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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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	<i>HK\$' million</i>	<i>HK\$' million</i>	
Revenue	1,257.8	1,112.6	+13.1%
Profit attributable to the equity holders of the Company	623.1	620.7	+0.4%
Earnings per share – basic and diluted	8.66 HK cents	8.73 HK cents	-0.8%
Distributable Income ⁽¹⁾	563.3	525.9	+7.1%
Interim dividend	562.0	526.1	+6.8%
Interim dividend per share	7.7 HK cents	7.4 HK cents	+4.1%

Note:

- (1) See the paragraphs under “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**” together with its subsidiaries, the “**Group**” or “**Xinyi Energy**”) presents the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2022 (the “**1H2022**”), together with the comparative figures for the six months ended 30 June 2021 (the “**1H2021**”), as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	1,257,766	1,112,638
Cost of sales		<u>(343,252)</u>	<u>(287,898)</u>
Gross profit		914,514	824,740
Other income	3	7,322	2,201
Other (losses)/gains, net	4	(1,383)	450
Administrative expenses		<u>(32,320)</u>	<u>(22,694)</u>
Operating profit	5	888,133	804,697
Finance income	6	7,306	13,869
Finance costs	6	<u>(109,816)</u>	<u>(93,831)</u>
Profit before income tax		785,623	724,735
Income tax expense	7	<u>(161,526)</u>	<u>(102,830)</u>
Profit for the period		<u>624,097</u>	<u>621,905</u>
Profit for the period attributable to:			
– Equity holders of the Company		623,086	620,738
– Non-controlling interests		<u>1,011</u>	<u>1,167</u>
		<u>624,097</u>	<u>621,905</u>
Basic and diluted earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)	8	<u>8.66</u>	<u>8.73</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	624,097	621,905
Other comprehensive (loss)/income, net of tax:		
Item that may be reclassified to profit or loss		
– Currency translation differences	<u>(838,540)</u>	<u>127,471</u>
Total comprehensive (loss)/income for the period	<u>(214,443)</u>	<u>749,376</u>
Total comprehensive (loss)/income for the period		
attributable to:		
– Equity holders of the Company	(214,832)	748,119
– Non-controlling interests	<u>389</u>	<u>1,257</u>
	<u>(214,443)</u>	<u>749,376</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June 2022	31 December 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Note		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	13,150,514	13,838,059
Right-of-use assets		638,363	698,594
Prepayments for property, plant and equipment	12	245,429	61,239
Deferred income tax assets		22,370	20,192
Goodwill		425,818	445,192
		<hr/>	<hr/>
Total non-current assets		14,482,494	15,063,276
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Trade and other receivables and prepayments	12	5,270,202	5,030,652
Amounts due from fellow subsidiaries	16	1,592	3,164
Cash and cash equivalents		1,213,238	1,104,858
		<hr/>	<hr/>
Total current assets		6,485,032	6,138,674
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		20,967,526	21,201,950
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	72,984	71,100
Other reserves		6,914,199	7,703,506
Retained earnings		5,401,080	4,777,994
		<hr/>	<hr/>
		12,388,263	12,552,600
Non-controlling interests		8,241	7,852
		<hr/>	<hr/>
Total equity		12,396,504	12,560,452
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		As at	
		30 June 2022	31 December 2021
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	1,963,358	2,843,918
Lease liabilities		642,359	692,013
Other payables	14	48,727	65,743
Deferred income tax liabilities		318,897	335,437
		<hr/>	<hr/>
Total non-current liabilities		2,973,341	3,937,111
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Bank borrowings	15	2,281,356	2,036,302
Lease liabilities		38,162	31,680
Accruals and other payables	14	683,971	831,410
Dividend payable		729,840	—
Amount due to immediate holding company	16	1,766,139	1,753,764
Current income tax liabilities		98,213	51,231
		<hr/>	<hr/>
Total current liabilities		5,597,681	4,704,387
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		8,571,022	8,641,498
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		20,967,526	21,201,950
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company (Unaudited)

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2022	71,100	7,703,506	4,777,994	12,552,600	7,852	12,560,452
Comprehensive income						
Profit for the period	—	—	623,086	623,086	1,011	624,097
Other comprehensive loss						
Currency translation differences	—	(837,918)	—	(837,918)	(622)	(838,540)
Total comprehensive (loss)/income for the period	—	(837,918)	623,086	(214,832)	389	(214,443)
Transactions with the owner of the Company						
Employees' share option scheme:						
– value of employee services	—	874	—	874	—	874
Issuance of shares in respect of placing, net of transaction cost (Note 13)	1,884	777,577	—	779,461	—	779,461
2021 final dividend (Note 9)	—	(729,840)	—	(729,840)	—	(729,840)
Balance at 30 June 2022	<u>72,984</u>	<u>6,914,199</u>	<u>5,401,080</u>	<u>12,388,263</u>	<u>8,241</u>	<u>12,396,504</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company (Unaudited)

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</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 services	—	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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
Cash flows from operating activities			
Cash generated from operations		742,112	427,180
Interest paid		(27,202)	(17,581)
Income tax paid		(117,036)	(112,150)
		597,874	297,449
Net cash generated from operating activities			
Cash flows from investing activities			
Purchases of and prepayments for purchase of property, plant and equipment		(532,934)	(397,232)
Proceeds from disposal of property, plant and equipment		202	43
Payment for acquisition of subsidiary, net of cash acquired	10	—	(1,438,499)
Settlement of consideration payable for acquisition		—	(4,683)
Interest received		7,305	13,869
		(525,427)	(1,826,502)
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issuance of shares in respect of placing		779,976	—
Payments for professional fees in connection with issuance of shares in respect of placing		(515)	—
Settlement of deferred consideration payable for acquisition		(42,363)	—
Proceeds from bank borrowings		240,000	2,550,000
Repayments of bank borrowings		(881,200)	(918,559)
Principal elements of lease payments		(28,613)	(14,702)
Dividend paid to the Company's shareholders		—	(604,350)
		67,285	1,012,389
Net cash generated from financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		139,732	(516,664)
Cash and cash equivalents at beginning of the period		1,104,858	1,312,419
Effect of foreign exchange rate changes		(31,352)	7,405
		1,213,238	803,160
Cash and cash equivalents at end of the period			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 1 August 2022.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 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 and Hong Kong Accounting Standards (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021, 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 2021, as described in those annual financial statements.

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

The following new standard, amendments to standards and accounting guideline are effective for accounting period beginning on or after 1 January 2022. 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 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

(b) New standards, amendments to standards and interpretations have been issued but not yet effective for the accounting period beginning on 1 January 2022 and not early adopted by the Group

		Effective for accounting periods beginning on or after
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 a 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

The Group is in the process of making an assessment on the impact of these new standards, amendments to standards and interpretations. 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.

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Recognised at a point in time:		
– Sales of electricity	620,921	510,475
– Tariff adjustment	632,244	597,539
Recognised over time:		
– Solar farm operation and management services	4,601	4,624
	<u>1,257,766</u>	<u>1,112,638</u>
Other income		
Government grants (<i>Note</i>)	81	645
Compensation of insurance claims	3,130	—
Others	4,111	1,556
	<u>7,322</u>	<u>2,201</u>

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 operation and management 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 (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Foreign exchange (losses)/gains, net	(1,187)	450
Loss on disposal of property, plant and equipment	(196)	—
	<u>(1,383)</u>	<u>450</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2022	2021
	<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>)	294,024	251,469
Depreciation charge of right-of-use assets	14,820	12,547
Employee benefit expenses (including directors' emoluments)	24,284	17,894
Electricity	8,795	5,984
Repair and maintenance	8,804	6,977
Insurance expenses	5,875	3,325
	<u>5,875</u>	<u>3,325</u>

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income		
Interest income from bank deposits	<u>7,306</u>	<u>13,869</u>
Finance costs		
Interest on lease liabilities	22,182	18,975
Interest expense on bank borrowings	32,896	18,024
Interest expense on deferred payment of business combination purchases consideration	<u>54,738</u>	<u>56,832</u>
	<u>109,816</u>	<u>93,831</u>

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax	168,057	106,887
Deferred income tax	<u>(6,531)</u>	<u>(4,057)</u>
	<u>161,526</u>	<u>102,830</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) 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 Province is qualified as a “High and New Technology Enterprise” and would be entitled to enjoy a preferential CIT rate of 15% (2021: 15%);
 - A subsidiary engaging in development of operation and management systems in Guangxi Zhuang Autonomous Region 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% (2021: 9%); and
 - 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% (2021: 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 period.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	623,086	620,738
Weighted average number of ordinary shares in issue (thousands)	7,197,433	7,109,998
Basic earnings per share (HK cents)	8.66	8.73

(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 the 1H2022, 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 market share 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 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 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.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	<i>(Unaudited)</i>
Profit attributable to equity holders of the Company (HK\$'000)	623,086	620,738
Weighted average number of ordinary shares in issue (thousands)	7,197,433	7,109,998
Adjustments for share options (thousands)	700	747
	7,198,133	7,110,745
Diluted earnings per share (HK cents)	8.66	8.73

9 DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	<i>(Unaudited)</i>
Final dividend for 2021 of 10.0 HK cents (2020: 8.5 HK cents) per share	729,840	604,350
Proposed interim dividend of 7.7 HK cents (2021: 7.4 HK cents) per share	561,977	526,140

At a meeting of the Board held on 1 August 2022, the Directors resolved to declare an interim dividend of 7.7 HK cents per share for the six months ended 30 June 2022. This interim dividend, amounting to HK\$561,977,000, is based on 7,298,398,471 issued shares as at 30 June 2022 and has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2022.

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 2022, the Group completed the acquisition of solar farm project in the PRC from an independent third party.

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

Name of the company	Equity interest acquired	Solar farm project acquired		
		Location	Number of solar farm	Approved capacity (MW)
Baoji Yilin Renewable Energy Limited	100%	Shaanxi Province, PRC	1	40

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

	<i>HK\$'000</i>
	<i>(Unaudited)</i>
Purchases consideration	
Fair value of cash consideration	673
	<hr/>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	74,932
Right-of-use assets	17,604
Accruals and other payables	(74,259)
Lease liabilities	(17,775)
	<hr/>
Total identifiable net assets	502
Goodwill <i>(Note (b))</i>	171
	<hr/>
	673
	<hr/> <hr/>
Net cash outflow arising from the acquisition	
Cash consideration	673
Less: Cash consideration payable	(673)
	<hr/>
	—
	<hr/> <hr/>

Notes:

(a) Revenue and profit contribution

The table below illustrates the revenue and the profit included in the condensed consolidated income statement since acquisition date contributed by the acquisition.

	HK\$'000 (Unaudited)
Revenue	—
Profit contributed to the Group	—

If the acquisition had occurred on 1 January 2022, the revenue of the Group would remain unchanged and the condensed consolidated income statement would show pro-forma profit of approximately HK\$623,926,000.

(b) Goodwill

The Group recognised goodwill of approximately HK\$171,000 in the condensed consolidated balance sheet in connection with the acquisition. The goodwill is attribute to the synergies expected to arise after the acquisition 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 PROPERTY, PLANT AND EQUIPMENT

	Solar farms	Buildings	Motor vehicles, furniture and fixtures, equipment and others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2022				
<i>(Unaudited)</i>				
Opening net book amount	13,653,520	171,458	13,081	13,838,059
Additions	118,168	4,633	7,809	130,610
Acquisition of a subsidiary (Note 10)	74,932	—	—	74,932
Disposal	(299)	—	(99)	(398)
Depreciation charge	(289,058)	(3,649)	(1,317)	(294,024)
Currency translation differences	(590,031)	(7,848)	(786)	(598,665)
	<u>12,967,232</u>	<u>164,594</u>	<u>18,688</u>	<u>13,150,514</u>
Closing net book amount	<u>12,967,232</u>	<u>164,594</u>	<u>18,688</u>	<u>13,150,514</u>
At 30 June 2022				
<i>(Unaudited)</i>				
Cost	15,417,320	204,585	25,442	15,647,347
Accumulated depreciation	<u>(2,450,088)</u>	<u>(39,991)</u>	<u>(6,754)</u>	<u>(2,496,833)</u>
Net book amount	<u>12,967,232</u>	<u>164,594</u>	<u>18,688</u>	<u>13,150,514</u>

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Trade receivables <i>(Note (a))</i>	5,170,177	4,628,982
Bills receivables <i>(Note (a))</i>	2,340	612
	<hr/>	<hr/>
Trade and bills receivables	5,172,517	4,629,594
Deposits and other receivables <i>(Note (c))</i>	62,018	49,023
Other tax receivables <i>(Note (d))</i>	17,181	337,352
Prepayments for property, plant and equipment	245,429	61,239
Other prepayments	18,486	14,683
	<hr/>	<hr/>
	5,515,631	5,091,891
Less: Non-current portion		
Prepayments for property, plant and equipment	(245,429)	(61,239)
	<hr/>	<hr/>
Current portion	<u>5,270,202</u>	<u>5,030,652</u>

Notes:

(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:

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
Receivables from sales of electricity	150,109	106,412
Tariff adjustment receivables	5,020,068	4,522,570
	<u>5,170,177</u>	<u>4,628,982</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:

	As at	
	30 June 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2021 <i>HK\$'000</i> <i>(Audited)</i>
0 to 90 days	585,999	429,851
91 days to 180 days	263,675	382,181
181 days to 365 days	674,858	700,065
Over 365 days	3,645,645	3,116,885
	<u>5,170,177</u>	<u>4,628,982</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, all receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance of the People's Republic of China (the "**Ministry of Finance**").

The Ministry of Finance has not announced any fixed 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 are expected to be recoverable. Consequently, no loss allowance of tariff adjustment receivables was recognised as at 30 June 2022 (31 December 2021: 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 receivables are denominated in RMB.

(d) Other tax receivables

Other tax receivables mainly represent value added tax recoverable. 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.

13 SHARE CAPITAL

	Number of Ordinary shares	Ordinary shares of HK\$0.01 each <i>HK\$</i>	Total <i>HK\$'000</i>
Authorised:			
At 1 January and 30 June 2022	<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 2022	7,109,998,471	71,099,985	71,100
Issuance of shares by the way of placing (<i>Note</i>)	<u>188,400,000</u>	<u>1,884,000</u>	<u>1,884</u>
At 30 June 2022	<u>7,298,398,471</u>	<u>72,983,985</u>	<u>72,984</u>

Note:

On 7 April 2022, the Company allotted and issued 188,400,000 new shares by way of placing at HK\$4.14 each. The gross proceeds of approximately HK\$779,976,000 have been received and the related transaction costs of approximately HK\$515,000 were deducted from the gross proceeds. These newly issued shares are ranking pari passu in all respects with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account of the Company.

14 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2022 <i>HK\$'000</i> (<i>Unaudited</i>)	31 December 2021 <i>HK\$'000</i> (<i>Audited</i>)
Payables for property, plant and equipment	708,728	861,824
Accrued listing expenses	—	1,516
Others	<u>23,970</u>	<u>33,813</u>
	732,698	897,153
Less: Non-current portion		
Retention payables for property, plant and equipment	<u>(48,727)</u>	<u>(65,743)</u>
Current portion	<u>683,971</u>	<u>831,410</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	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Repayable on demand and within 1 year	2,281,356	2,036,302
Between 1 and 2 years	1,625,814	1,582,607
Between 2 and 5 years	337,544	1,261,311
	<u>4,244,714</u>	<u>4,880,220</u>
Less: Non-current portion	(1,963,358)	(2,843,918)
Current portion	<u>2,281,356</u>	<u>2,036,302</u>

As at 30 June 2022, bank borrowings of HK\$209,938,000 (31 December 2021: HK\$269,862,000) contain repayment on demand clause and are reclassified as current liabilities.

As at 30 June 2022, all bank borrowings bore floating interest rates (31 December 2021: same). These bank borrowings are repayable by instalments up to 2024 (31 December 2021: 2024). The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 30 June 2022 (31 December 2021: same), as the impact of discounting is not significant.

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

	As at	
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
Bank borrowings	<u>1.62%</u>	<u>1.21%</u>

As at 30 June 2022 and 31 December 2021, the corporate guarantee was provided by the Company and its subsidiaries for the bank borrowings.

16 RELATED PARTY TRANSACTIONS

(a) 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 period.

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
One-off transaction			
Acquisition of subsidiaries from immediate			
holding company	(i)	<u>—</u>	<u>520,187</u>
Continuing transactions			
Solar farm operation and management services			
fee receivable from subsidiaries of Xinyi Solar			
Holdings Limited (“Xinyi Solar”)	(ii)	<u>4,601</u>	<u>4,624</u>

Notes:

- (i) The acquisition of subsidiaries was transacted at mutually agreed prices and terms. Details of the acquisition were disclosed in the Company’s interim report dated 2 August 2021.
- (ii) The transactions were conducted at mutually agreed prices and terms.

(b) **Balances with related parties**

	As at	
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Amounts due from fellow subsidiaries:		
– Chaohu Jindao Photovoltaic Power Generation Company Limited*	61	145
– Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited*	67	147
– Xinyi Solar (Bozhou) Limited*	112	58
– Xinyi Solar (Jinzhai) Limited*	482	1,049
– Xinyi Solar (Wangjiang) Limited*	365	848
– Xinyi Solar (Haikou) Limited*	100	183
– Hepu County Xinyi Solar Limited*	373	734
– Xinze Renewable Energy (Kaiping) Limited*	27	—
– Xinyun Renewable Energy (Yunfu) Limited*	5	—
	<u>1,592</u>	<u>3,164</u>
Amount due to immediate holding company:		
– Xinyi Power (BVI) Limited*	<u>(1,766,139)</u>	<u>(1,753,764)</u>

* *Company under control of Xinyi Solar*

The amounts due from 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 mainly represents present value amount of the remaining 50% consideration of the acquisition of 2019 Portfolio discounted at the effective interest rate of 6.38% (31 December 2021: 6.38%) according to the estimate payment schedule. 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 adjustment of the solar power plants acquired, whichever is earlier. The amount approximates its fair value and is denominated in HK\$.

(c) Leases

		Six months ended 30 June	
		2022	2021
Note		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest expense on lease liabilities in relation to office area recognised by the Group as a lessee to related parties:			
	– Cheer Wise Investment Limited (“ Cheer Wise ”)	(ii) 4	6
	– Xinyi Energy Smart (Wuhu) Company Limited (“ Xinyi Energy Smart ”)	(iii) 8	16
		<u>12</u>	<u>22</u>

Notes:

- (i) Both companies under control of Xinyi Glass Holdings Limited, a major shareholder of Xinyi Solar.
- (ii) 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.
- (iii) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart for the Group’s occupations with rental mutually agreed.

(d) 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries, bonuses, allowances and benefits in kind	1,235	2,023
Retirement benefits scheme contributions	9	9
	<u>1,244</u>	<u>2,032</u>

17 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 30 June 2022 and 31 December 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

During the six months ended 30 June 2022 (the “**1H2022**”), the COVID-19 pandemic has continuously affected many cities in the People’s Republic of China (the “**PRC**”), which caused drastic fluctuations in and had an unprecedented impact on the economic development in the PRC. As a solar farm owner and operator, the Group was not generally affected by the adversity. With the increase in the number of operating solar farm projects, the amount of revenue of the Group during the 1H2022 has continued to grow steadily.

The Group has completed the acquisition of 660 megawatts (“**MW**”) of solar farm projects in 2021 (the “**2021 Portfolio**”) and 40 MW of solar farm project during the 1H2022. Except for 40 MW of solar farm project, these solar farm projects have been in full operation during the 1H2022 and as such, the Group’s revenue increased to HK\$1,257.8 million during the 1H2022, representing an increase of 13.1%, as compared with the six months ended 30 June 2021 (the “**1H2021**”). The profit attributable to the equity holders of the Company for the 1H2022 remained stable and amounted to HK\$623.1 million. During the 1H2022, the basic earnings per share attributable to the equity holders of the Company was 8.66 HK cents, as compared with 8.73 HK cents for the 1H2021.

BUSINESS REVIEW

Continued steady growth of revenue contribution

During the 1H2022, the volume of electricity generated by the solar farm projects owned and operated by the Group grew steadily, primarily due to the full operation of the 2021 Portfolio acquired by the Group. As at 30 June 2022, the aggregate approved capacity of the solar farm projects of the Group amounted to 2,534 MW, as compared with 2,164 MW as at 30 June 2021. Alongside the increase in the sunlight hours throughout the 1H2022, the Group achieved an increase in the volume of the electricity generation.

The amount of revenue contributed from the 2021 Portfolio amounted to HK\$193.2 million during the 1H2022, representing a significant increase as compared with the 1H2021. The revenue from the other solar farm projects remained stable or slightly increased.

As all solar farm projects owned and operated by the Group are located in provinces or municipality with high electricity demand, the Group has not experienced any major curtailment of the electricity generated.

Continuous acquisition of solar farm projects in the 1H2022

Following the end of the feed-in-tariff (the “FiT”) regime in the photovoltaic (the “PV”) industry in 2019, and the advent of the era of the grid-parity regime, the number of new solar farm projects available for sale in the market increases. Also, the price of the electricity generated from the newly completed solar farm projects is to be determined with reference to the local benchmark price of coal-fired power generation. This benefits the solar farm project owners by eliminating delays in receiving the subsidy payments under the FiT regime and uncertainties in distribution and provides a relatively stable and visible cash flows.

During the 1H2022, many cities in the PRC implemented lockdown measures because of the increasing cases of the COVID-19 infection. The solar PV industry was also affected by the lockdown, with the construction progress of the solar farm projects slowing down due to the labour shortage and the interrupted supply of the principal construction materials. The Group’s acquisition plan was also slightly postponed and it completed one acquisition of a utility-scale solar farm project from an independent third party, which is located in Shaanxi Province, with an approved capacity of 40 MW.

For the rest of 2022, the Group continues to identify suitable solar farm projects in the PRC for the purpose of achieving the acquisition plan with steadily annual growth in the aggregate approved electricity generation capacity. Meanwhile, the Group will deliberately assess the market conditions and the selling price of solar farm projects, thereby ensuring those acquisitions can bring attractive investment return to the Group.

As at 30 June 2022, the Group owned and operated solar farm projects with the aggregate approved capacity of 2,534 MW, among which, 1,724 MW was under the FiT regime and 810 MW was under the grid-parity regime.

FINANCIAL REVIEW

Revenue

During the 1H2022, the Group's revenue was mainly derived from two core businesses, namely (i) solar power electricity generation and (ii) the provision of solar farm operation and management services. Revenue from solar power electricity generation slightly increased, as compared with the same in the 1H2021, due to the revenue contribution from the 2021 Portfolio.

The table below sets forth an analysis of the Group's revenue in the 1H2022, as compared to the 1H2021:

	1H2022		1H2021		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	620.9	49.3	510.5	45.9	110.4	21.6
Tariff adjustment	632.3	50.3	597.5	53.7	34.8	5.8
	1,253.2	99.6	1,108.0	99.6	145.2	13.1
Operation and management services	4.6	0.4	4.6	0.4	—	—
Total	1,257.8	100.0	1,112.6	100.0	145.2	13.1

The Group's revenue contributed by the sales of electricity and the tariff adjustment increased by 21.6% to HK\$620.9 million and 5.8% to HK\$632.3 million, respectively, as compared to the 1H2021. The increase was primarily due to the full performance and contribution of the 2021 Portfolio, partially offset by the depreciation of the Renminbi (“RMB”) against the Hong Kong Dollar (“HKD”).

During the 1H2022, 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>Location in the PRC</u>	Approved capacity <i>(MW)</i>
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 (“ 2019 Portfolio ”)	Six solar farm projects located in Anhui Province, Hubei Province and Henan Province	540
Solar farm projects acquired by the Group in 2020 (“ 2020 Portfolio ”)	Five solar farm projects located in Anhui Province, Hubei Province and Guangdong Province	340
Solar farm projects acquired by the Group in 2021 (“ 2021 Portfolio ”)	Eight solar farm projects located in Anhui Province, Hebei Province, Hubei Province and Guangdong Province	660
Solar farm project acquired in the 1H2022 Baoji Yilin Solar Farm	Shaanxi Province	40
Total		<u>2,534</u>

During the 1H2022, the Group recorded revenue of HK\$4.6 million from the provision of solar farm operation and management services, which represented 0.4% of the total revenue for the period. All of the revenue generated by the solar farms operation and management services was provided to the connection-ready solar farm projects currently owned by Xinyi Solar Holdings Limited (“**Xinyi Solar**”) pursuant to the Solar Farm Operation and Management Agreement. Those services provided by the Group are on normal commercial terms, taking into consideration factors such as price, service quality, and work efficiency, comparable to the services provided to independent third parties.

Cost of sales

During the 1H2022, the Group continuously achieved an efficient operation with lower costs by implementing a sophisticated management system for the individual solar farms and a nationwide centralised surveillance system.

The Group’s cost of sales increased by 19.2% to HK\$343.3 million during the 1H2022 from HK\$287.9 million during the 1H2021. The increase was mainly due to the increase in (i) the depreciation charge of property, plant and equipment and right-of-use assets; (ii) employee benefit expenses; and (iii) electricity costs following the full performance of the 2021 Portfolio.

Gross profit

The Group’s gross profit increased by HK\$89.8 million, or 10.9% to HK\$914.5 million during the 1H2022, from HK\$824.7 million during the 1H2021, which is in line with the increase in revenue. The increase was mainly due to the greater contribution from the solar power electricity generation.

The Group’s overall gross profit margin decreased by 1.4 percentage points from 74.1% in the 1H2021 to 72.7% during the 1H2022. The decrease was primarily due to the increase in costs of sales, which exceeded the increase in revenue. However, the gross profit margin still remained stable.

Other income

During the 1H2022, other income significantly increased by HK\$5.1 million to HK\$7.3 million, as compared to HK\$2.2 million during the 1H2021. The increase was mainly due to (i) the receipt of insurance compensations and (ii) disposals of scraps, partially offset by the decrease in the receipt of the government grants from the PRC government during the 1H2022.

Other (losses)/gains, net

The Group recorded other losses, net of HK\$1.4 million during the 1H2022, as compared to other gains, net of HK\$450,000 during the 1H2021, mainly due to the foreign exchange losses in relation to the depreciation of the RMB against the HKD.

Administrative expenses

During the 1H2022, the Group's administrative expenses increased by HK\$9.6 million, from HK\$22.7 million during the 1H2021 to HK\$32.3 million. The increase was mainly due to the increase in (i) insurance expenses and (ii) miscellaneous expenses.

Finance income and finance costs

The finance income decreased by HK\$6.6 million to HK\$7.3 million during the 1H2022 due to a decrease in bank interest income as a result of (i) the net proceeds of the global offering having been fully utilised during the 1H2021 and (ii) the receipt of the subsidy payment continuously reduced during the 1H2022.

The total finance costs of the Group amounted to HK\$109.8 million during the 1H2022, as compared to HK\$93.8 million during the 1H2021. The interest expenses on bank borrowings significantly increased from HK\$18.0 million during the 1H2021 to HK\$32.9 million during the 1H2022. The increase was mainly due to the increase in (i) the balance of interest-bearing bank borrowings and (ii) the bank borrowing's effective interest rate. The interest component on the lease liabilities increased by HK\$3.2 million to HK\$22.2 million due to the completion of acquisition of the 2021 Portfolio. Meanwhile, the Group also incurred imputed interest expenses on the deferred payment of the consideration of the acquisition of the 2019 Portfolio of HK\$54.7 million during the 1H2022.

Income tax expense

The Group incurred income tax expense of HK\$161.5 million during the 1H2022 as compared to HK\$102.8 million during the 1H2021. The increase was principally due to (i) the acquisition of the 2021 Portfolio; (ii) 12 solar farm projects commencing the full payment of PRC corporate income tax at the statutory rate of 25% (1H2021: 4 solar farm projects); 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

During the 1H2022, the adjusted EBITDA was HK\$1,182.7 million, representing an increase of 11.8%, as compared to HK\$1,057.6 million during the 1H2021. The adjusted EBITDA margin decreased by 1.1 percentage points, from 95.1% during the 1H2021 to 94.0% during the 1H2022.

The Distributable Income, pursuant to the distribution policy of the Group, was HK\$563.3 million, which represents an increase of 7.1%, as compared to HK\$525.9 million recorded during the 1H2021.

The reconciliation from the profit for the period to the adjusted EBITDA and the Distributable Income during the 1H2022 and the 1H2021 are as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	624,097	621,905
Corporate income tax and dividend withholding tax expense	168,057	106,887
Finance costs	109,816	93,831
Finance income	(7,306)	(13,869)
Depreciation charge of property, plant, and equipment	294,024	251,469
Adjustments:		
Other income	(7,322)	(2,201)
Other losses/(gains), net	1,383	(450)
Adjusted EBITDA for the period	1,182,749	1,057,572
Less:		
Corporate income tax at notional rate	(196,406)	(181,184)
Dividend withholding tax at notional rate	(36,633)	(34,338)
Notional long-term debt repayment principal amount	(275,631)	(221,123)
Total finance costs	(109,816)	(93,831)
Total profit attributable to non-controlling interests	(1,011)	(1,167)
Distributable Income for the period	563,252	525,929

Net profit attributable to equity holders of the Group during the 1H2022 was HK\$623.1 million, representing a slight increase of 0.4%, as compared to HK\$620.7 million during the 1H2021. The decrease in the net profit margin from 55.8% for the 1H2021 to 49.5% during the 1H2022 was primarily due to the increase in (i) the depreciation charge of property, plant and equipment and right-of-use assets; (ii) the income tax expense; (iii) the finance costs; and (iv) the administrative expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's total assets decreased by 1.1% to HK\$20,967.5 million and its net assets decreased by 1.3% to HK\$12,396.5 million. The Group's current ratio as at 30 June 2022 slightly decreased to 1.2, as compared to 1.3 as at 31 December 2021, due to (i) the increase in trade and other receivables; (ii) the increase in cash and cash equivalents; and (iii) the decrease in accruals and other payables being offset by (i) an increase in current portion of bank borrowings and (ii) payable of a final dividend for the year ended 31 December 2021.

The Group's net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 30 June 2022 was 24.5% (31 December 2021: 30.1%). The decrease was mainly due to (i) the decrease in bank borrowings and (ii) the increase in cash and cash equivalents.

As at 30 June 2022, the Group's financial position remained healthy, with the cash and cash equivalents of HK\$1,213.2 million. During the 1H2022, the net cash generated from operating activities was HK\$597.9 million (1H2021: HK\$297.4 million), which was primarily attributable to the profit before income tax of HK\$785.6 million and partially offset by an increase in trade and other receivables. Net cash used in investing activities amounted to HK\$525.4 million (1H2021: HK\$1,826.5 million), which was primarily attributable to 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\$67.3 million (1H2021: HK\$1,012.4 million) which was primarily attributable to (i) the new bank borrowings of HK\$240.0 million and (ii) the proceeds from issuance of shares in respect of placing of HK\$780.0 million, through partially offset by (i) repayment of bank borrowings of HK\$881.2 million and (ii) the settlement of deferred consideration payable for acquisition of HK\$42.4 million.

BUSINESS OUTLOOK

In 2021, the solar PV sector in the PRC has achieved a new record in terms of the energy generation capacity, despite the increase in the raw material prices and the delays to the supply chain amid the COVID-19 pandemic. Also, the geopolitical issues in Europe during the 1H2022 led to a global energy crisis and required governments around the world to be cautiously aware of the importance of the transitioning from the traditional fossil energy to the renewable energy.

The installation costs of renewable energy systems, such as those in the solar PV and wind power sectors, have been increasing since 2020, reversing a decade-long installation cost reduction trend. Many experts expect that the installation costs would continue to remain higher than the pre-pandemic level in the next two years, but they also believe that the renewable energy has significant potential to reduce the installation costs even in a short term. The competitiveness of the renewable energy has actually improved, primarily due to the continuous increases in the fossil fuel price during the 1H2022.

During the 1H2022, the COVID-19 pandemic raged across the PRC. General economic activities were disrupted by the intermittent lockdown measures to prevent the spread of the COVID-19 cases. The solar PV industry was also affected to a certain extent, with the construction progress of solar farm projects slowing down by the delayed production process of certain key construction materials. It is expected that in the second half of 2022, the COVID-19 epidemic would generally be brought under control in the PRC, enabling the control measures to be relaxed and the economic performance will be recovered.

According to the latest forecast made by the International Energy Agency (the “IEA”), the total global renewable energy installations will increase by more than 8% year-on-year in 2022, mainly driven by the growth in PRC and Europe. The solar PV sector is forecast to account for 60% of the increase in the global renewable capacity this year, with the commissioning of 190 gigawatts (“GW”). It is expected that utility-scale solar farm projects will account for two-thirds of the solar PV sector’s overall expansion in the PRC. This expansion will include new solar PV and wind power projects in the Xinjiang Autonomous Region and the Inner Mongolia Autonomous Region with total capacity of 450 GW announced by the National Development and Reform Commission of the PRC, and the development of 100 GW of which has commenced in early 2022. Also, the Ministry of Finance announced that the issue on the outstanding subsidy payments would be addressed in 2022, which would enhance the liquidity and the cash flows of solar farm project developers and new funding available for new projects will also be unlocked. In the absence of subsidies, many provincial governments are providing tax incentives or low-interest financing for new renewable energy projects. Those government policies are also beneficial to the solar PV sector.

In April 2022, the Group entered into a sale and purchase agreement with Xinyi Power (BVI) Limited, a wholly-owned subsidiary of Xinyi Solar, the holding company of the Company, pursuant to which the Group agreed to acquire a total of four utility-scale solar farm projects, with total approved capacity of 650 MW, in 2022. The acquisition of those solar farm projects will be completed by the end of 2022 as scheduled, unless the construction progress would be delayed because of the persistent COVID-19 pandemic.

Furthermore, the Group will continue to expand its portfolio of solar farm projects in second half of 2022 with solar farm projects that can generate attractive investment returns to the Group. The Group plans to acquire additional solar farm projects with total approved electricity generation capacity not less than 300 MW. In July 2022, the Group has completed the acquisition of two utility-scale grid-parity solar farm projects in total approved capacity of 130 MW, and these two projects will commence full operation before the end of 2022. For the rest of 2022, the Group will deliberately assess the commercial merits of each target solar farm project so as to maintain and achieve attractive investment returns for the shareholders of the Company (the “**Shareholders**”).

Finally, the directors of the Company (the “**Directors**”) believe that the negative impacts, such as the COVID-19 pandemic or record-level raw material and commodity prices, will only have short-term impact on the development of the PRC’s renewable energy industry. The Group will continuously seize opportunities to expand and strengthen its business and asset portfolio.

CAPITAL EXPENDITURES AND COMMITMENTS

During the 1H2022, the Group incurred capital expenditures of HK\$532.9 million, which were mainly (i) used in further refinement of the existing and newly acquired solar farm projects and (ii) used in the settlement of outstanding capital expenditures of the existing solar farm projects. As at 30 June 2022, the Group did not have other capital commitments (31 December 2021: Nil).

PLEDGE OF ASSETS

The Group did not has any pledged asset as security for bank borrowings as at 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not has any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

For the 1H2022, the Group acquired one solar farm project with a capacity of 40 MW from an independent third party. Please refer to Note 10 to the condensed consolidated financial statements in this announcement for further details.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries for the 1H2022.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN 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 value of assets could be affected by the exchange rate fluctuation between RMB and HKD. 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 HKD. 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 HKD, as compared to the RMB. As at 30 June 2022, all bank borrowings were denominated in HKD.

During the 1H2022, 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. During the 1H2022, 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 30 June 2022, the Group had 298 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments were HK\$24.3 million for the 1H2022. The employees are remunerated based on their qualifications, job nature, performance and work experiences, while taking reference from the prevailing market rate. Apart from the basic remuneration and discretionary bonus, the Group also provides a mandatory provident fund scheme to employees in Hong Kong and statutory social welfare contribution to employees in the PRC, while adhering to the local laws and regulations.

USE OF THE NET PROCEEDS FROM PLACING IN APRIL 2022

In April 2022, the Company raised net proceeds of HK\$779.5 million from the placing of 188,400,000 new shares of the Company. The table below sets forth the proposed application of the net proceeds and the utilisation up to 30 June 2022:

<u>Capital expenditure</u>	Proposed application of the net proceeds	Amount utilised up to 30 June 2022	Remaining balance up to 30 June 2022	Timeline for the intended use
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
General working capital	<u>779.5</u>	<u>—</u>	<u>779.5</u>	By end of 2022

SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the Company in November 2018, 2,780,500 share options were granted to selected employees and an executive director in March 2022. The validity period of the options is from 31 March 2022 to 31 March 2026. One third of the options will vest on each of the year-end date of 2022, 2023 and 2024 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 7.7 HK cents per share for the 1H2022 (1H2021: 7.4 HK cents), totaling HK\$562.0 million (1H2021: HK\$526.1 million), to be paid to all Shareholders with their names recorded on the register of members of the Company at the close of business on Thursday, 18 August 2022. The interim dividend is expected to be payable on or about Wednesday, 28 September 2022. The Company's register of members will be closed from Tuesday, 16 August 2022 to Thursday, 18 August 2022 (both days inclusive), and during such period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares 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 Monday, 15 August 2022.

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.

Shareholders will be given an option to receive the interim dividend for the 1H2022 in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by the scrip dividend. The scrip dividend scheme (the "**Scrip Dividend Scheme**") is subject to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Scheme.

The Company will announce separately further information on the Scrip Dividend Scheme which includes the market value of the scrip shares under the Scrip Dividend Scheme which is expected to represent a discount to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on Friday, 12 August 2022 until Thursday, 18 August 2022 (both days inclusive) rounded down to two decimal places.

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

During the 1H2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that the Company has complied with the applicable code provisions contained in the Corporate Governance Code as set forth in Part 2 of Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the 1H2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as 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 1H2022.

REVIEW OF THE INTERIM RESULTS

The Company's unaudited interim results for the 1H2022 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), Mr. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the 1H2022 containing all the relevant 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 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, 1 August 2022

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, Mr. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

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