,448,453
<b>Current liabilities</b>			
Bank borrowings	13	<b>2,036,302</b>	1,209,809
Lease liabilities		<b>31,680</b>	18,803
Accruals and other payables	12	<b>831,410</b>	719,659
Amount due to immediate holding company		<b>1,753,764</b>	1,766,328
Amount due to fellow subsidiaries		—	625
Current income tax liabilities		<b>51,231</b>	59,880
<b>Total current liabilities</b>		<b>4,704,387</b>	3,775,104
<b>Total liabilities</b>		<b>8,641,498</b>	5,223,557
<b>Total equity and liabilities</b>		<b>21,201,950</b>	17,233,842

## 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) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform Phase 2

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 and interpretations not yet adopted:**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the accounting period beginning on 1 January 2021 and have not been early adopted.

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to Annual Improvement Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS 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
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new accounting standards, amendments to accounting standards and interpretations are not expected to have a material impact on 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:

	2021	2020
<b>Revenue</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Recognised at a point in time:		
– Sales of electricity	1,068,415	685,925
– Tariff adjustment	1,218,187	1,027,414
Recognised over time:		
– Solar farm operation and management services	10,046	8,712
	<u>2,296,648</u>	<u>1,722,051</u>
<b>Other income</b>		
Government grants ( <i>Note</i> )	12,265	5,843
Compensation of insurance claims	7,674	19
Other income	3,304	2,888
	<u>23,243</u>	<u>8,750</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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b>420,865</b>	277,806
Customer B	<b>304,889</b>	218,692
Customer C	<b>280,348</b>	231,583
Customer D ( <i>Note</i> )	<b>224,075</b>	226,481

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*Note:*

The revenue from Customer D for the year ended 31 December 2021 did not exceed 10% of total revenue for the year ended 31 December 2021. The amounts shown above are for the comparative purpose only.

#### 4 OTHER (LOSSES)/GAINS, NET

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange (losses)/gains, net	(68)	2,511
Loss on disposal of property, plant and equipment	(98)	(52)
Impairment loss of goodwill	(22,239)	—
	<u>(22,405)</u>	<u>2,459</u>

#### 5 EXPENSES BY NATURE

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation charge of property, plant and equipment	531,858	408,051
Depreciation charge of right-of-use assets	26,977	18,465
Employee benefit expenses (including directors' emoluments)	48,652	37,657
Electricity	12,447	11,501
Auditor's remuneration – statutory audits	1,479	1,364
Legal and professional fees	2,788	3,443
Insurance expenses	6,683	5,040
Repair and maintenance	16,947	16,891
Other expenses	23,968	17,647
	<u>671,799</u>	<u>520,059</u>

## 6 FINANCE INCOME AND COSTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from bank deposits	<u>18,875</u>	<u>41,086</u>
Finance costs		
Interest on lease liabilities	40,642	28,826
Interest expense on bank borrowings	47,823	54,505
Interest expense on deferred payment of business combination purchases consideration	<u>99,706</u>	<u>82,311</u>
	<u>188,171</u>	<u>165,642</u>

## 7 INCOME TAX EXPENSE

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	235,825	172,600
Deferred income tax	<u>(14,240)</u>	<u>(6,382)</u>
	<u>221,585</u>	<u>166,218</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) The applicable corporate income tax (“CIT”) rate for the Group’s subsidiaries in the PRC is 25% except that:

- A subsidiary engaging in operation and management of solar farms in Anhui is qualified as a “High and New Technology Enterprise” and would be entitled to enjoy a preferential CIT rate of 15% (2020: 15%);
- A subsidiary engaging in development of operation and management systems in Guangxi is qualified as an “Encouraged Enterprise” in the Catalogue of Industries Encouraged for Foreign Investment in Central and Western Region and would be entitled to enjoy a preferential CIT rate of 9% (2020: 9%);
- Subsidiaries engaging in the solar farms business enjoyed tax holiday and their profits are fully exempted from the CIT for three years starting from its first year of revenue generation, followed by 50% reduction in CIT in next three years. However, their government grants and insurance claims received are subject to the CIT rate of 25% (2020: 25%).

## 8 EARNINGS PER SHARE

### (a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (HK\$'000)	<b>1,232,275</b>	922,007
Weighted average number of ordinary shares in issue (thousands)	<b>7,109,998</b>	6,860,224
Basic earnings per share (HK cents)	<b><u>17.33</u></b>	<u>13.44</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 years ended 31 December 2021 and 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.

	<b>2021</b>	2020
Profit attributable to equity holders of the Company (HK\$'000)	<u><b>1,232,275</b></u>	<u>922,007</u>
Weighted average number of ordinary shares in issue (thousands)	<b>7,109,998</b>	6,860,224
Adjustment for share options (thousands)	<u><b>760</b></u>	<u>287</u>
	<u><b>7,110,758</b></u>	<u>6,860,511</u>
Diluted earnings per share (HK cents)	<u><u><b>17.33</b></u></u>	<u><u>13.44</u></u>

## 9 DIVIDENDS

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interim dividend of 7.4 HK cents (2020: 6.0 HK cents) per share <i>(Note (a))</i>	<b>526,140</b>	405,149
Proposed final dividend of 10.0 HK cents (2020: 8.5 HK cents) per share <i>(Note (b))</i>	<b><u>711,000</u></b>	<u>604,350</u>

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### *Notes:*

- (a) An interim dividend of 7.4 HK cents per share (2020: 6.0 HK cents per share) was paid in cash to shareholders for whose names appeared on the register of members of the Company on 19 August 2021 (2020: 20 August 2020).
- (b) A final dividend in respect of the financial year ended 31 December 2021 of 10.0 HK cents per share (2020: 8.5 HK cents per share), amounting to a total dividend of HK\$711,000,000 (2020: HK\$604,350,000), is to be proposed at the forthcoming annual general meeting. The amount of 2021 proposed final dividend is based on 7,109,998,471 shares in issue as at 31 December 2021 (2020: 7,109,998,471 shares in issue as at 31 December 2020). These consolidated financial statements do not reflect this proposed dividend payable for the year ended 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 year ended 31 December 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 (the "**2021 Xinyi Solar Acquisitions**"), and independent third parties (the "**2021 Other Acquisitions**"). The Group also acquired solar farm projects from Xinyi Power (BVI) and independent third parties in 2020, further information on which is set forth in the annual report of the Company dated 1 March 2021. Information on each of the business combinations for the year ended 31 December 2021 are set forth below:

### (a) Acquisitions from Xinyi Power (BVI)

On 11 February 2021, the Group completed the acquisition of the entire equity interest in Xinyi Solar Farm (Group 6) Limited which, through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 250 MW in the PRC from Xinyi Power (BVI), at a gross agreed purchase price of approximately HK\$520,187,000 which was determined in compliance with the terms and conditions of the sale and purchase agreement dated 6 January 2021 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 was fully settled in February 2022.

The table below summarises the details of the solar farm projects acquired on 11 February 2021.

Name of the companies	Equity interest acquired	Solar farm projects acquired		
		Locations	Number of solar farms	Approved capacity (MW)
Great Power Investments Limited and its subsidiaries, Xinyi Renewable Energy (Huaibei) Limited and Zaoqiang County Huisheng Renewable Energy Limited	100%/100%	Anhui Province & Hebei Province, PRC	2	100/100
East Shine Investments Limited and its subsidiary, Huainan Xinyi Renewable Energy Limited	100%	Anhui Province, PRC	1	50

On 15 December 2021, the Group completed the acquisition of the entire equity interest in Xinyi Solar Farm (Group 7) Limited which, through its subsidiaries, owns and operates three solar farm projects with an aggregated approved capacity of 270 MW in the PRC from Xinyi Power (BVI), at a gross agreed purchase price of approximately HK\$181,280,000 which was determined in compliance with the terms and conditions of the sale and purchase agreement dated 6 January 2021 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 15 December 2022.

The table below summarises the details of the solar farm projects acquired on 15 December 2021.

Name of the companies	Equity interest acquired	Solar farm projects acquired		
		Locations	Number of solar farms	Approved capacity (MW)
Wealthy Treasure Investment Limited and its subsidiaries, Xinjie Renewable Energy (Wuhu) Limited and Qingyang County Hewu Renewable Energy Technology Limited	100%	Anhui Province, PRC	1	70
Heshan City Hongde Renewable Energy Limited	100%	Guangdong Province, PRC	1	100
Xinyi Solar (Xiangyang) Limited	100%	Hubei Province, PRC	1	100



The consideration paid and the provisional fair value of identifiable assets acquired and liabilities assumed at acquisition date are as follows:

	<b>Total</b> <b>HK\$'000</b>
Purchases consideration	
Fair value of cash consideration	701,467
	<hr/>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,535,158
Right-of-use assets	105,048
Trade and other receivables and prepayments ( <i>Note (d)</i> )	298,410
Cash and cash equivalents	11,188
Amounts due to related parties	(1,677,324)
Accruals and other payables	(466,988)
Lease liabilities	(98,424)
Deferred income tax liabilities ( <i>Note (e)</i> )	(99,534)
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Total identifiable net assets	607,534
Goodwill ( <i>Note (f)</i> )	93,933
	<hr/>
	<b>701,467</b>
	<hr/> <hr/>
Net cash outflow arising from the 2021 Xinyi Solar Acquisitions	
Cash consideration	701,467
Settlement to Xinyi Power (BVI) ( <i>Note (g)</i> )	1,677,324
Less: Cash and cash equivalents acquired	(11,188)
Less: Deferred cash consideration payable	(70,147)
	<hr/>
	<b>2,297,456</b>
	<hr/> <hr/>
Cash consideration represents	
Upfront payment upon completion of 2021 Xinyi Solar Acquisitions ( <i>Note (a)</i> )	631,320
Deferred cash consideration ( <i>Note (b)</i> )	70,147
	<hr/>
	<b>701,467</b>
	<hr/> <hr/>

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*Notes:*

- (a) Upfront payment upon completion of the 2021 Xinyi Solar Acquisitions

Upfront payment represents 90% of the gross agreed purchase price of approximately HK\$631,320,000.

- (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 2021 Xinyi Solar Acquisitions.

	<b>Total</b> <b>HK\$'000</b>
Revenue	197,525
Profits contributed to the Group	<u>139,218</u>

If the 2021 Xinyi Solar Acquisitions had occurred on 1 January 2021, the consolidated income statement would show pro-forma revenue of approximately HK\$2,376,029,000 and pro-forma profit of approximately HK\$1,287,630,000.

(d) Acquired receivables

The total fair value of trade and other receivables and prepayments acquired was approximately HK\$298,410,000 and included trade and tariff adjustment receivables with fair values as below:

	<b>Total</b> <b>HK\$'000</b>
Trade and tariff adjustment receivables	<u>114,106</u>

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$114,106,000.

(e) Deferred income tax liabilities

Deferred income tax liabilities of approximately HK\$99,534,000 have been provided for in relation to the fair value adjustments of acquired identifiable assets.

(f) Goodwill

The Group recognised goodwill of approximately HK\$93,933,000 in the consolidated balance sheet in connection with the 2021 Xinyi Solar Acquisitions which was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the 2021 Xinyi Solar Acquisitions, the Group benefits through the synergies expected to arise after the 2021 Xinyi Solar 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 settled these balances on the same day when the acquisition happened.

**(b) Acquisitions from independent third parties**

During the year ended 31 December 2021, the following projects were acquired from independent third parties and the solar farms have achieved on-grid connection. The table below summarised the details of the other projects acquired.

Name of the companies	Consideration <i>HK\$'000</i>	Month of acquisition in 2021	Equity interest acquired	Solar farm projects acquired		
				Locations	Number of solar farms	Approved capacity <i>(MW)</i>
Hubei Jingping Renewable Energy Limited	1,194	February	100%	Hubei Province, PRC	1	80
Wuhu Xiangtai Solar Power Development Limited	4,549	December	100%	Anhui Province, PRC	1	60

The consideration paid and the provisional fair value of identifiable assets acquired and liabilities assumed at acquisition date are as follows:

	<b>Total</b> <b>HK\$'000</b>
Purchases consideration	
Fair value of cash consideration	5,743
	<hr/>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	488,685
Right-of-use assets	17,450
Other receivables and prepayments ( <i>Note (b)</i> )	15,030
Cash and cash equivalents	29
Accruals and other payables	(498,289)
Lease liabilities	(17,544)
Deferred income tax liabilities	(218)
	<hr/>
Total identifiable net assets	5,143
Goodwill ( <i>Note (c)</i> )	600
	<hr/>
	5,743
	<hr/> <hr/>
Net cash outflow arising from the 2021 Other Acquisitions	
Cash consideration	5,743
Less: Cash and cash equivalents acquired	(29)
Less: Cash consideration payable	(1,194)
	<hr/>
	4,520
	<hr/> <hr/>

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*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 2021 Other Acquisitions.

	<b>Total</b> <b>HK\$'000</b>
Revenue	32,793
Profits contributed to the Group	<u>23,904</u>

If the 2021 Other Acquisitions had occurred on 1 January 2021, the revenue and profit of the Group would remain unchanged.

(b) Acquired receivables

The total fair values of other receivables and prepayments acquired was approximately HK\$15,030,000.

(c) Goodwill

The Group recognised goodwill of approximately HK\$600,000 in the consolidated balance sheet in connection with the 2021 Other Acquisitions. The goodwill is attributable to the synergies expected to arise after the 2021 Other Acquisitions because of the close proximity of this project to other solar farms currently operated by the Group. The goodwill will not be deductible for tax purposes.

## 11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	4,628,982	3,501,306
Bills receivables ( <i>Note (a)</i> )	<u>612</u>	<u>3,574</u>
Trade and bills receivables	4,629,594	3,504,880
Deposits and other receivables ( <i>Note (c)</i> )	49,023	14,379
Other tax receivables ( <i>Note (d)</i> )	337,352	382,754
Prepayments for property, plant and equipment	61,239	126,649
Other prepayments	<u>14,683</u>	<u>14,321</u>
	<u>5,091,891</u>	<u>4,042,983</u>
Less: Non-current portion		
Prepayments for property, plant and equipment	<u>(61,239)</u>	<u>(126,649)</u>
Current portion	<u><u>5,030,652</u></u>	<u><u>3,916,334</u></u>

### (a) Trade and bills receivables

As at 31 December 2021, trade receivables comprised receivables from sales of electricity and tariff adjustment receivables. The category analysis of trade receivables is set out below:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables from sales of electricity	106,412	75,507
Tariff adjustment receivables	<u>4,522,570</u>	<u>3,425,799</u>
	<u><u>4,628,982</u></u>	<u><u>3,501,306</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 based on the Group's revenue recognition policy is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 to 90 days	<b>429,851</b>	338,788
91 days to 180 days	<b>382,181</b>	353,257
181 days to 365 days	<b>700,065</b>	635,729
Over 365 days	<b>3,116,885</b>	2,173,532
	<b><u>4,628,982</u></b>	<u>3,501,306</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 nineteen ground-mounted solar farms with aggregate capacity of 1,724 MW successfully enlisted on the Renewable Energy Power Generation Project List ("**List**").



During the year ended 31 December 2021, the Group received aggregate payment of RMB371,099,000 (equivalent to approximately HK\$449,644,000) (2020: RMB435,007,000 (equivalent to approximately 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. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2021 (2020: Nil). As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets.

**(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 trade and 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

	2021	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Payables for property, plant and equipment	<b>861,824</b>	757,885
Accrued listing expenses	<b>1,516</b>	1,516
Other ( <i>Note (b)</i> )	<b>33,813</b>	21,215
	<b>897,153</b>	780,616
Less: Non-current portion		
Retention payables for property, plant and equipment	<b>(65,743)</b>	(60,957)
Current portion	<b>831,410</b>	719,659

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:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Repayable on demand and within 1 year	<b>2,036,302</b>	1,209,809
Between 1 and 2 years	<b>1,582,607</b>	344,781
Between 2 and 5 years	<b>1,261,311</b>	308,512
	<b>4,880,220</b>	1,863,102
Less: Non-current portion	<b>(2,843,918)</b>	(653,293)
Current portion	<b><u>2,036,302</u></b>	<u>1,209,809</u>

As at 31 December 2021, bank borrowings of HK\$269,862,000 (2020: Nil) contain repayment on demand clause and were classified as current liabilities.

As at 31 December 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 31 December 2021 (2020: same), as the impact of discounting is not significant.

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

	<b>2021</b>	2020
Bank borrowings	<b><u>1.21%</u></b>	<u>1.52%</u>

All bank borrowings were exposed to interest rate changes.

As at 31 December 2021 and 2020, corporate guarantee was provided by the Company and its subsidiaries for the bank borrowings.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, the consolidated revenue of the Group recorded a notable increase of 33.4% to HK\$2,296.6 million, as compared to HK\$1,722.1 million for 2020. Profit for the year attributable to the equity holders of the Company surged by 33.7% to HK\$1,232.3 million. Basic earnings per share amounted to 17.33 HK cents, a significant growth of 28.9% over the corresponding period last year. The Board proposes to declare a final dividend of 10.0 HK cents per share, representing 99.5% of the distributable income (the “**Distributable Income**”), subject to the approval by the shareholders (the “**Shareholders**”) of the Company at the forthcoming annual general meeting (the “**AGM**”).

## BUSINESS REVIEW

### Revenue contribution increased from solar farm portfolio

The increase in revenue was mainly attributable to the full operation of the five solar farm projects (in the total of 340 megawatts (“**MW**”)) acquired in 2020 (the “**2020 Portfolio**”) and the completion of the acquisition of the eight new solar farm projects (in the total of 660 MW) acquired in 2021 (the “**2021 Portfolio**”). In total, as of 31 December 2021, the aggregated approved capacity of the solar farms projects of the Group amounted to 2,494 MW, as compared to 1,834 MW as of 31 December 2020. As a result, in conjunction with the increase in sunshine hours throughout the year, the Group achieved a significant increase in electricity generation.

The amount of revenue in 2021 contributed by the 2020 Portfolio increased from HK\$35.3 million in 2020 to HK\$206.2 million, representing 9.0% of the Group's total revenue from the solar power electricity generation business. Furthermore, the amount of revenue in 2021 contributed by the 2021 Portfolio amounted to HK\$230.3 million, representing 10.1% of the Group's total revenue from the solar power electricity generation business. This amount was mainly contributed by four out of eight solar farm projects under the 2021 Portfolio acquired in February 2021, as the remaining were not acquired until December 2021. The Directors expect that full performance of the 2021 Portfolio will be reflected in the performance of the Group from 2022 onwards.

As strict control measures on COVID-19 were in place in the PRC and have effectively led to increases in the overall electricity consumption, the Group has not experienced any major curtailment of electricity.

#### **Continuous capacity expansion – Acquisition of the solar farm projects**

Since 2019, the photovoltaic (the “**PV**”) industry of the PRC has transformed from the feed-in-tariff (the “**FIT**”) regime to either the grid-parity regime or the grid-bidding regime. According to the “Notice on Matters Related to the New Energy Grid-Parity Policy 2021” (《關於2021年新能源上網電價政策有關事項的通知》) announced by Energy Research Institute of the National Development and Reform Commission (the “**NDRC**”) in June 2021, the grid-bidding regime has ceased since 2021. Hence, all newly completed solar farm projects in the PRC, including the utility-scale and the commercial distributed PV generation projects, would be operated under the grid-parity regime without any subsidies from the PRC government. The price of electricity generated from newly completed solar farm projects shall be implemented according to the local benchmark price of coal-fired power generation. New projects may also voluntarily participate in market transactions and form open market electricity prices.

The grid-parity regime will benefit the Group, as a solar farm operator, by eliminating delays in receiving the subsidy payments and uncertainties in distribution. Such regime also allows the Group to generate stable cash flows from solar farm projects in operation. Also, for future investments, the visibility of cash flows would facilitate a more transparent insight on the likely return on future investments in solar farm projects.

Among the 2020 Portfolio and the 2021 Portfolio, only three out of thirteen solar farm projects adopted the FiT regime and the remaining are all subject to the grid-parity regime. As a result of the acquisitions, during the year ended 31 December 2021, the revenue generated from solar power electricity generation business has increased by 33.5%, among such, the sales of electricity and tariff adjustment has increased by 55.8% and 18.6%, respectively, as compared to the year ended 31 December 2020. In the meantime, the cash flows of the Group have gradually improved in the year.

#### **Latest developments regarding the “Renewable Energy Power Generation Project List”** (《可再生能源發電項目清單》)

In accordance with the grid-parity regime initiated in 2019, 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 pre-requisites for solar farm projects entering the approved list (the “List”).

The approval process of enrolment in the List has been accelerated as a result of clear guidelines set forth in the two announcements. During the year ended 31 December 2021, a total of twenty-four Lists were published by The State Grid Corporation and four Lists published by China Southern Power Grid. Three of the Group’s solar farm projects, with accumulated approved capacity of 390 MW, have been enlisted on the List in 2021.

As of 31 December 2021, the Group owned and operated solar farm projects with accumulated approved capacity of 2,494 MW, among which, 1,724 MW was under the FiT regime and 770 MW was under the grid-parity regime. All of the Group's solar farm projects under the FiT regime have been enlisted on the List before the end of 2021. As a result, all of them are eligible to receive subsidies from the PRC government until the end of the subsidy period given under the terms of enlistment, which is within 20 years.

## **BUSINESS OUTLOOK**

### **Recovery on energy demands and promotion of renewable energy consumption**

The Asia Pacific region still enjoyed positive yearly growth in the energy demand during 2019 and 2020, even with the economic slowdown brought by the COVID-19 pandemic. As estimated by the International Energy Agency (the "IEA"), the Asia-Pacific's energy demand will grow by 8% in 2021, from 2% in 2020, mainly driven by the PRC and India. Also, the IEA predicts that such energy demand will continue to grow until 2024, with the annual growth rate at around 4%, driven mainly by the industrial development and the increased electrification and utilisation.

Compared to the year of 2020, the year of 2021 showed a strong recovery in the industrial and commercial demand for power in the PRC. Based on estimates from the National Energy Administration (the "NEA"), the growth across all industry sectors is expected to resume to the pre-pandemic levels during the period from 2022 to 2024, which is generally consistent with the IEA's forecast.

Despite the development of different power generation sources, the electricity system in the PRC remains largely dominated by coal-fired power plants. The sources will, however, be gradually shifted to renewables under a number of national policies implemented in the PRC. It is announced in the “Action Plan for Carbon Dioxide Peaking before 2030” (《2030年前碳達峰行動方案》) in October 2021 that by 2025, the proportion of non-fossil energy consumption will reach about 20% and the carbon dioxide emission per unit of GDP will decrease by 18% as compared with 2020. By 2030, the proportion of non-fossil energy consumption will reach about 25%, and the carbon dioxide emission per unit of GDP will be reduced by more than 65% as compared with 2005, for the purpose of achieving the carbon peaking by 2030.

In 2021, based on the data published by the NEA, the total renewable power generation for the year reached 2,450.0 billion Kilowatt-hour (“kWh”), representing an increase of 11.9%, as compared to 2020. Solar power electricity generation reached 325.9 billion kWh, representing an increase of 25.1% from 2020. Furthermore, the total renewable power generation accounted for 29.8% of the total electricity consumption of the year. These suggested that decarbonisation is an established policy in the PRC and it has significant room for development of renewable energy, such as solar and wind energy sectors, in the PRC.

Despite the general trend of increasing use of the solar power, the new installed capacity of the PV power generation showed merely a steady trend in 2021 as compared to 2020. This was primarily due to the fact that the prices of polysilicon, one of the principal materials of solar module, have increased significantly during 2021 and as a result, bringing low incentives on the construction of solar farm projects and the PV power installations. As compared to the same period in 2020, the total new installed capacity increased by only 12.8% to 13.0 GW in the first half of 2021 and 14.2% to 41.9 GW in the second half of 2021, respectively. If the system prices remain at high level, it is expected that the new installations in 2022 would continue to be affected and delayed.



In December 2021, the IEA published a forecast report, namely “Renewables 2021 – Analysis and forecast to 2026”(《可再生能源2021 – 至2026年的分析和預測》) . According to the report, in 2021, almost 290 GW of renewable power was commissioned during the year, which was 3% higher than that in 2020. Among all renewable energy sources, the solar power generation accounted for more than 50%, followed by the wind power and the hydropower. To achieve the target of global de-carbonisation, it is expected that the growth of renewable capacity will be accelerated in the forthcoming years, reaching at least 95% of the total increase by 2026. The PRC will continue to lead in overall renewable capacity expansion globally, accounting for 43%. This growth rate will further enhance the industry development and open up opportunities for the Group’s future acquisitions.

### **Acquisition of new solar farm and renewable energy projects**

The national policy for the “dual carbon” targets was announced in October 2021, which calls for carbon peak emissions by 2030 and carbon neutrality by 2060. With the introduction of these targets, the Directors believe the development of low-carbon and zero-carbon energy industry will be promoted, and new opportunities will emerge. As part of its existing solar power business, the Group will continue to operate the solar farm portfolios and look for acquisitions opportunities of utility-scaled solar farm projects from Xinyi Solar Holdings Limited (“**Xinyi Solar**”) and independent third parties. The Group will also continue to source solar farm projects within the country and overseas which are of high quality and can generate favourable expected investment return.

In light of the Group’s accomplishments and extensive experience in the solar power industry, the Group will also explore other renewable energy fields in order to support the “dual carbon” targets and accelerate the Group’s market position. The Group will consistently push forward investments and collaborations in renewable energy sectors that are in the interest of the Group.

## **Carbon trading market**

After publishing the administrative measure on carbon trading in December 2020, during 2021, The Ministry of Ecology and Environment further published three regulations, namely the “Rules for Management of Carbon Emissions Registration (for Trial Implementation)” (《碳排放權登記管理規則 (試行) 》), “Rules for Management of Carbon Emission Trading (for Trial Implementation)” (《碳排放權交易管理規則 (試行) 》) and the “Rules for Management of Carbon Emission Settlement (for Trial Implementation)” (《碳排放權結算管理規則 (試行) 》), on the establishment of carbon trading market in the PRC. As a result of the implementation, carbon trading has commenced in July 2021 through the trading platform operated by the Shanghai Environment and Energy Exchange Corporation. Since its commencement and up to 31 December 2021, the aggregated trading amount was around 179 million tonnes.

Since the Group’s generated power are all from renewable sources, the Group has yet to participate in any carbon trading activities. When such are launched for renewable energy companies, the Group will actively explore and consider to participate in such activities.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2021, the Group’s revenue was mainly derived from two core businesses, namely, (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 the corresponding period in 2020, due to contribution from the 2020 Portfolio and the 2021 Portfolio.

The table below sets forth an analysis of the Group's revenue for the year ended 31 December 2021, as compared to the year ended 31 December 2020.

	<u>2021</u>		<u>2020</u>		<u>Increase</u>	
	<u>HK\$ million</u>	<u>% of revenue</u>	<u>HK\$ million</u>	<u>% of revenue</u>	<u>HK\$ million</u>	<u>%</u>
Sales of electricity	<b>1,068.4</b>	<b>46.5</b>	685.9	39.8	382.5	55.8
Tariff adjustment	<b>1,218.2</b>	<b>53.1</b>	1,027.4	59.7	190.8	18.6
	<b>2,286.6</b>	<b>99.6</b>	1,713.3	99.5	573.3	33.5
Operation and management services	<b>10.0</b>	<b>0.4</b>	8.8	0.5	1.2	2.3
Total	<b><u>2,296.6</u></b>	<b><u>100.0</u></b>	<u>1,722.1</u>	<u>100.0</u>	<u>574.5</u>	<u>33.4</u>

The Group's revenue contributed by the sales of electricity and the tariff adjustment significantly increased by 55.8% to HK\$1,068.4 million and 18.6% to HK\$1,218.2 million, respectively, as compared with the year ended 31 December 2020. This increase was primarily due to the full performance and contribution of the 2020 Portfolio, the completion of the acquisition of the 2021 Portfolio and slight appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HK\$").

During the year ended 31 December 2021, the Group’s revenue from solar power electricity generation was contributed by the following solar farm projects:

<u>Name of the solar farm projects</u>	<u>Locations in the PRC</u>	<u>Approved capacity (MW)</u>
Initial solar farm projects owned and operated by the Group	Nine solar farm projects located in Anhui Province, Fujian Province, Hubei Province and Tianjin Municipality	954
Solar farm projects acquired by the Group in 2019 (“ <b>2019 Portfolio</b> ”)	Six solar farm projects located in Anhui Province, Hubei Province and Henan Province	540
Solar farm projects acquired by the Group in 2020 (“ <b>2020 Portfolio</b> ”)	Five solar farm projects located in Anhui Province, Hubei Province and Guangdong Province	340
Solar farm projects acquired by the Group in 2021 (“ <b>2021 Portfolio</b> ”)		
Hubei Jingping Solar Farm	Hubei Province	80
Huainan Solar Farm Two	Anhui Province	50
Huaibei Solar Farm	Anhui Province	100
Hebei Zaoqiang Solar Farm	Hebei Province	100
Qingyang Solar Farm	Anhui Province	70
Jiangmen Solar Farm One and Two	Guangdong Province	100
Laohekou Solar Farm Two	Hubei Province	100
Wuhu Xiangtai Solar Farm	Anhui Province	60
		<hr/> 660
<b>Total</b>		<hr/> <b>2,494</b> <hr/>

The Group recorded HK\$10.0 million from the solar farm operation and management services rendered for the year ended 31 December 2021, which represented for 0.4% of the total revenue in 2021. 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 2021 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, as compared with the services provided to independent third parties.

### **Cost of sales**

For the year ended 31 December 2021, 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 system.

In 2021, the Group's cost of sales increased by 29.9% to HK\$617.3 million from HK\$475.3 million in 2020. The increase was mainly due to the increase in (i) staff cost and (ii) depreciation charge of property, plant and equipment and right-of-use assets following the completion of acquisitions of the 2020 Portfolio and the 2021 Portfolio.

### **Gross profit**

The Group's gross profit increased by 34.7% to HK\$1,679.4 million for the year ended 31 December 2021 from HK\$1,246.7 million for the year ended 31 December 2020, which is in line with the increase in revenue. The increase was mainly due to the greater contributions from both the solar power electricity generation and service fee income from the provision of the solar farm operation and management services businesses.

Overall gross profit margin of the Group slightly increased by 0.7 percentage points to 73.1% in 2021 from 72.4% in 2020. The increase was primarily due to increase in revenue outweighed the increase in cost of sales.

## **Other income**

For the year ended 31 December 2021, other income significantly increased by 165.6% to HK\$23.2 million from HK\$8.8 million for the year ended 31 December 2020. The increase was primarily due to the increase in (i) insurance compensation; (ii) the receipt of government grants; and (iii) number of discounts received from suppliers.

## **Other (losses)/gains, net**

The Group recorded other losses, net of HK\$22.4 million during the year ended 31 December 2021, as compared with other gains, net of HK\$2.5 million during the year ended 31 December 2020, mainly due to (i) foreign exchange losses during the year and (ii) impairment loss of goodwill.

## **Administrative expenses**

For the year ended 31 December 2021, the Group's administrative expenses increased by HK\$9.8 million from HK\$44.7 million for the year ended 31 December 2020 to HK\$54.5 million for the year ended 31 December 2021. The increase was mainly due to the increase in (i) insurance expenses; (ii) employee benefit expenses; and (iii) miscellaneous expenses.

## **Finance income and finance costs**

The finance income decreased by 54.1% to HK\$18.9 million for the year ended 31 December 2021 due to (i) decrease in bank interest income on the net proceeds of the global offering in 2019 as such net proceeds has been fully utilised during the first half year of 2021 and (ii) the decrease in receipt of aggregate subsidy payment in 2021.

For the year ended 31 December 2021, the total finance costs of the Group amounted to HK\$188.2 million, as compared to HK\$165.6 million during the year ended 31 December 2020. The interest expense on bank borrowings decreased from HK\$54.5 million for the year ended 31 December 2020 to HK\$47.8 million for the year ended 31 December 2021. 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. The interest component on lease liabilities increased by 41.0% to HK\$40.6 million during the year ended 31 December 2021 from HK\$28.8 million during the year ended 31 December 2020, due to the completion of acquisitions of 2020 Portfolio and 2021 Portfolio. Meanwhile, the imputed interest expense on the deferred payment of the consideration of 2019 Portfolio was HK\$99.7 million during the year ended 31 December 2021.

### **Income tax expense**

The Group incurred income tax expense of HK\$221.6 million during the year ended 31 December 2021 as compared with HK\$166.2 million during the year ended 31 December 2020. The increase was mainly due attributable to (i) the acquisitions of the 2020 Portfolio and the 2021 Portfolio; (ii) four solar farm projects commencing the full payment of the PRC corporate income tax at the statutory rate of 25% (2020: 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**

For the year ended 31 December 2021, the adjusted EBITDA was HK\$2,170.9 million, representing an increase of 34.3%, as compared to HK\$1,616.4 million for the same period in 2020. The adjusted EBITDA margin increased by 0.6 percentage point from 93.9% during the year ended 31 December 2020 to 94.5% during the year ended 31 December 2021.

Pursuant to the distribution policy of the Group, the Distributable Income was HK\$1,242.7 million, which represents an increase of 23.3%, as compared to HK\$1,008.0 million during the year ended 31 December 2020.

The reconciliation between from the profit for the year to adjusted EBITDA and Distributable Income during the years ended 31 December 2021 and 2020 are as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>1,234,806</b>	922,427
Corporate income tax and dividend withholding tax expenses	<b>235,825</b>	172,600
Finance costs	<b>188,171</b>	165,642
Finance income	<b>(18,875)</b>	(41,086)
Depreciation charge of property, plant, and equipment	<b>531,858</b>	408,051
Adjustments:		
Other income	<b>(23,243)</b>	(8,750)
Other losses/(gains), net	<b>22,405</b>	(2,511)
<b>Adjusted EBITDA for the year</b>	<b><u>2,170,947</u></b>	<u>1,616,373</u>
Less:		
Corporate income tax at notional rate	<b>(364,098)</b>	(272,161)
Dividend withholding tax at notional rate	<b>(63,455)</b>	(52,487)
Notional long-term debt repayment principal amount	<b>(309,951)</b>	(117,662)
Total finance costs	<b>(188,171)</b>	(165,642)
Total profit attributable to non-controlling interests	<b>(2,531)</b>	(420)
<b>Distributable Income for the year</b>	<b><u><u>1,242,741</u></u></b>	<u><u>1,008,001</u></u>



Net profit attributable to equity holders of the Group during the year ended 31 December 2021 was HK\$1,232.3 million, representing an increase of 33.7%, as compared to HK\$922.0 million during the year ended 31 December 2020. The slight increase in the net profit margin from 53.5% during the year ended 31 December 2020 to 53.7% during the year ended 31 December 2021 was primarily due to (i) increased depreciation charge to property, plant and equipment and right-of-use assets; (ii) increased employee benefit expenses; and (iii) increased income tax expense offset by (i) increased in revenue and (ii) increased in other income.

### **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 of not less than 90% of the Distributable Income, and with an intention to distribute 100% of the Distributable Income in each year. Details of the proposed final dividend for the year ended 31 December 2021 are set out in the section headed “Final Dividend” on page 49 of this announcement.

### **Financial resources and liquidity**

As at 31 December 2021, the Group’s total assets increased by 23.0% to HK\$21,202.0 million and net assets increased by 4.6% to HK\$12,560.5 million. Current ratio of the Group as at 31 December 2021 was 1.3, as compared with 1.4 as at 31 December 2020, as the significant increases in trade and other receivables was offset by (i) the decrease in cash and cash equivalents and (ii) the increase in bank borrowings.

The Group’s net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 31 December 2021 was 30.1% (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 31 December 2021, the Group's financial position remained healthy, with the cash and cash equivalents balance at HK\$1,104.9 million. During the year ended 31 December 2021, net cash generated from operating activities was HK\$1,225.1 million (2020: HK\$1,070.9 million), which was primarily attributable to the profit before income tax of HK\$1,456.4 million (2020: HK\$1,088.6 million), though partially offset by an increase in trade and other receivables. Net cash used in investing activities amounted to HK\$3,108.9 million (2020: HK\$1,253.6 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 year. Net cash generated from financing activities amounted to HK\$1,649.0 million (2020: net cash used in financing activities, HK\$202.7 million) which was primarily attributable to the new bank borrowings at HK\$4,220.8 million, partially offset by (i) repayments of the bank borrowings and (ii) dividends paid to the Company's shareholders during the year.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

In 2021, the Group incurred capital expenditures of HK\$825.9 million which were mainly (i) used in 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 31 December 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 31 December 2021.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any significant contingent liabilities.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES**

For the year ended 31 December 2021, the Group acquired the 2021 Portfolio with an aggregate capacity of 660 MW. Please refer to note 10 to the consolidated financial statements in this announcement for further details.

Save as disclosed above, there was no further material acquisition and disposal of subsidiaries for the year ended 31 December 2021.

## **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 borrowing rates of HK\$, as compared to the RMB. As at 31 December 2021, all bank borrowings were denominated in HK\$.

During the year ended 31 December 2021, 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. For the year ended 31 December 2021, the Group did not use any financial instrument for hedging purpose.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group highly values its employees, sharing mutual benefits and growth with them. The Group constantly explores each employee's potential and ability. Likewise, the Group will continue to hire new employees when appropriate to support business development.

As at 31 December 2021, the Group had 281 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$48.7 million for the year ended 31 December 2021. 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 provides mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in PRC, respectively, under the laws and regulations.

## **USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING IN MAY 2019 (THE "GLOBAL OFFERING")**

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 balance of the unutilised net proceeds from the Global Offering as at 31 December 2020 has been fully utilised by 31 December 2021.

The table below sets forth the use of the net proceeds from the Global Offering up to 31 December 2021:

<b>Capital expenditure</b>	<b>Proposed allocation of the net proceeds</b>	<b>Remaining balance up to 31 December 2020</b>	<b>Amount utilised up to 31 December 2021</b>	<b>Remaining balance up to 31 December 2021</b>
	<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	—
<b>Total</b>	<b>3,762.3</b>	<b>1,039.7</b>	<b>1,039.7</b>	<b>—</b>

## 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.

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

During the year ended 31 December 2021, 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 Part 2 of Appendix 14 to the Listing Rules for the year ended 31 December 2021.

## **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 2021.

## **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 forth in the Model Code during the year ended 31 December 2021.

## **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 2021 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the shareholders and published on the websites of the Company and the Stock Exchange in due course.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set forth in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth 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**

At the meeting of the board of Directors held on 28 February 2022, the Directors has recommended the payment of a final dividend (the “**Final Dividend**”) of 10.0 HK cents per share for the year ended 31 December 2021. The recommendation of payment of the Final Dividend are subject to the approval of the shareholders at the AGM of the Company which to be held on or before Thursday, 2 June 2022. If approved by the shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 6 July 2022 to the shareholders whose names appear on the register of members of the Company on Monday, 13 June 2022.

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.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the Final Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Wednesday, 8 June 2022.

## AGM

The AGM of the Company will be held on or before Thursday, 2 June 2022. The register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (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 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 May 2022. A notice convening the AGM will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders on or about Friday, 29 April 2022.

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

Hong Kong, 28 February 2022

*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](http://www.hkexnews.hk) and on the website of the Company at [www.xinyienergy.com](http://www.xinyienergy.com).*