



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
REPORT 2019**



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Corporate Information

NON-EXECUTIVE DIRECTOR AND CHAIRMAN

Dr. LEE Yin Yee, B.B.S. (*Chairman*) ^{o-}

EXECUTIVE DIRECTORS

Tan Sri Datuk TUNG Ching Sai
P.S.M, D.M.S.M (Vice Chairman) ^{o<}

Mr. TUNG Fong Ngai
(Chief Executive Officer) [^]

Mr. LEE You Ching
Ms. CHENG Shu E ⁼

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Ting Yuk ^{*o<=}
The Hon. IP Kwok Him,
G.B.M., G.B.S., J.P. ^{#+ <=}
Ms. LYU Fang ^{#o<=}

- * Chairman of audit committee
- # Members of audit committee
- o Chairman of remuneration committee
- o Members of remuneration committee
- ~ Chairman of nomination committee
- < Members of nomination committee
- ^ Chairman of acquisition committee
- = Member of acquisition committee

COMPANY SECRETARY

Mr. TUEN Ling, CPA

REGISTERED OFFICE

Jayla Place
Wickhams Cay I
Road Town
Tortola, VG1110
British Virgin Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 102, Meidiya Road
E Qiao Town
Sanshan District
Wuhu Country
Anhui Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2118-2120, 21/F
Rykadan Capital Tower
No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Chiyu Bank Corporation Limited
DBS Bank (Hong Kong) Limited
China Citic Bank
Huishang Bank Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BRITISH VIRGIN ISLANDS

Estera Corporate Services (BVI) Limited
Jayla Place, Wickhams Cay I
PO Box 3190
Road Town, Tortola, VG1110
British Virgin Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

<http://www.xinyienergy.com>

SHARE INFORMATION

Place of listing: Main Board of The Stock
Exchange of Hong Kong Limited
Stock Code: 03868
Listing date: 28 May 2019
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this interim
report: HK\$2.03
Market capitalisation as of the date of
this interim report:
Approximately HK\$13.7 billion

KEY DATES

Closure of register of members:
Tuesday, 27 August 2019 to
Thursday, 29 August 2019
(both days inclusive)

Proposed interim dividend payable date:
On or about Wednesday,
18 September 2019

Financial Highlights

Six months ended 30 June

	2019 <i>HK\$' million</i> <i>(Unaudited)</i>	2018 <i>HK\$' million</i> <i>(Restated)</i>	Change
Revenue	636.4	604.5	5.3%
Profit before income tax	410.6	383.4	7.1%
Profit attributable to the Company's equity holders	356.1	361.1	-1.4%
Distributable Income ⁽¹⁾	339.9	312.3	8.8%
Dividends	337.6	—	N/A
Earnings per Share			
– basic and diluted	7.01 HK cents	7.61 HK cents	-7.9%
Interim dividends per Share	5.0 HK cents	—	N/A

As at 30 June

	2019 <i>HK\$' million</i> <i>(Unaudited)</i>	2018 <i>HK\$' million</i> <i>(Restated)</i>	Change
Equity attributable to the Company's equity holders	10,232.0	6,381.7	60.3%

Note:

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

Dear Shareholders

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Energy Holdings Limited (the "**Company**" or "**Xinyi Energy**" together with its subsidiaries, the "**Group**"), I announce herewith the interim condensed consolidated results of the Group for the six months ended 30 June 2019.

OVERVIEW

Our Company has been listed on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 May 2019. Our Company has raised net proceeds of HK\$3,762.6 million under the global offering (the "**Global Offering**") as part of the listing (the "**Listing**") on the Stock Exchange. The Global Offering and the Listing not only provide us with separate access to capital markets, but also facilitate our devoted management to focus on the business of operation and management of utility-scale ground-mounted solar farm projects. Before the Listing, our Company was a non-wholly owned subsidiary of Xinyi Solar Holdings Limited ("**Xinyi Solar**") holding 75.0% equity interest in our Company. Xinyi Solar continues to be holding company of our Company following the Listing, and our results continue to be consolidated into the operating results of Xinyi Solar.

Chairman's Statement

BUSINESS REVIEW

Our business model is to acquire, own, and manage a portfolio of solar farm projects and sell the electricity to local subsidiaries of the State Grid, i.e. The State Grid Corporation and the China Southern Power Grid, for generating a stable inflow of revenue and cash which will be used for our distribution of dividend. As the time of the Listing, our aggregate approved capacity of the nine utility-scale ground-mounted solar farm projects (the "Initial Portfolio") was 954 megawatt ("MW"). Pursuant to the Target Sale and Purchase Agreement (as defined in the Prospectus), our Company completed the acquisition from Xinyi Solar of the Target Portfolio⁽¹⁾ with an approved capacity of 540 MW on 3 June 2019. Currently, our solar farm projects are located in Anhui Province, Hubei Province, Henan Province, Fujian Province and Tianjin Municipality.

During the six months ended 30 June 2019, following completion of the acquisition of the Target Portfolio (the "Target Acquisition"), we recorded a total revenue of HK\$636.4 million, representing a slight increase of 5.3%, as compared to the six months ended 30 June 2018. We have recognised revenue from the Target Portfolio from 3 June 2019 following completion of the Target Acquisition. Operating profit reached HK\$452.6 million, representing an increase of 4.8%, as compared to the six months ended 30 June 2018. Profit attributable to the equity holders of our Company was HK\$356.1 million for the six months ended 30 June 2019, representing a decrease of 1.4%, as compared to the six months ended 30 June 2018. Basic earnings per Share were 7.01 HK cents for the six months ended 30 June 2019, as compared to 7.61 HK cents for the six months ended 30 June 2018.

Being a solar farm owner and operator, as at 28 May 2019, the aggregate approved capacity of the Initial Portfolio is 954 MW. On 3 June 2019, we completed the acquisition of the Target Portfolio with an approved capacity of 540 MW. During the six months ended 30 June 2019, as compared to the same period in 2018, our revenue increased by 5.3% to HK\$636.4 million and profit for the period attributable to the equity holders of our Company decreased slightly by 1.4% to HK\$356.1 million.

Note:

⁽¹⁾ The Target Portfolio includes the six utility-scale ground-mounted solar farm projects owned by various wholly-owned subsidiaries of Xinyi Solar, namely Xiaochang Solar Farm One, Xiaochang Solar Farm Two, Suiping Solar Farm, Shouxian Solar Farm Two, Huainan Solar Farm, and Wuwei Solar Farm Two, with an aggregate approved capacity of 540 MW for electricity generation.

COMPLETION OF THE ACQUISITION OF THE TARGET PORTFOLIO

We have completed the acquisition of the Target Portfolio on 3 June 2019. For tax efficiency purpose, we have acquired from Xinyi Solar the equity interests of the holding company of the companies which hold the solar farm projects comprising the Target Portfolio. Pursuant to the terms and condition of the Target Sale and Purchase Agreement, we used the net proceeds from the Global Offering for the settlement payment.

An upfront payment of 50% of the agreed purchase price, i.e. HK\$2,041.6 million, has been settled on the completion date of the acquisition. The remaining outstanding amount will be settled by us on the earlier of (i) the fourth anniversary of the date of the Listing; and (ii) by instalments following the receipt of the tariff adjustment relating to the electricity generated by the solar farm projects under the Target Portfolio.

During the six months ended 30 June 2019, the Target Portfolio contributed revenue of HK\$64.2 million to us. Only one solar farm project of the Target Portfolio is enlisted in the "Renewable Energy Tariff Subsidy Catalogue" (可再生能源補助目錄) as at the date of this report.

SOLAR IRRADIATION LEVELS

The capacity of our solar farm projects is defined by the amount of solar irradiation it receives. Solar irradiation varies across different geographical locations, and this variation affects the annual utilisation hours of solar power projects at different locations. On the national level, the People's Republic of China (the "PRC") has experienced minor variation in the solar irradiation levels, as compared to the same period for the past decades. In 2018, the PRC recorded an average monthly solar irradiation level of 1,486.5 kWh/m², which is close to the 10 year average irradiation between 2008 and 2018. Due to the unexpected enduring raining and cloudy weather in Central and Eastern China in the first quarter of 2019, the average utilisation rate of the Initial Portfolio during the six months ended 30 June 2019, decreased by 1.7% to 105.6%, as compared to the same period in 2018.



Chairman's Statement

HIGH DIVIDEND PAYOUT POLICY

Our primary business objective is to provide our shareholders with stable dividend distributions (the “Distributions”) with sustainable long-term growth of the portfolio of the solar farm projects in terms of size and approved capacity. We have adopted a high dividend payout policy and will use a substantial portion of the cash inflows generated by selling the electricity for the Distributions.

The Board intends to declare and distribute interim and final Distributions in each year not less than 90% of the Distributable Income, with an intent to distribute 100% of the Distributable Income in each year. During the two years ending 31 December 2020, we intend to declare and distribute interim and final Distributions representing 100% of the Distributable Income. The interim Distribution to be declared and distributed by the Company for the six months ended 30 June 2019 will be represented 100% of the “Distributable Income” during the six-month period.

BUSINESS OUTLOOK

We have successfully completed the Global Offering in May 2019 and have raised net proceeds of an aggregate of HK\$3,762.6 million following the partial exercise of the Over-allotment Option. We have also acquired the Target Portfolio and hence, the annual installed capacity of our utility-scale ground-mounted solar farm projects have reached 1,494 MW as at 30 June 2019. Our Directors believe that we have established a platform for the solar farm operation business and will continue to further develop our business following our business strategies set forth in the Prospectus.

Our business is based in the PRC, and the government policy on the photovoltaic industry in the PRC has undergone significant change from the Feed-in-Tariff (the “FIT”) regime (which includes a significant portion of subsidy by the PRC government in the form of tariff adjustment) to grid-parity regime, under which the sales of solar power through the national grid will be at the same rates as the conventional source of power and will be borne by the local electricity companies. Our Directors believe that the change is favourable to the healthy development of the renewable energy industry and will reduce the reliance on subsidy provided by the PRC government. The cost of solar power components has been adjusted downward to the extent that solar power is increasingly competitive, as compared to the conventional source of power. In light of this regulatory background, we would like to continue to be a leading non-state owned solar farm owner and operator in the PRC.

We are actively pursuing opportunities to acquire new solar farm projects in the PRC and abroad. This will enhance our revenue base and will continue to maintain our leading position in the industry. We would acquire additional solar farm projects from Xinyi Solar as well as Independent Third Parties (as defined in the Prospectus). For the acquisition from Xinyi Solar, we have been granted a call option and a right of first refusal to acquire the construction completed and grid-connected solar farm projects. We have completed the acquisition of the Target Portfolio in June 2019. We will continue to acquire additional solar farm projects from Xinyi Solar for the purpose of strengthening our portfolio of utility-scale ground-mounted solar farm projects across the country. Most of these solar farm projects are constructed under the national quota in the PRC and hence, the revenue generated by them is still under the FiT regime.

In addition, we would continue to identify acquisition targets from Independent Third Parties. We have a low gearing ratio and would consider using external financing source to support our potential acquisitions. We aim to acquire recently completed utility-scale ground-mounted solar farm projects under the grid-parity regime. These solar farms are expected to be sold at lower price with better visibility in the cash flows generated from operation.

In the short-term, we will further expand our project portfolio in terms of geographic presence such as expand our geographic reach to cover more cities in the PRC. In the medium-term, we intend to explore acquisition opportunities abroad. We believe that the expansion of our solar power business into the international market would help to further enhance our revenue base and acceleration of our business growth.

We will continue to maintain our adopted policy on Distributions by distributing 100% of our Distributable Income in 2019.

Dr. LEE Yin Yee, B.B.S.

Chairman

Hong Kong, 7 August 2019



Management's Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2019, our revenue increased by 5.3% as compared to the corresponding period in 2018 due to completion of the acquisition of the Target Portfolio in June 2019. However, the revenue generated from the Initial Portfolio decreased to HK\$571.4 million for the six months ended 30 June 2019, as compared to HK\$604.5 million for the six months ended 30 June 2018. The decrease was primarily due to the low level of solar irradiation in the PRC during the first quarter of 2019. The amount of our revenue in Renminbi ("RMB") during the six months ended 30 June 2019 increased by 11.8% as compared to our revenue in RMB during the six months ended 30 June 2018. We have not experienced any curtailment in the power purchased by our customers. Our revenue contributed by the sales of electricity and the tariff adjustment (subsidy) increased by 4.0% and 5.9%, respectively, as compared to the six months ended 30 June 2018.

Management's Discussion and Analysis

For the purpose of establishing a clear delineation of business activities between Xinyi Solar and us, our Company has entered into the Solar Farm Operation and Management Agreement (the "Solar Farm O&M Agreement") with Xinyi Solar. Pursuant to the Solar Farm O&M Agreement, Xinyi Solar has agreed to engage us to operate and manage all connection-ready solar farm projects developed and constructed by Xinyi Solar. Those operation and management services provided by us are on normal commercial terms, taking into consideration the service quality, price, work efficiency etc., as compared to the services provided to Independent Third Parties. We received HK\$0.8 million for such services rendered during the six months ended 30 June 2019.

The table below sets forth an analysis of our revenue during the six months ended 30 June 2019, as compared to the same period in 30 June 2018:

	Six Months Ended 30 June					
	2019		2018		Increase	
	<i>HK\$'million</i>	<i>% of revenue</i>	<i>HK\$'million</i>	<i>% of revenue</i>	<i>HK\$'million</i>	<i>%</i>
Sale of electricity	244.3	38.4	234.8	38.8	9.5	4.0
Tariff adjustment	391.3	61.5	369.7	61.2	21.6	5.8
Operation and management services	0.8	0.1	—	—	0.8	N/A
Total	636.4	100.0	604.5	100.0	31.9	5.3

Cost of sales

We have achieved an efficient operation with lower costs through the individual solar farm sophisticated management and countrywide centralised surveillance system, which can provide real-time monitoring and collection of operating and performance data of all solar farm projects.



Management's Discussion and Analysis

During the six months ended 30 June 2019, cost of sales of the Group increased by 6.0% to HK\$159.1 million from HK\$150.0 million for the six months ended 30 June 2018. The increase in the amount of the cost of sales was primarily due to the increased amount of depreciation (following completion of the Target Acquisition) and staff costs. The cost of sales as a percentage to revenue was 25.0% during the six months ended 30 June 2019, which was slightly higher than the same in the six months ended 30 June 2018.

Gross profit

The amount of the gross profit increased by 5.0% to HK\$477.3 million during the six months ended 30 June 2019 from HK\$454.5 million during the six months ended 30 June 2018. The gross profit margins were 75.0% and 75.2% for the six months ended 30 June 2019 and 2018, respectively. The slight decrease in the gross profit margin during the six months ended 30 June 2019 was primarily due to (i) a slight decrease in the level of sun irradiation during the first quarter of 2019; and (ii) the depreciation charge of the solar farm projects is almost fixed if there is no any new acquisition.

Other income

During the six months ended 30 June 2019, our other income decreased by HK\$0.9 million to HK\$2.1 million, as compared to HK\$3.0 million during the six months ended 30 June 2018. The decrease was primarily due to (i) the decrease in the amount of insurance compensation; and (ii) discounts received from the suppliers for the early settlement.

Other gains, net

We recorded other gains, net of HK\$0.3 million during the six months ended 30 June 2019, as compared to other gains, net of HK\$3.4 million during the six months ended 30 June 2018. The decrease was principally due to the depreciation of RMB against Hong Kong Dollar ("HK\$").

Management's Discussion and Analysis

Administrative expenses

Our administrative expenses decreased by HK\$2.1 million from HK\$29.2 million for the six months ended 30 June 2018 to HK\$27.1 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in both Listing expenses and insurance premium, partially offset by the increase in employee's benefit expenses and Directors' emoluments.

Finance income and finance cost

During the six months ended 30 June 2019, the total finance costs amounted to HK\$47.3 million, as compared to HK\$51.0 million during the six months ended 30 June 2018. The interest expense on bank borrowings decreased from HK\$43.0 million during the six months ended 30 June 2018 to HK\$37.1 million, as compared to the same during the six months ended 30 June 2019. The decrease was mainly due to the reduction in the balance of interest-bearing bank borrowings for the construction of the solar farm projects. We capitalised interest expense in the amount of HK\$1.8 million into the construction costs of solar farm projects during the six months ended 30 June 2018. The interest component on lease liabilities increased slightly by 3.8% to HK\$10.2 million during the six months ended 30 June 2019 from HK\$9.8 million during the six months ended 30 June 2018.

The finance income increased by 97.6% to HK\$5.2 million during the six months ended 30 June 2019 because of bank interest income on the net proceeds of the Global Offering.

Income tax expense

We incurred income tax expense of HK\$55.8 million during the six months ended 30 June 2019, as compared to HK\$22.7 million during the six months ended 30 June 2018. The increase was primarily attributable to: (i) acquisition of the Target Portfolio; and (ii) all nine solar farm projects under the Initial Portfolio commenced the payment of PRC income tax at the rate of 50% of the amount of the income tax expense payable at the statutory rate of 25% (2018: four solar farm projects of the Initial Portfolio).

Management's Discussion and Analysis

Adjusted EBITDA, Distributable Income and net profit

During the six months ended 30 June 2019, our adjusted EBITDA (defined as the earnings before interest, taxation, depreciation and amortization after eliminating other income and other gains, net) was HK\$580.9 million, representing an increase of 5.7%, as compared to HK\$549.5 million during the six months ended 30 June 2018. The adjusted EBITDA margin was 91.3% during the six months ended 30 June 2019 as compared to 90.9% during the six months ended 30 June 2018.

During the six months ended 30 June 2019, the Distributable Income was HK\$339.9 million, representing an increase of 8.8%, as compared to HK\$312.3 million during the six months ended 30 June 2018.

Net profit attributable to equity holders of our Company during the six months ended 30 June 2019 was HK\$356.1 million, representing a decrease of 1.4%, as compared to HK\$361.1 million during the six months ended 30 June 2018. The slight decrease in the net profit margin to 56.0% during the six months ended 30 June 2019 from 59.7% during the six months ended 30 June 2018 was due to commencement of payment of income tax expense for members of the companies operating the Initial portfolio and certain solar farm projects under the Target Portfolio when there was no material change in the gross profit margin and the operating profit margin for the period under review.

Financial resources and liquidity

As at 30 June 2019, our total assets amounted to HK\$15,814.7 million, representing an increase by 82.7% and with net assets amounted to HK\$10,232.0 million, increased by 60.3% as at 31 December 2018. Our current ratio as at 30 June 2019 was 1.6, compared to 2.4 as at 30 December 2018 since the increase in (i) cash and cash equivalents; and (ii) trade and other receivables partially offset by the increase in (i) bank borrowings; and (ii) amounts due to a fellow subsidiary.

Our net debt gearing ratio (bank borrowings minus cash and cash equivalents divided by total equity) as at 30 June 2019 was 7.4% (31 December 2018: 19.8%), decreased by 62.6%. The decrease was primarily due to (i) the increase in total equity after the Global Offering and acquisition of the Target Portfolio; and (ii) increase in cash and cash equivalents.

Management's Discussion and Analysis

The net proceeds from the Global Offering (follow the partial exercise of the Over-allotment Option) are HK\$3,762.6 million. We adopt a prudent approach to cash and financial management to ensure proper risk control and lower the cost of funds. As at 30 June 2019, the Group had cash and cash equivalents of HK\$1,911.5 million, representing an increase of 353.8%, as compared to HK\$421.3 million as at 31 December 2018.

As at 30 June 2019, the Group's financial position remained healthy, with the cash and cash equivalents balance at HK\$1,911.5 million. During the six months ended 30 June 2019, net cash generated from operating activities was HK\$213.3 million (2018: HK\$188.2 million), which was primarily attributable to the profit before income tax of HK\$ 410.6 million and partially offset by an increase in trade and other receivables and a decrease of accruals and other payables. Net cash used investing activities amounted to HK\$2,077.3 million (2018: HK\$105.2 million), which was primarily attributable to the payment for acquisition of Target Portfolio and settlement of outstanding capital expenditure for solar farm projects previously completed construction during the period. Net cash generated from financing activities amounted to HK\$3,353.7 million (2018: net cash used in financing activities, HK\$45.3 million) which was primarily attributable to proceed from issuance of ordinary shares (i) Global Offering at HK\$3,652.3 million; and (ii) Over-allotment Option at HK\$242.8 million, partially offset by the repayment of bank borrowings and dividend paid to Company's shareholders during the period.

In July 2019, we have received the sixth batch of the tariff adjustment of RMB308.6 million (equivalent to HK\$350.2 million) incurred up to September 2017.

Management's Discussion and Analysis

Proceeds from the Global Offering

As set forth in the Prospectus, we have used HK\$2,041.6 million, representing 54.3% of the net proceeds from the Global Offering (following the partial exercise of the Over-allotment Option) for the purchase of the Target Portfolio, of which we have paid to Xinyi Solar HK\$2,041.6 million (being 50% of the agreed purchase price of the Target Portfolio). The balance of the net proceeds from the Global Offering of HK\$1,721.0 million is currently deposited with banks in Hong Kong and is expected to be used as intended as disclosed in the Prospectus. Our Directors will act prudently if we plan to use the unutilised net proceeds from the Global Offering for the purchase of money-market instruments or investment-grade bond products.

Capital expenditures and commitments

During the six months ended 30 June 2019, we incurred expenditures of HK\$4,083.3 million for the purchase of the Target Portfolio. The amount of the total consideration is HK\$4,083.3 million, of which we have paid to Xinyi Solar of HK\$2,041.6 million. The remaining balance of HK\$2,041.7 million would be paid by us pursuant to the terms and conditions of the Target Sale and Purchase Agreement. Such amount is classified as amount due to a fellow subsidiary as at 30 June 2019 amounted to HK\$1,660.3 million. In addition, we incurred capital expenditure of HK\$66.8 million for the six months ended 30 June 2019 which was primarily used in development of Initial Portfolio. As at 30 June 2019, we did not have other capital commitments (2018: HK\$5.14 million).

Pledge of assets

We did not have any pledged asset as security for bank borrowings as at 30 June 2019. Before completion of the Listing, certain banking facilities were secured by corporate guarantee of Xinyi Solar. The release of such corporate guarantee from Xinyi Solar is in progress.

Contingent liabilities

As at 30 June 2019, we did not have any significant contingent liabilities.

Management's Discussion and Analysis

Material acquisitions and disposal of subsidiaries

During the six months ended 30 June 2019, we acquired the Target Portfolio with an aggregate capacity of 540 MW. Please refer to our announcement dated 3 June 2019 for further details. Except for this, there was no further material acquisition and disposal of subsidiaries during the six months ended 30 June 2019.

Treasury policies and exposure to fluctuation in exchange rate

Our solar farm projects are in the PRC with most of the transactions denominated and settled in RMB. Our financial performance and assets value could be affected by the exchange rate fluctuation between RMB and HK\$. We 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. Our Directors believe that the risk of currency mismatch may be minimised by the lower bank borrowing rates of HK\$, as compared to the RMB. During the six months ended 30 June 2019, all bank borrowings were denominated in HK\$.

During the six months ended 30 June 2019, we have not experienced any material difficulties and liquidity problems resulting from the fluctuation of currency exchange.

Employees and remuneration policy

We have highly valued the human resources continuously share the reciprocal benefits and shared growth with our employees. We consistently explore the potential and ability of our employees. On the other hand, we will continue to attract additional employees as and when appropriate to cater the business development.



Management's Discussion and Analysis

As at 30 June 2019, we had 191 full-time employees in total in Hong Kong and the PRC. Total staff costs, including Directors' emoluments was HK\$15.7 million during the six months ended 30 June 2019. Our 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, we also provide statutory social welfare contribution to employees in PRC and provident fund scheme to employees in Hong Kong, respectively, under the laws and regulations.

Share option scheme

As at the date of this report, no share option has been granted by our Company. Prior to the Listing, members of our Group were non-wholly owned subsidiaries of Xinyi Solar and some of our employees have been granted share options under the share option scheme adopted by Xinyi Solar.

Report On Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Xinyi Energy Holdings Limited
(incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 65, which comprises the interim condensed consolidated balance sheet of Xinyi Energy Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report On Review of Interim Financial Information



羅兵咸永道

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 August 2019

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2019

		Six months ended 30 June	
	Note	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Restated)
Revenue	3	636,400	604,549
Cost of sales		(159,080)	(150,010)
Gross profit		477,320	454,539
Other income	3	2,099	3,038
Other gains, net	4	331	3,389
Administrative expenses		(27,113)	(29,197)
Operating profit	5	452,637	431,769
Finance income	6	5,223	2,643
Finance costs	6	(47,272)	(50,975)
Profit before income tax		410,588	383,437
Income tax expense	7	(54,475)	(22,353)
Profit for the period attributable to equity holders of the Company		356,113	361,084
Basic and diluted earnings per Share (Expressed in HK cents per Share)	8	7.01	7.61

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Restated)</i>
Profit for the period	356,113	361,084
Other comprehensive income/(loss), net of tax: <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	1,947	(108,868)
Total comprehensive income for the period attributable to equity holders of the Company	358,060	252,216

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

Interim Condensed Consolidated Balance Sheet

As at 30 June 2019

		As at		
		30 June 2019	31 December 2018	1 January 2018
Note		HK\$'000 (Unaudited)	HK\$'000 (Restated)	HK\$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	11	9,874,018	6,070,173	6,616,225
Right-of-use assets	2.2	455,606	307,680	335,277
Prepayments for property, plant and equipment	12	17,420	12,527	16,658
Deferred income tax assets		4,689	3,370	—
Goodwill	10	330,303	—	—
Total non-current assets		10,682,036	6,393,750	6,968,160
Current assets				
Trade and other receivables and prepayments	12	3,220,765	1,841,373	2,054,033
Amounts due from fellow subsidiaries	16	363	—	—
Cash and cash equivalents		1,911,547	421,263	472,243
Total current assets		5,132,675	2,262,636	2,526,276
Total assets		15,814,711	8,656,386	9,494,436
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	13	67,525	54	54
Other reserves		7,676,165	4,249,491	4,612,128
Retained earnings		2,488,278	2,132,165	1,473,104
Total equity		10,231,968	6,381,710	6,085,286

Interim Condensed Consolidated Balance Sheet

As at 30 June 2019

		As at		
		30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i> <i>(Restated)</i>	1 January 2018 <i>HK\$'000</i> <i>(Restated)</i>
	Note			
LIABILITIES				
Non-current liabilities				
Bank borrowings	15	1,618,149	1,034,622	1,285,254
Lease liabilities	2.2	436,776	284,360	296,386
Other payables	14	37,123	19,107	24,586
Deferred income tax liabilities		219,048	305	—
Total non-current liabilities		2,311,096	1,338,394	1,606,226
Current liabilities				
Bank borrowings	15	1,054,852	652,578	1,429,583
Lease liabilities	2.2	16,673	10,034	7,575
Accruals and other payables	14	492,265	251,256	353,572
Amount due to a fellow subsidiary	16	1,660,300	—	—
Current income tax liabilities		47,557	22,414	12,194
Total current liabilities		3,271,647	936,282	1,802,924
Total liabilities		5,582,743	2,274,676	3,409,150
Total equity and liabilities		15,814,711	8,656,386	9,494,436

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

Interim Condensed Consolidated Statement of Change in Equity

For the six months ended 30 June 2019

Attributable to equity holders of the Company

	Share capital (Note 13) HK\$'000 (Unaudited)	Other reserves HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
Balance at 31 December 2018 as originally presented	54	4,247,676	2,157,971	6,405,701
Changes in accounting policy	—	1,815	(25,806)	(23,991)
Restated total equity at the beginning of the financial period	54	4,249,491	2,132,165	6,381,710
Comprehensive income				
Profit for the period	—	—	356,113	356,113
Other comprehensive income				
Currency translation differences	—	1,947	—	1,947
Total comprehensive income	—	1,947	356,113	358,060
Transactions with the owner of the Company				
Issuance of ordinary shares upon				
– initial public offerings	18,826	3,633,436	—	3,652,262
– over-allotment	1,252	241,498	—	242,750
– capitalisation issue	47,393	(47,393)	—	—
Listing expenses charged to share premium	—	(86,865)	—	(86,865)
Final dividend (Note 9)	—	(315,949)	—	(315,949)
Balance at 30 June 2019	67,525	7,676,165	2,488,278	10,231,968

Interim Condensed Consolidated Statement of Change in Equity

For the six months ended 30 June 2019

	Attributable to equity holders of the Company			
	Share capital (Note 13) <i>HK\$'000</i>	Other reserves <i>HK\$'000</i> <i>(Restated)</i>	Retained earnings <i>HK\$'000</i> <i>(Restated)</i>	Total equity <i>HK\$'000</i> <i>(Restated)</i>
Balance as at 1 January 2018 as originally presented	54	4,611,931	1,494,696	6,106,681
Change in accounting policy	—	197	(21,592)	(21,395)
Restated total equity at the beginning of the financial period	54	4,612,128	1,473,104	6,085,286
Comprehensive income				
Profit for the period	—	—	361,084	361,084
Other comprehensive loss				
Currency translation differences	—	(108,868)	—	(108,868)
Total comprehensive income	—	(108,868)	361,084	252,216
Balance as at 30 June 2018	54	4,503,260	1,834,188	6,337,502

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Restated)</i>
Cash flows from operating activities		
Cash generated from operations	285,788	255,634
Interest paid	(41,862)	(49,183)
Income tax paid	(30,656)	(18,212)
Net cash generated from operating activities	213,270	188,239
Cash flows from investing activities		
Purchases of and prepayment for purchase of property, plant and equipment	(66,775)	(107,834)
Payment for acquisition of subsidiaries, net of cash acquired	(2,015,754)	—
Interest received	5,223	2,643
Net cash used in investing activities	(2,077,306)	(105,191)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 <i>HK\$'000</i> <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Restated)</i>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares		
– initial public offerings	3,652,262	—
– over-allotment	242,750	—
Payments for professional fee in connection with the listing of the Company	(69,426)	(5,304)
Proceeds from bank borrowings	353,250	603,894
Repayments of bank borrowings	(506,143)	(640,286)
Principal elements of lease payments	(3,074)	(3,648)
Dividend paid to Company's shareholders	(315,949)	—
Net cash generated from/(used in) financing activities	3,353,670	(45,344)
Net increase in cash and cash equivalents	1,489,634	37,704
Cash and cash equivalents at beginning of period	421,263	472,243
Effect of foreign exchange rate changes	650	(5,000)
Cash and cash equivalents at end of period	1,911,547	504,947

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

Notes to the Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Energy Holdings Limited (the “**Company**”) was incorporated in the British Virgin Islands on 26 June 2015 as an exempted company with limited liability. The address of the Company’s registered office is Jayla Place, Wickhams Cay I, Road Town, Tortola, VG 1110, British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the management and operations of solar farms in the People’s Republic of China (the “**PRC**”) (the “**Solar Farm Business**”).

The ultimate holding company of the Company is Xinyi Solar Holdings Limited (“**Xinyi Solar**”), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The shares of the Company are listed on The Main Board of the Stock Exchange on 28 May 2019.

On 5 December 2018, the Company entered into an agreement with Xinyi Solar Farm (Group 1) Limited (“**Xinyi Solar Farm (Group 1)**”) to acquire the entire issued share capital of New Wisdom International Limited (“**New Wisdom**”), Sky Falcon Development Limited (“**Sky Falcon**”), Perfect Alliance Development Limited (“**Perfect Alliance**”), Profit Noble Development Limited (“**Profit Noble**”) and Sky Cheer Investments Limited (“**Sky Cheer**”) (“**Target Acquisition**”). Pursuant to the agreement, all net balances with New Wisdom and its subsidiaries, Sky Falcon and its subsidiary, Perfect Alliance and its subsidiary, Profit Noble and its subsidiary and Sky Cheer and its subsidiary were capitalised before completion of the Target Acquisition. The gross agreed purchase price of Target Acquisition is HK\$4,083,256,000 based on the terms and conditions of the agreement.

Notes to the Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION (Continued)

On 3 June 2019, the Company entered into a novation agreement with Xinyi Power (BVI) Limited (“Xinyi Power (BVI)”), the immediate holding company of Xinyi Solar Farm (Group 1), to modify the agreement dated 5 December 2018 and to acquire the entire issued capital of Xinyi Solar Farm (Group 1). The Target Acquisition was modified to be made between the Company and Xinyi Power (BVI). Save as disclosed above, there has been no significant alteration in the Target Acquisition. The Target Acquisition has been completed during six month ended 30 June 2019 (see Note 10).

These interim condensed consolidated financial statements are presented in thousands of Hong Kong dollar (“HK\$’000”), unless otherwise stated.

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION

2.1 Basis of preparation

This interim condensed consolidated financial report for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standards (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the accountant’s report included as appendix I of the prospectus dated 8 May 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.1 Basis of preparation (Continued)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards, amendments to standards and interpretations as set out below.

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

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

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

The impact of the adoption of HKFRS 16 are disclosed in Note 2.2 below.

Apart from aforementioned HKFRS 16, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.1 Basis of preparation (Continued)

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

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

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 2.2(b) below.

(a) *Adjustments recognised on adoption of HKFRS 16*

The Group has applied the full retrospective approach as if the new rules had always been applied. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the lease payments, discounted using the lessee's incremental borrowing rate on the lease commencement date. The right-of-use asset for property lease and the lease liability were retrospectively restated to the lease commencement date. The right-of-use asset for property lease were depreciated on a straight-line basis. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 6.25%.

The table below shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

	30 June 2019		30 June 2019		31 December 2018		1 January 2019		1 January 2018		1 January 2018	
	HK\$'000	HKFRS 16 HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(As presented)	(As originally presented)			(Restated)	(As originally presented)			(Restated)	
Interim Condensed Consolidated Balance Sheet (extract)												
Non-current assets												
Property, plant and equipment	9,898,918	(24,900)	9,874,018	6,084,338	(14,165)	6,070,173	6,630,993	(14,768)	6,616,225			
Right-of-use assets	—	455,606	455,606	—	307,680	307,680	—	335,277	335,277			
Prepayments for property, plant and equipment (originally presented as prepayments for property, plant and equipment and operating lease)	46,792	(29,372)	17,420	44,571	(32,044)	12,527	56,361	(39,703)	16,658			
Deferred income tax assets	—	4,689	4,689	—	3,370	3,370	—	—	—			
Goodwill	314,585	15,718	330,303	—	—	—	—	—	—			
Current assets												
Trade and other receivables and prepayments	3,240,530	(19,765)	3,220,765	1,845,482	(4,109)	1,841,373	2,057,372	(3,339)	2,054,033			
Total assets	15,412,735	401,976	15,814,711	8,395,654	260,732	8,656,386	9,216,969	277,467	9,494,436			
Non-current liabilities												
Deferred income tax liabilities	218,596	452	219,048	—	305	305	—	—	—			
Lease liabilities	—	436,776	436,776	—	284,360	284,360	—	296,386	296,386			
Current liabilities												
Lease liabilities	—	16,673	16,673	—	10,034	10,034	—	7,575	7,575			
Accruals and other payables	515,406	(23,141)	492,265	261,232	(9,976)	251,256	358,671	(5,099)	353,572			
Total liabilities	5,151,983	430,760	5,582,743	1,989,953	284,723	2,274,676	3,110,288	298,862	3,409,150			
Net assets	10,260,752	(28,784)	10,231,968	6,405,701	(23,991)	6,381,710	6,106,681	(21,395)	6,085,286			
Retained earnings	2,518,893	(30,615)	2,488,278	2,157,971	(25,806)	2,132,165	1,494,696	(21,592)	1,473,104			
Other reserves	7,674,334	1,831	7,676,165	4,247,676	1,815	4,249,491	4,611,931	197	4,612,128			
Total equity	10,260,752	(28,784)	10,231,968	6,405,701	(23,991)	6,381,710	6,106,681	(21,395)	6,085,286			



Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

	30 June 2019		30 June 2019		30 June 2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(As presented)	(As originally presented)		(Restated)
Interim Condensed Consolidated Income Statement (extract)						
Cost of sales	(163,300)	4,220	(159,080)	(156,860)	6,850	(150,010)
Gross profit	473,100	4,220	477,320	447,689	6,850	454,539
Operating profit	448,417	4,220	452,637	424,919	6,850	431,769
Finance costs	(37,115)	(10,157)	(47,272)	(41,188)	(9,787)	(50,975)
Profit before income tax	416,525	(5,937)	410,588	386,374	(2,937)	383,437
Income tax expense	(55,602)	1,127	(54,475)	(22,723)	370	(22,353)
Profit for the period	360,923	(4,810)	356,113	363,651	(2,567)	361,084

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

	30 June 2019		30 June 2018		30 June 2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(As originally presented)	(As originally presented)		(Restated)
Interim Condensed Consolidated Statement of Cash Flows (extract)						
Cash generated from operations	275,541	10,247	285,788	245,327	10,307	255,634
Interest paid	(34,689)	(7,173)	(41,862)	(42,524)	(6,659)	(49,183)
Net cash inflow from operating activities	210,196	3,074	213,270	184,591	3,648	188,239
Principal elements of lease payments	—	(3,074)	(3,074)	—	(3,648)	(3,648)
Net cash outflow from financing activities	3,356,744	(3,074)	3,353,670	(41,696)	(3,648)	(45,344)
Net increase in cash and cash equivalents	1,489,634	—	1,489,634	37,704	—	37,704



Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies (Continued)

(a) *Adjustments recognised on adoption of HKFRS 16 (Continued)*

(i) *Impact on earnings per share*

Earnings per share decreased by HK\$0.09 cents per share and HK\$0.05 cents per share for the six months ended 30 June 2019 and 2018, respectively, as a result of the adoption of HKFRS 16.

(ii) *Practical expedients applied*

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the use of hindsight in determining the lease terms where the contracts contain options to extend or terminate the leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

(b) *The Group's leasing activities and how these are accounted for*

The Group leases offices and lands. Rental contracts are typically made for fixed periods of 2 to 30 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis but contain similar terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

Before adoption of HKFRS 16, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

On adoption of HKFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION, CHANGES IN ACCOUNTING POLICIES AND FAIR VALUE ESTIMATION (Continued)

2.2 Changes in accounting policies (Continued)

(b) *The Group's leasing activities and how these are accounted for (Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date

The Group does not have short-term leases and leases of low-value assets.

(i) *Extension and termination options*

Extension and termination options are included in a number of office and land leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The management is of the opinion that the lease is reasonably certain to be extended. Therefore, potential future cash outflows have been included in the lease liability.

2.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as at 1 January 2018, 31 December 2018 and 30 June 2019. The carrying value of receivables and payables are a reasonable approximation of their fair values.

Notes to the Interim Condensed Consolidated Financial Statements

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000
Revenue		
Recognised at a point in time:		
– Sales of electricity	244,247	234,843
– Tariff adjustment	391,340	369,706
Recognised over time:		
– Solar farm operation and management services	813	—
	636,400	604,549
Other income		
Government grants (Note)	23	87
Other income	2,076	2,951
	2,099	3,038

Note:

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

Segment information

The Group is mainly engaged in the management and operation of solar farms in the PRC. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available.

Notes to the Interim Condensed Consolidated Financial Statements

3 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

No segment of assets and liabilities are presented as no discrete financial information is available.

All of the non-current assets of the Group are located in the PRC and with country of domicile being the PRC.

4 OTHER GAINS, NET

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000
Foreign exchange gains, net	331	3,389

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000
Depreciation charge of property, plant and equipment (Note 11)	139,560	133,571
Employee benefit expenses (including directors' emoluments)	15,661	9,055
Auditor's remuneration		
– Non-audit services	499	63
Listing expenses	14,726	19,155

Notes to the Interim Condensed Consolidated Financial Statements

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Restated)
Finance income		
Interest income from bank deposits	5,223	2,643
Finance costs		
Interest on lease liabilities	10,157	9,787
Interest on bank borrowings	37,115	42,963
Less: Amounts capitalised on qualifying assets	—	(1,775)
	47,272	50,975

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Restated)
Current income tax	55,799	22,723
Deferred income tax	(1,324)	(370)
	54,475	22,353

Notes to the Interim Condensed Consolidated Financial Statements

7 INCOME TAX EXPENSE (Continued)

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 as the Group did not generate any assessable profits arising in Hong Kong.
- (c) Provision made for PRC corporate income tax ("CIT") amounted to HK\$55,799,000 and HK\$22,723,000 for the six months ended 30 June 2019 and 30 June 2018, respectively. The statutory income tax rate applicable to the PRC subsidiaries of the Group is 25%. Pursuant to the relevant tax regulations in the PRC, the PRC subsidiaries, except for Xinyi Energy Technology (Wuhu) Limited ("Xinyi Technology (Wuhu)"), are eligible for an exemption from the PRC CIT for three years starting with the first revenue-generating year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. However, the government grants and insurance claim received are subject to the CIT with the statutory income tax rate of 25%. Xinyi Technology (Wuhu) is subject to the CIT with the statutory income tax rate of 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 periods.

	Six months ended 30 June	
	2019 <i>(Unaudited)</i>	2018 <i>(Restated)</i>
Profit attributable to equity holders of the Company (HK\$'000)	356,113	361,084
Adjusted weighted average number of ordinary shares in issue (thousands)	5,083,597	4,744,740
Basic earnings per share (Expressed in HK cents per share)	7.01	7.61

Notes to the Interim Condensed Consolidated Financial Statements

8 EARNINGS PER SHARE (Continued)

(b) Diluted

For the six months ended 30 June 2019 and 30 June 2018, diluted earnings per share equals basic earnings per share as there was no potential dilutive share.

9 DIVIDENDS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000
Final dividend for 2018 of HK\$58.3 per Share (2017: Nil)	315,949	—
Proposed interim dividend of 5.0 HK cents per share (2018: Nil)	337,624	—

At a meeting of the Board held on 7 August 2019, the Directors resolved to declare an interim dividend of 5.0 HK cents per share for the six months ended 30 June 2019. This interim dividend, amounting to HK\$337,624,000, is based on 6,752,478,471 issued shares as at 30 June 2019 and has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Statements

10 BUSINESS COMBINATION

To build up a more diversified solar farm investment portfolio, the Group acquired Xinyi Solar Farm (Group 1) for its several solar farm projects in the PRC from Xinyi Power (BVI) at a gross agreed purchase price of HK\$4,083,256,000 during six month ended 30 June 2019. The gross agreed purchase price is determined in strict compliance with the terms and conditions of the sale and purchase agreement dated on 5 December 2018 and 3 June 2019. Also, pursuant to the sale and purchase agreement, Xinyi Power (BVI) will receive 50% of the gross agreed purchase price upon completion of the Target Acquisition. The deferred consideration will be fully settled on the 28 May 2023, or upon the receipt of the payment of the tariff adjustment by the solar power plant acquired from the PRC Government, whichever is earlier.

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

Name of the company	Equity interest acquired	Solar power plants acquired		
		Location	Number of plants	Approved capacity (MW)
New Wisdom and its subsidiaries, Xinyi Solar (Xiaochang) Limited and Xinyi Solar (Xiaogan) Limited	100%	Hubei	2	160
Sky Falcon and its subsidiary, Xinyi Solar (Suiping) Limited	100%	Henan	1	110
Perfect Alliance and its subsidiary, Xinyi Renewable Energy (Shouxian) Limited	100%	Anhui	1	200
Profit Noble and its subsidiary, Xinyi Solar (Huainan) Limited	100%	Anhui	1	20
Sky Cheer and its subsidiary, Xinyi Solar (Wuwei) Limited	100%	Anhui	1	50

Notes to the Interim Condensed Consolidated Financial Statements

10 BUSINESS COMBINATION (Continued)

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

	Total <i>HK\$'000</i>
Purchases consideration	
Fair value of cash consideration	3,701,928
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 11)	3,894,507
Right-of-use assets	154,501
Value-added tax recoverable	257,874
Trade and other receivables and prepayments (Note (d))	837,753
Cash and cash equivalents	25,874
Deferred income tax assets	69
Bank borrowings	(1,135,412)
Accruals and other payables	(286,391)
Lease liabilities	(158,356)
Deferred income tax liabilities (Note (e))	(218,794)
Total identifiable net assets	3,371,625
Goodwill (Note (f))	330,303
	3,701,928
Net cash outflow arising from the acquisitions	
Cash consideration	3,701,928
Less: Cash and cash equivalents acquired	(25,874)
Less: Deferred cash consideration payable	(1,660,300)
	2,015,754
Net cash outflow represents	
Upfront payment upon completion of acquisition (Note (a))	2,041,628
Deferred cash consideration (Note (b))	1,660,300
	3,701,928

Notes to the Interim Condensed Consolidated Financial Statements

10 BUSINESS COMBINATION (Continued)

Notes:

- (a) Upfront payment upon completion of acquisition

Upfront payment represents 50% of the gross agreed purchase price of HK\$4,083,256,000.

- (b) Deferred cash consideration

Deferred cash consideration represents present value of estimated payment schedule of the remaining 50% of the gross agreed purchase price discounted at the effective interest rate of 6.38%.

- (c) Revenue and profits contribution

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

	Total HK\$'000
Revenue	64,142
Profits contributed to the Group	42,575

If the acquisition had occurred on 1 January 2019, the interim condensed consolidated income statement would show pro-forma revenue of approximately HK\$860,259,000 and pro-forma profit of HK\$492,451,000.

- (d) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were HK\$837,753,000 and included trade and tariff adjustment receivables with fair values as below:

	Total HK\$'000
Trade and tariff adjustment receivables	824,452

The gross contractual amount of these trade receivables due in aggregate was approximately HK\$824,452,000.

Notes to the Interim Condensed Consolidated Financial Statements

10 BUSINESS COMBINATION (Continued)

Notes: (Continued)

- (e) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of approximately HK\$218,794,000 have been provided in relation to these fair value adjustments.

- (f) Goodwill

The Group recognised goodwill of approximately HK\$330,303,000 in the interim condensed consolidated balance sheet in connection with the Target Acquisition. The goodwill from the Target Acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the Target Acquisition, the Group benefits through the synergies expected to arise after the Target Acquisition because of the close proximity of these projects to other solar farms currently operated by the Group. The goodwill will not be deductible for tax purposes.

Notes to the Interim Condensed Consolidated Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT

	Solar farms <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Motor vehicles, furniture and fixtures, equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2018 (Restated)				
Cost	6,680,709	176,964	8,518	6,866,191
Accumulated depreciation	(765,363)	(15,150)	(1,340)	(781,853)
Net book amount	5,915,346	161,814	7,178	6,084,338
Period ended 30 June 2019 (Unaudited)				
Opening net book amount	5,915,346	161,814	7,178	6,084,338
Change in accounting policy	(14,165)	—	—	(14,165)
Restated opening net book amount	5,901,181	161,814	7,178	6,070,173
Additions	41,260	—	1,617	42,877
Acquisition of a subsidiary (Note 10)	3,876,371	17,980	156	3,894,507
Depreciation charge	(135,929)	(3,194)	(437)	(139,560)
Currency translation differences	6,164	(111)	(32)	6,021
Closing net book amount	9,689,047	176,489	8,482	9,874,018
At 30 June 2019 (Unaudited)				
Cost	10,586,708	194,758	10,248	10,791,714
Accumulated depreciation	(897,661)	(18,269)	(1,766)	(917,696)
Net book amount	9,689,047	176,489	8,482	9,874,018

Notes to the Interim Condensed Consolidated Financial Statements

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i> <i>(Restated)</i>
Trade receivables (Note (a))	2,642,879	1,429,020
Bills receivables	2,274	16,373
Trade and bills receivables	2,645,153	1,445,393
Deposits and other receivables (Note (c))	4,318	2,289
Other tax receivables (Note (d))	568,491	384,235
Prepayments for listing expenses	—	9,267
Prepayments for property, plant and equipment	17,420	12,527
Other prepayments	2,803	189
	3,238,185	1,853,900
Less: Non-current portion:		
Prepayments for property, plant and equipment	(17,420)	(12,527)
Current portion	3,220,765	1,841,373

Notes to the Interim Condensed Consolidated Financial Statements

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade 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 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i>
Receivables from sales of electricity	70,871	18,472
Tariff adjustment receivables	2,572,008	1,410,548
	2,642,879	1,429,020

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 invoice date is as follows:

	As at	
	30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i>
0 to 90 days	2,642,879	1,429,020

Notes to the Interim Condensed Consolidated Financial Statements

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

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

	As at	
	30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i>
0 to 90 days	439,377	210,367
91 days to 180 days	213,474	238,878
181 days to 365 days	615,359	398,078
Over 365 days	1,374,669	581,697
	2,642,879	1,429,020

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

Notes to the Interim Condensed Consolidated Financial Statements

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Loss allowance of trade receivables

Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, all trade receivables were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250 MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (“Catalogue”). In June 2018, the remaining seven ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality, with an aggregate capacity of 704 MW, have been successfully enlisted on the seventh batch of the Catalogue.

Of the 6 solar farms acquired during the six months ended 30 June 2019, a ground-mounted solar farm, located in Anhui Province, with aggregate capacity of 20 MW, has been successfully enlisted on the seventh batch of the Catalogue in June 2018. The remaining 5 solar farms with aggregate approved grid-connection capacity of 520 MW are ready for applying the Catalogue when the registration period open.

During the period ended 30 June 2019, the Group received payment of RMB83,613,000 (equivalent to HK\$97,880,000) for the subsidies recognised up to June 2017 of the Solar Farms project enlisted on the sixth batch and seventh batch of the Catalogue.

As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 30 June 2019 (31 December 2018: Nil).

Notes to the Interim Condensed Consolidated Financial Statements

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Loss allowance of trade receivables(Continued)

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	As at	
	30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i>
Tariff adjustment receivables:		
Expected to be recovered after more than 12 months	651,674	—
Expected to be recovered within 12 months	1,920,334	1,410,548
	2,572,008	1,410,548

(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 denominated in RMB.

Notes to the Interim Condensed Consolidated Financial Statements

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(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) 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.

13 SHARE CAPITAL

	Number of Ordinary shares	Ordinary shares of HK\$0.01 each HK\$	Total HK\$'000
Authorised:			
At 1 January and 30 June 2019	800,000,000,000	8,000,000,000	8,000,000
Issued:			
(Unaudited)			
At 1 January 2019	5,422,560	54,226	54
Issuance of ordinary shares upon initial public offerings (Note (a))	1,882,609,471	18,826,095	18,826
Issuance of ordinary shares upon over-allotment (Note (b))	125,129,000	1,251,290	1,252
Issuance of ordinary shares upon capitalisation issue (Note (c))	4,739,317,440	47,393,174	47,393
At 30 June 2019	6,752,478,471	67,524,785	67,525

Notes to the Interim Condensed Consolidated Financial Statements

13 SHARE CAPITAL (Continued)

Notes:

- (a) On 28 May 2019, 1,882,609,471 ordinary shares of HK\$0.01 each issued at an offer price of HK\$1.94 per Share. Gross proceeds from the issuance of these shares in May 2019 amounted to HK\$3,652,262,000 with HK\$3,633,436,000 being credited to the share premium account of the Company, which is before net off with the share issuance cost.
- (b) On 19 June 2019, an over-allotment option has been exercised with 125,129,000 ordinary shares of HK\$0.01 each issued at an offer price of HK\$1.94 per Share. Gross proceeds from the issuance of these shares in June 2019 amounted to HK\$242,750,000 with HK\$241,498,000 being credited to the share premium account of the Company, which is before net off with the share issuance cost.
- (c) Pursuant to shareholders' resolutions passed on 22 November 2018 and 10 May 2019, the Company allotted and issued a total of 4,739,317,440 shares by way of capitalisation of the sum of HK\$47,393,174 standing to the credit of the share premium account of the Company upon the listing.

14 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Restated)
Payables for property, plant and equipment	510,426	257,850
Accrued listing expenses	11,305	6,130
Others	7,657	6,383
	529,388	270,363
Less: Non-current portion:		
Retention payables for property, plant and equipment	(37,123)	(19,107)
Current portion	492,265	251,256

The carrying amounts of accruals and other payables approximate their fair values.



Notes to the Interim Condensed Consolidated Financial Statements

15 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2018 <i>HK\$'000</i>
Within 1 year	1,054,852	652,578
Between 1 and 2 years	946,547	462,672
Between 2 and 5 years	671,602	571,950
	2,673,001	1,687,200
Less: Non-current portion:	(1,618,149)	(1,034,622)
Current portion	1,054,852	652,578

As at 30 June 2019 and 31 December 2018, all bank loans bore floating interest rates. These bank borrowings as at 30 June 2019 are repayable by instalments up to 2022 (2018: 2021). The carrying amounts of the Group's bank borrowings are denominated in HK\$ and approximate their fair values as at 30 June 2019 and 31 December 2018, as the impact of discounting is not significant.

Notes to the Interim Condensed Consolidated Financial Statements

15 BANK BORROWINGS (Continued)

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

	As at	
	30 June 2019 <i>(Unaudited)</i>	31 December 2018
Bank borrowings	4.07%	3.93%

As at 31 December 2018, the bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company and Xinyi Solar (BVI) Limited, a fellow subsidiary. Upon separate listing of the Company on 28 May 2019, the corporate guarantees were released and replaced by corporate guarantees provided by the Company and its subsidiaries. Therefore, the bank borrowings were only secured by corporate guarantee provided by the Company and its subsidiaries as at 30 June 2019.

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship
Xinyi Solar	Ultimate holding company
Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV Products")	Fellow subsidiary
Xinyi Solar (HK) Limited ("Xinyi Solar (HK)")	Fellow subsidiary
Xinyi Power (BVI)	Fellow subsidiary
Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)")	Fellow subsidiary
Chaohu Jindao Photovoltaic Power Generation Company Limited ("Chaohu Jindao")	Fellow subsidiary
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited ("Taonan Runhe")	Fellow subsidiary
Xinyi Solar (Bozhou) Limited ("Xinyi Solar (Bozhou)")	Fellow subsidiary
Xinyi Solar (Jinzhai) Limited ("Xinyi Solar (Jinzhai)")	Fellow subsidiary
Xinyi Renewable Energy (Huaibei) Limited ("Xinyi Energy (Huaibei)")	Fellow subsidiary
Guangdong Shenke Renewable Energy Limited ("Guangdong Shenke")	Fellow subsidiary
Xinyi Solar (Wangjiang) Limited ("Xinyi Solar (Wangjiang)")	Fellow subsidiary
Xinyi Solar (Haikou) Limited ("Xinyi Solar (Haikou)")	Fellow subsidiary
Huainan Xinyi Renewable Energy Limited ("Huainan Xinyi Renewable Energy")	Fellow subsidiary
Xinyi Glass Holdings Limited ("Xinyi Glass")	Note (i)
Cheer Wise Investment Limited ("Cheer Wise")	Note (ii)
Xinyi Energy Smart (Wuhu) Company Limited ("Xinyi Energy Smart")	Note (ii)

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) A shareholder of Xinyi Solar
- (ii) Companies under control of Xinyi Glass, a shareholder of Xinyi Solar, which has a significant influence on the Group

(b) Related party transactions

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

	Note	Six months ended	
		30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000
Discontinued transactions			
Employee benefits paid by the ultimate holding company			
– Xinyi Solar	i	23	18
Employee benefits paid by a fellow subsidiary			
– Xinyi Solar (HK)	ii	1,690	1,389
One-off transactions			
Acquisition of subsidiaries from a fellow subsidiary			
– Xinyi Power (BVI)	iii	4,083,256	—

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

	Note	Six months ended	
		30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000
Continuing transactions			
Solar farm operation and management services fee receivable from related parties	vi, vii		
– Chaohu Jindao		24	—
– Taonan Runhe		95	—
– Xinyi Solar (Bozhou)		72	—
– Xinyi Solar (Jinzhai)		123	—
– Xinyi Energy (Huaibei)		139	—
– Guangdong Shenke		57	—
– Xinyi Solar (Wangjiang)		138	—
– Xinyi Solar (Haikou)		80	—
– Huainan Xinyi Renewable Energy		85	—
		813	—
Discontinued operations			
Lease liabilities interest paid by the Group as a lessee to related parties			
– Cheer Wise	iv, vii	6	—
– Xinyi Energy Smart	v, vii	16	25
		22	25

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Notes:

- (i) Employee benefit expenses incurred by Xinyi Solar on behalf of the Solar Farm Business represent fees of a director, which are calculated based on the estimated time spent by the director on the Solar Farm Business for the periods. These employee benefit expenses were excluded from the interim condensed consolidated financial information.
- (ii) Employee benefit expenses incurred by Xinyi Solar (HK) on behalf of the Solar Farm Business include compensation for a director and certain senior management, which are calculated based on the estimated time spent by the employees on the Solar Farm Business for the periods. These employee benefit expenses were excluded from the interim condensed consolidated financial information.
- (iii) The acquisition of subsidiaries was transacted at mutually agreed prices and terms. Details of the acquisition were disclosed in Note 10 and in the Company's announcement dated 3 June 2019.
- (iv) Approximate 30 square meter ("sq.m.") office area in Hong Kong was provided by Cheer Wise, a related company owned as to 40% by Xinyi Solar, for the Group's occupation starting from October 2016 till April 2018 without consideration paid. From May 2018, the leases of premises have been charged at mutually agreed rental.
- (v) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart, a related company owned as to 100% by Xinyi Glass, for the Group's occupations with rental mutually agreed.
- (vi) The transactions were conducted at mutually agreed prices and terms.
- (vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	As at	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000
Due from fellow subsidiaries:		
– Chaohu Jindao	17	—
– Taonan Runhe	10	—
– Xinyi Solar (Bozhou)	18	—
– Xinyi Solar (Jinzhai)	72	—
– Xinyi Energy (Huaibei)	61	—
– Guangdong Shenke	19	—
– Xinyi Solar (Wangjiang)	79	—
– Xinyi Solar (Haikou)	8	—
– Huainan Xinyi Renewable Energy	79	—
	363	—
Due to a fellow subsidiary:		
– Xinyi Power (BVI)	1,660,300	—

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 a fellow subsidiary represents present value of estimated payment schedule of 50% of Target Acquisition consideration discounted at the effective interest rate of 6.38%. The amount is unsecured, non-interest bearing and payable on the 28 May 2023, or upon the receipt of the payment of the tariff adjustment by the solar power plant acquired from the PRC Government, whichever is earlier. The amount approximates its fair value and is denominated in HK\$.

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

	Note	As at	
		30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Restated)
Right-of-use assets in relation to office area recognised by the Group as a lessee to related parties			
– Cheer Wise	i, iii	140	225
– Xinyi Energy Smart	ii, iii	402	537
		542	762

Notes:

- (i) Approximate 30 square meter ("sq.m.") office area in Hong Kong was provided by Cheer Wise, a related company owned as to 40% by Xinyi Solar, for the Group's operation starting from October 2016 till April 2018 without consideration paid. From May 2018, the leases of premises have been charged at mutually agreed rental.
- (ii) Approximate 600 sq.m. office area in Wuhu has been provided by Xinyi Energy Smart, a related company owned as to 100% by Xinyi Glass, for the Group's occupations with rental mutually agreed.
- (iii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.

Notes to the Interim Condensed Consolidated Financial Statements

16 RELATED PARTY TRANSACTIONS (Continued)

(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 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000
Basic salaries, bonus, other allowances and benefits	2,182	960
Retirement benefits - defined contribution scheme	9	9
	2,191	969

The compensation of certain senior management incurred by Xinyi Solar and Xinyi Solar (HK) on behalf of the Solar Farm Business is disclosed in Notes 16(b)(i) and (ii), respectively.

(e) Guarantee of bank borrowings

As at 31 December 2018, the bank borrowings were secured by corporate guarantees provided by Xinyi Solar, the ultimate holding company, Xinyi Power (BVI), the immediate holding company and Xinyi Solar (BVI), a fellow subsidiary. Upon separate listing of the Company on 28 May 2019, the corporate guarantees were released and replaced by corporate guarantees provided by the Company and its subsidiaries.

17 CONTINGENCIES

The Group did not have any contingent liabilities as at 30 June 2019 and 31 December 2018.



Further Information on the Group

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Our Board has resolved to declare an interim dividend of 5.0 HK cents per Share for the six months ended 30 June 2019 (2018: Nil), totaling HK\$337.6 million (2018: Nil), to be paid to all shareholders (the “**Shareholders**”) of our Company with their names recorded on the register of members of the Company at the close of business on Thursday, 29 August 2019. The interim dividend is expected to be payable on or about Wednesday, 18 September 2019. The Company’s register of members will be closed from Tuesday, 27 August 2019 to Thursday, 29 August 2019 (both days inclusive), and during such period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 26 August 2019.

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

Further Information on the Group

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

During the period from the date of the Listing to 30 June 2019, except for the new issue of Shares under the Global Offering, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As at the date of this report and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from or any breach of the provisions in the Corporate Governance Code (the "CG Code") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules") during the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the period from the Listing Date to 30 June 2019.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Further Information on the Group

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares and the underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Name of the controlled corporation	Number of shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation ⁽¹⁾	Realbest (as defined below)	82,901,405	1.227%
	Interest in a controlled corporation ⁽¹⁾	Charm Dazzle (as defined below)	457,957,500	6.782%
	Interest in a controlled corporation ⁽²⁾	Full Guang (as defined below)	7,606,019	0.112%
	Joint interest ⁽¹⁾		3,575,733	0.053%
	Family interest ⁽¹⁾		4,337,354	0.064%
	Interest in persons acting in concert ⁽³⁾		893,081,718	13.226%
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Interest in a controlled corporation ⁽⁴⁾	Copark (as defined below)	29,803,255	0.441%
	Interest in a controlled corporation ⁽⁴⁾	Sharp Elite (as defined below)	187,687,500	2.779%
	Family interest ⁽⁴⁾		8,030,041	0.118%
	Interest in persons acting in concert ⁽³⁾		1,223,938,933	18.125%
Mr. LEE Yau Ching	Interest in a controlled corporation ⁽⁵⁾	Telerich (as defined below)	28,760,771	0.425%
	Interest in a controlled corporation ⁽⁵⁾	Precious Smart (as defined below)	112,612,500	1.667%

Further Information on the Group

Notes:

- (1) Dr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") and Charm Dazzle Limited ("**Charm Dazzle**") which in turn are the registered owner of 82,901,405 and 457,957,500 shares respectively. Dr. LEE Yin Yee, B.B.S. also has 3,575,733 shares jointly held with and 4,337,354 shares directly held by his spouse, Madam TUNG Hai Chi.
- (2) The interest in the shares are held through Full Guang Holdings Limited ("**Full Guang**"). Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (3) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie.
- (4) Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* is the beneficial owner of the entire issued share capital of Copark Investment Limited ("Copark") and Sharp Elite Holdings Limited ("**Sharp Elite**") which in turn are the registered owner of 29,803,255 and 187,687,500 shares respectively. Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M* also has 8,030,041 shares which directly held by his spouse, Madam SZE Tan Hung.
- (5) Mr. LEE Yau Ching is one of the two Directors of Telerich Investment Limited ("**Telerich**") and Precious Smart Limited ("**Precious Smart**"), both are incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 28,760,771 and 112,612,500 shares respectively.

Further Information on the Group

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2019, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and the underlying shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial shareholder	Nature of interest and capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	393,074,211	5.821%
Xinyi Solar Holdings Limited	Interest in a controlled corporation	3,558,555,000	52.700%
Xinyi Power (BVI) Limited	Beneficial owner	3,558,555,000	52.700%
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽¹⁾	218,182,567	3.231%
	Family interest ⁽¹⁾	5,657,906	0.083%
	Interest in persons acting in concert ⁽²⁾	1,225,619,256	18.150%
Mr. LEE Sing Din	Interest in a controlled corporation ⁽³⁾	141,373,271	2.093%
	Personal interest ⁽³⁾	375,000	0.005%
	Joint interest ⁽³⁾	6,919,618	0.102%
	Interest in persons acting in concert ⁽²⁾	1,300,791,840	19.263%
Mr. LI Man Yin	Interest in a controlled corporation ⁽⁴⁾	54,184,496	0.802%
	Personal interest ⁽⁴⁾	394,278	0.005%
	Family interest ⁽⁴⁾	162,325	0.002%
	Interest in persons acting in concert ⁽²⁾	1,394,718,630	20.654%
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁵⁾	58,371,793	0.864%
	Personal interest ⁽⁵⁾	200,000	0.003%
	Interest in persons acting in concert ⁽²⁾	1,390,887,936	20.598%

Further Information on the Group

Name of substantial shareholder	Nature of interest and capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁶⁾	72,716,178	1.076%
	Interest in persons acting in concert ⁽²⁾	1,376,743,551	20.388%
Mr. NG Ngan Ho	Interest in a controlled corporation ⁽⁷⁾	53,980,103	0.799%
	Personal interest ⁽⁷⁾	276,425	0.004%
	Interest in persons acting in concert ⁽²⁾	1,395,203,201	20.662%
Mr. LI Ching Leung	Interest in a controlled corporation ⁽⁸⁾	53,944,770	0.798%
	Personal interest ⁽⁸⁾	776,322	0.011%
	Family interest ⁽⁸⁾	45,870	0.0007%
	Interest in persons acting in concert ⁽²⁾	1,394,692,767	20.654%

Notes:

- (1) Mr. TUNG Ching Bor's interests in the shares are held through High Park Technology Limited and Xu Feng Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's family interest in the shares is directly held by his spouse, Madam KUNG Sau Wai.
- (2) Pursuant to an agreement dated 22 November 2018 and entered into by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M · D.M.S.M.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their shares allotted to them under a conditional distribution in specie.
- (3) Mr. LEE Sing Din's interests in the shares are held through Telerich Investment Limited and Precious Smart Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 375,000 shares held in his own name and 6,919,618 shares through a joint account with his spouse, Madam LI Kam Ha.
- (4) Mr. LI Man Yin's interests in the shares are held through Perfect All Investments Limited and Will Sail Limited, both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin also has 394,278 shares held in his own name and 162,325 shares through his spouse, Madam LI Sau Suet.

Further Information on the Group

- (5) Mr. LI Ching Wai's interests in the shares are held through Goldbo International Limited and Yuanyi Limited both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai. Mr. LI Ching Wai also has 200,000 shares held in his own name.
- (6) Mr. SZE Nang Sze's interests in the shares are held through Goldpine Limited and Day Dimension Investments Limited both are incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (7) Mr. NG Ngan Ho's interests in the shares are held through Linkall Investment Limited and Far High Investments Limited both are incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho. Mr. NG Ngan Ho also has 276,425 shares held in his own name.
- (8) Mr. LI Ching Leung's interests in the shares are held through Herosmart Holdings Limited and Heng Zhuo Limited both are incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 776,322 shares held in his own name and 45,870 shares through his spouse, Madam DY Maria Lumin.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive, as at 30 June 2019, the following Directors is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of companies which had such discloseable interest or short position	Position within such company
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Xinyi Group (Glass) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Xinyi Automobile Glass (BVI) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	Xinyi Glass Holdings Limited	Director

Further Information on the Group

Name of Director	Name of companies which had such discloseable interest or short position	Position within such company
Dr. LEE Yin Yee, B.B.S., Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M.</i> , Mr. LEE Yau Ching	Xinyi Solar Holdings Limited	Director
Mr. LEE Yau Ching	Xinyi Power (BVI) Limited	Director

Save as disclosed above, the Directors are not aware of any persons who were directly or indirectly interested in 10% or more of the shares then in issue, or equity interest in any member of the Group representing 10% or more of the equity interest in such company, or who had any interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2019.

REVIEW OF THE INTERIM RESULTS

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. The written terms of reference of the Audit Committee are published on the websites of the Stock Exchange and the Company, respectively. It comprised of three independent non-executive Directors, namely, Mr. LEUNG Ting Yuk (Chairman of Audit Committee), The Hon. IP Kwok Him, G.B.M., G.B.S., J.P. and Ms. LYU Fang.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control procedures and financial reporting matters including the review of the Group’s half year financial results for the interim period. The Audit Committee is of the view that the interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

The interim condensed consolidated financial statements for the interim period has been reviewed by the Audit Committee.



Further Information on the Group

PricewaterhouseCoopers, the external auditor of the Company, has also been reviewed the interim condensed consolidated financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Report on Review of Interim Financial Information is set out on page 19 to 20 of this report.