ANNUAL REPORT 2014

信義光能控股有限公司
XINYI SOLAR HOLDINGS LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock code: 00968

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai *(Vice Chairman)* ø<
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHEN Xi

NON-EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. *(Chairman)* ø~
Mr. LEE Shing Put

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul *ø<
Mr. LO Wan Sing, Vincent # +<
Mr. KAN E-ting, Martin # ø<

* Chairman of audit committee
# Members of audit committee
+ Chairman of remuneration committee
ø Members of remuneration committee
~ Chairman of nomination committee
< Members of nomination committee

COMPANY SECRETARY

Mr. CHU Charn Fai, FCCA, CPA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Xinyi PV Glass Industrial Zone
2 Xinyi Road
Wuhu Economic and Technology Development Zone
Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3rd Floor, Harbour View 2
16 Science Park East Avenue
Phase 2, Hong Kong Science Park
Pak Shek Kok, Taipo
New Territories, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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

AUDITOR

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

PRINCIPAL BANKERS

The Bank of East Asia Limited
Citibank, N.A., Hong Kong branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Huishang Bank Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman 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.xinyisolar.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$2.30
Market capitalisation as of the date of this annual report: Approximately HK$13,984 million

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting:
Wednesday, 27 May 2015 to Friday, 29 May 2015 (both days inclusive)
Date of Annual General Meeting:
Friday, 29 May 2015
Closure of register of members for the purpose of entitlements to the final dividend:
Friday, 5 June 2015 to Tuesday, 9 June 2015 (both days inclusive)
Proposed final dividend payable date:
On or before Tuesday, 7 July 2015

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2014. The completion of construction and on-grid connection of our utility-scale ground-mounted solar farms during the year marked an important milestone in the Group's downstream business development. In addition, the Group has significantly increased its ultra-clear photovoltaic ("**PV**") raw glass ("**PV Raw Glass**") daily melting capacity from 2,000 tonnes at the beginning of 2014 to 3,800 tonnes at the year end. In terms of production capacity, the Group has already largely outperformed its peers in the solar glass industry. Integration of the Group's upstream and downstream businesses not only provides complementary advantages in expanding the Group's businesses and promoting new products, but also helps to maintain and strengthen the Group's industry leading position.

During the year under review, the Group's solar glass business recorded satisfactory results and the Group's solar farm business also started to have contribution. As compared with 2013, revenue of the Group rose by 22.5% to HK$2,410.0 million and profit attributable to equity holders of the Company increased by 62.3% to HK$493.0 million in 2014. Basic earnings per Share was 8.42 HK cents, as compared with 7.33 HK cents last year. A final dividend of 2.40 HK cents per Share is proposed, subject to the approval by the shareholders (the "**Shareholders**") of the Company at the forthcoming annual general meeting (the "**Annual General Meeting**").

CONTINUED AND ROBUST DEMAND GROWTH WITH NEW MOMENTUM FROM ASIA

Because of project delay and difficulties encountered in implementing distributed solar farm projects, China's PV demand was slower than the generally expected levels during the first three quarters of 2014. The year-end surge of PV installation, however, drove up the demand in the fourth quarter of 2014. According to the National Energy Administration ("**NEA**") in the PRC, new PV capacity of 10.6 gigawatt ("**GW**") was commissioned in 2014. The target of 14 GW could not be achieved. Nonetheless, PV installation remained strong and was very close to the record-high level of 11.3 GW in 2013. This, together with the high demands from North America, Japan and other Asian countries, primarily drove the growth in the global PV demand during the year. The demand from the European countries, even though it was improved during the second half of 2014, remained relatively weak amid declining government support and incentive programmes. In 2014, the Group's sales to the European countries represented less than 1% of the Group's total revenue. Rapid development of PV installations in Asian countries has occurred and is expected to continue in the coming years as the use of solar energy (as an alternative energy) is generally at a low level in the region. The Board expects that the growth in the developing PV markets will outpace the slowdown in the well-established markets and is optimistic about the outlook and the prospects of the global PV market.

CAPACITY EXPANSION AND EFFICIENCY IMPROVEMENT

To achieve a more sustainable global environment, the increasing use of renewable energy is irreversible. Because of efficiency improvement, unit cost for PV systems continues to decrease. The global PV demand, particularly in Asia, is poised to grow strongly in the coming years, even though challenges may be encountered in some countries.

To meet the rapidly increasing demand, the Group has expanded its production capacity by installing two new PV Raw Glass production lines (with a daily melting capacity of 900-tonne each) in Wuhu, Anhui province, the PRC during the year. Production of these two new production lines started in the third and fourth quarters of 2014, respectively, thereby increasing the Group's daily melting capacity to 3,800 tonnes by the end of 2014.

The benefit from the economies of scale will keep the Group to stay ahead of its competitors, operate in a more cost-efficient manner, mitigate the impact of increasing prices of natural gas and other production costs and increase its overall competitiveness.

PRODUCT ENHANCEMENT AND PRODUCT MIX OPTIMISATION

The Group has also continued its efforts in improving the quality of its existing products, which include enhancing the transmittance rate and lowering the defect rate of its solar glass products. In addition, the Group also collaborated with its customers on product innovation and new product development and applications. An example of this is the double glass module. By using thinner solar PV glass as the front cover and semi-tempered glass as the back cover, the overall transmittance efficiency and durability of solar module can be improved.

As part of its overall marketing and product development strategy, the Group has extended its focus on the sales of ultra clear PV processed glass ("**PV Processed Glass**"). This trend is expected to continue in 2015. As such, the Group has upgraded the processing facilities of its tempering and anti-reflective coating processes during the year. Given the higher selling price and better margin of PV Processed Glass over PV Raw Glass, the Board expects that a higher percentage of sales will be generated from the sales of PV Processed Glass. This would improve the overall profit performance of the Group.

DIVERSIFIED PRODUCTION BASES FOR FUTURE EXPANSION

As a strategic step to diversify its production base and strengthen its overseas sales, the Group has started its expansion plan of constructing a solar glass production plant in Malaysia, which includes one PV Raw Glass production line (with a daily melting capacity of 900-tonne) and corresponding downstream processing facilities. These developments would promote the sales of the Group's solar glass products to Malaysia and other Southeast Asian countries.

DOWNSTREAM SOLAR FARM BUSINESS – NEW EARNINGS DRIVER

Leveraging the experience in constructing distributed roof-top PV electricity generation systems for its own use, the Group has launched several utility-scale ground-mounted solar farm projects in 2014 and will continue to proactively explore the investment opportunities related to ground-mounted solar farm and distributed PV generation system.

The Group's downstream solar farm business started revenue contribution in the fourth quarter of 2014. During the year of 2014, construction and on-grid connection of two ground-mounted solar farms with an aggregate capacity of 250 megawatt ("**MW**") were completed. Other than these, solar farm projects with an aggregate capacity of 100 MW are under construction and expected to be completed in the first half of 2015. These projects include a 30MW facility in Nanping, Fujian Province, a 50MW facility in Huanggang, Hubei Province and a 20MW facility in Bozhou, Anhui Province.

For the distributed PV generation projects, the Group completed the installation of 13.1MW and 25MW roof-top solar panel system at its Wuhu and Tianjin production plants, respectively, in 2014. The electricity generated from these systems is for self-consumption by the Group.

As an initial move to expand its solar farm engineering, procurement and construction ("**EPC**") business, the Group entered into an EPC contract of RMB750 million in January 2015 for the installation of distributed solar farms (mostly individual household systems) in Anhui Province, the PRC. To the Group, this contract has not only tapped a new revenue stream, but also serves as a model that the Group may apply to its EPC business in future.

Chairman's Statement

BUSINESS OUTLOOK

As affected by project delay and lower-than-expected installation for distributed generation system, the target of PV installation of 14GW in 2014 in China was not reached. This represents a natural cooling down after the explosive growth in 2013. Given the growing concerns about the environmental and social benefits of using green energy as well as the increasing competiveness of PV power as compared to other source of energy, the Board expects that robust development in China's PV market will continue in the coming years.

Other emerging PV markets such as Africa, the Middle East and Latin America, are also on the brink of starting their development. With the PV potential progressively unleashed in these countries, the global PV market growth is expected to be impressive in the coming years.

The Group always looks for ways that it can enhance its product quality and operational efficiency. With the production know-how and technical experience learned from the newly installed 900-tonne PV Raw Glass production lines, the Group is now pursuing some modifications and upgrades of its 500-tonne PV Raw Glass production lines. The upgrading work commenced in the middle of February 2015 for one of these production lines in Wuhu. This upgraded production line is expected to resume production in the middle of 2015. Later and if appropriate, the Group may consider performing similar modifications and upgrades on its other 500-tonne PV Raw Glass production lines.

Recognising that the increasing use of dual glass modules is a future trend, the Group will strengthen its marketing efforts in this direction for the year ahead. In addition, the Group will adjust its production facilities so as to increase the supply of back glass (which is used as the back sheet to support the solar module) and reduce the thickness of the solar glass it produces accordingly.

In January 2015, NEA issued a consultation paper regarding the 2015 PV installation target in China. The proposed target is 15GW for the year, with distributed and ground-mounted PV power plants of 7GW and 8GW respectively. Given the favourable government policies and for the purpose of achieving a more balanced and stable revenue stream, the Group has set its sights on further expansion of its downstream solar farm business. The Group has already witnessed a success in its on-grid connection of 250MW ground-mounted solar farms and 38.1MW distributed roof-top projects during 2014. Looking ahead, the Group will seek other similar investment opportunities to expand its downstream business in the value chain.

CONCLUSION

Over the years, the Group has successfully demonstrated its ability to maintain the market leadership and has gained greater market share by seizing market opportunities in China and overseas. By moving to the downstream solar farm business, the Group has advanced to another stage of growth. Parallel progress in both the solar glass and solar farm businesses will continue. Moving forward, the Group will focus on implementing cost saving and efficiency improvement measures, product innovation and market development as well as strengthening its financial position to pave the way for sustainable growth in its solar glass and solar farm businesses.

LEE Yin Yee, M.H.
Chairman

1 March 2015

Management's Discussion and Analysis

OVEREVIEW

With vigorous growth in North America, Japan and other Asian countries, the global PV market continued its remarkable expansion in 2014, even though the growth in the PV installation were lower than expected level in China. The demand for different PV components, including solar glass products, remained strong in 2014. Taking advantage of the industry trends, Xinyi Solar has dramatically scaled up its production capacity by adding two new 900-tonne PV Raw Glass production lines. On the downstream side, the Group has completed the construction and on grid-connection of two ground-mounted solar farms with an aggregate capacity of 250MW.

The Group recorded satisfactory results for the year of 2014 primarily due to ongoing efforts in capacity expansion, efficiency improvement, product mix optimisation and the revenue contribution from the newly completed solar farms. For the year ended 31 December 2014, the consolidated revenue of the Group was HK$2,410.0 million, representing a year-on-year growth of 22.5% and the profit attributable to shareholders also surged by 62.3% to HK$493.0 million. Basic earnings per Share were 8.42 HK cents for 2014, as compared to 7.33 HK cents for 2013.

FINANCIAL REVIEW

Revenue

In 2014, the revenue of the Group was mainly derived from: (i) sales of solar glass products, including PV Raw Glass and PV Processed Glass and other glass and (ii) solar power electricity generation.

	Year Ended 31 December					
	2014		2013		Increase/(Decrease)	
	HK$'million	**% of revenue**	HK$'million	% of revenue	HK$'million	%
Revenue – By products						
Solar glass						
PV Raw Glass	**237.2**	**9.8**	561.9	28.6	(324.7)	(57.8)
PV Processed Glass and other glass	**2,142.2**	**88.9**	1,405.6	71.4	736.6	52.4
	2,379.4	**98.7**	1,967.5	100.0	411.9	20.9
Solar farm						
Solar power electricity generation	**30.6**	**1.3**	—	—	30.6	—
Total external revenue	**2,410.0**	**100.0**	1,967.5	100.0	442.5	22.5
Revenue – By geographical markets						
Mainland China	**1,945.7**	**80.7**	1,673.4	85.1	272.3	16.3
Other countries	**464.3**	**19.3**	294.1	14.9	170.2	57.9
Total external revenue	**2,410.0**	**100.0**	1,967.5	100.0	442.5	22.5

Management's Discussion and Analysis

PV installations within China increased at a slower pace but there was vigorous growth in the PV installation in other markets such as North America, Japan and other Asian countries. The overall demand for PV products was strong for 2014 and the prices for the PV Processed Glass remained relatively stable throughout the year. The prices for PV Raw Glass declined in the last few months of 2014 amid the addition of new production capacity by some PV Raw Glass manufacturers, including the Group, during the year.

For the year ended 31 December 2014, the Group reported consolidated revenue of HK$2,410.0 million, representing solid increase of 22.5% over 2013. This increase was mainly contributed by the solar glass business as the Group's solar farms only completed on-grid connection during the last quarter of the year.

For the Group's solar glass business, revenue growth in 2014 was mainly driven by: (i) continuous optimisation of the product mix of the Group to PV Processed Glass, which had higher average selling prices and accounted for about 80% of the total sales volume in 2014, as compared with around 60% in 2013. The total sales volume of the solar glass products of the Group increased slightly by around 4% in 2014.

Regarding the downstream solar farm business, the Group has completed the construction and on-grid connection of two ground-mounted solar farms with an aggregate capacity of 250 MW in Anhui Province, the PRC. The first solar farm (150MW in Jinzhai County) and the second one (100MW in Wuhu) started revenue contributions in the fourth quarter of 2014 and the first quarter of 2015, respectively. Income derived from the Group's solar farm business amounted to approximately HK$30.6 million in 2014.

Gross profit

In 2014, the total gross profit of the Group increased by HK$168.6 million, or 28.5%, from HK$592.3 million in 2013 to HK$760.9 million in 2014. The overall gross profit margin increased to 31.6% (2013: 30.1%), mainly due to the continuous changes in the product mix with a higher percentage in the sales volume and revenue contribution from PV Processed Glass and the revenue and profit contributions from the solar farm business of the Group.

For the Group's solar glass business, the increases in the energy and certain material costs have posed challenges on the Group's gross profit margin. To mitigate this impact, the Group has implemented stringent measures in cost control and production technology improvement to reduce energy consumption costs and improve output rates. Nevertheless, the profit margins of PV Raw Glass and PV Processed Glass still dropped by 7.3% and 1.7% respectively to 11.1% and 33.1% in the year of 2014. The improvement in the product mix, with more focus on PV processed glass, has helped the Group to boost the overall gross profit margin for its solar glass segment by 0.8% to 30.9% in 2014.

With grid connection only completed in the later months of the year, the gross profit contribution from the Group's solar farm business was approximately HK$26.6 million in 2014.

Other income

In 2014, the Group's other income increased by HK$24.7 million to HK$87.4 million, as compared with HK$62.7 million for 2013. The increase was principally due to (i) the increase in the government grants received by the Group and (ii) the increase in other income from early settlement with suppliers.

Other (losses)/gains, net

Other losses, net of HK$13.0 million (2013: other gains, net of HK$0.2 million) were recorded in 2014. The other losses for the year were principally due to the exchange losses arising from the export sales transactions and import of machinery and materials from overseas.

Selling and marketing expenses

The Group's selling and marketing expenses amounted to HK$98.5 million in 2014 and HK$124.3 million in 2013, representing 4.1% and 6.3% of the revenue of the Group, respectively. The decrease was principally due to the reduced transportation cost as a result of: (i) a change in market mix – a higher percentage of total sales was derived from Asian countries; (ii) more sales being priced on an ex-factory basis; and (iii) reduced internal transfer of solar glass products between the production plants in Wuhu and Tianjin.

Administrative expenses

The Group's administrative expenses decreased by HK$2.1 million, or 1.3% from HK$162.2 million in 2013 to HK$160.1 million in 2014. The decrease was principally attributable to the combined impact of: (i) no listing expenses incurred in 2014 versus HK$22.6 million in 2013; (ii) the increase in the research and development expenses of HK$22.2 million; and (iii) the decreases in the office and other miscellaneous expenses. The ratio between the administrative expenses and the revenue of the Group was reduced to 6.6% in 2014, as compared with 8.2% in 2013.

Income tax expense

In 2014, the Group's income tax expense increased to HK$78.7 million in 2014 as compared with HK$66.7 million in 2013. Xinyi PV Products (Anhui) Holdings Limited, a wholly-owned subsidiary of the Company in China, was granted the "high-technology enterprise" status and currently enjoys the preferential corporate income tax rates of 15% for three years commenced from 2014. The Group's subsidiaries operating the solar farms are fully exempted from corporate income tax for three years starting from their first year of profitable operations, followed by a 50% reduction in corporate income tax in the next three years. The effective tax rate of the Group in 2014 was 13.8% as compared with 18.0% in 2013 because no deferred tax provision was made in 2014 for the dividend withholding tax on the distributable profit of the Group's PRC subsidiaries.

EBITDA and net profit

In 2014, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$673.6 million, representing an increase of 43.3% as compared with HK$470.2 million in 2013. The Company's EBITDA margin (calculated based on turnover) was 27.9% in 2014 as compared with 23.9% in 2013.

Net profit attributable to equity holders of the Company in 2014 was HK$493.0 million, representing an increase of 62.3%, as compared with HK$303.8 million in 2013. Net profit margin increased to 20.5% in 2014 from 15.4% in 2013, principally due to: (i) improvement in the solar glass product mix of the Group; (ii) benefits from the economies of scale and efficiency improvement as a result of capacity expansion and technological upgrades; (iii) more stringent measures on cost controls; and (iv) additional revenue contribution from the solar farms.

Management's Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

The Group remained in a strong liquidity and financial position for the year ended 31 December 2014. During the year, the total assets of the Group increased by 114.5% to HK$5,764.0 million and shareholders' equity increased by 43.1% to HK$3,305.9 million. The Group's current ratio as at 31 December 2014 was 1.2, as compared with 2.9 as at 31 December 2013. The drop was mainly due to the increase in the current liabilities of the Group, including bank borrowings and other payables for equipment for the solar farm business.

For the year ended 31 December 2014, the Group's primary source of funding included cash generated from its operating activities, share issuance and the credit facilities provided by banks. Net cash inflow from operating activities amounted to HK$715.0 million (2013: HK$653.7 million). The increase was primarily attributable to the increase in revenue, partly offset by the increase in inventory of solar glass products. Because of the year-end rush of PV installation in China, the Group's finished good inventory dropped to a very low level at 31 December 2013 and rebounded to a normal level in 2014. Net cash used in investing activities amounted to HK$2,328.0 million (2013: HK$124.6 million). The significant increase was primarily due to the capital expenditures incurred for solar farm projects and the new solar glass production lines. Net cash generated from financing activities amounted to HK$1,878.3 million (2013: net cash used HK$305.3 million). During the year, the Group secured bank borrowings of HK$1,300.0 million and raised net proceeds of HK$778.2 million by way of new issue of shares. The net proceeds from the new issue of share were used in full for the capital expenditure on the Group's solar farm projects.

The Group's net debt gearing ratio as at 31 December 2014 was 22.9% (31 December 2013: not applicable as the Group was in net cash). This ratio is based on the aggregate of the total bank borrowings less cash and bank balances divided by the total equity of the Group. The gearing level of the Group increased in 2014 primarily due to the rapid expansion of the its solar farm projects.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$2,381.0 million for year ended 31 December 2014, which was principally relating to the construction of solar farms and the new solar glass production lines. The Group's capital commitments as of 31 December 2014 amounted to HK$5,570.9 million, which were principally related to the development of solar farm projects. The amount of the capital commitment included the contracted and the estimated amount of capital expenditure that may be incurred by the Group principally for the solar farm projects planned to be undertaken. These solar farm projects are subject to the approval of the relevant government authorities in the PRC.

PLEDGE OF ASSETS

No assets were pledged by the Group as security for borrowings as at 31 December 2014 and 2013.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had about 2,250 full-time employees, with the majority based in China. Remuneration packages offered to the Group's employees are generally consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Group maintains good working relationship with its employees and views a committed and competent workforce as a key to corporate success. Various training programmes have been provided to the employees of the Group so as to keep them abreast of the products of the Group and the production process.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible Chinese government authorities for the Group's employees in China. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are duly implemented.

In June 2014, the Company adopted a share option scheme (the "**Share Option Scheme**"). Pursuant to the Share Option Scheme, 4,039,500 share options were granted to selected employees and an executive director in July 2014. The share options are conditional on the employee completing three year's service (the vesting period) and exercisable starting three years from the grant date. No share options were exercised or lapsed during the year ended 31 December 2014. The expiry date of these share options is 23 July 2018. For further details of the Share Option Scheme, please refer to pages 26 to 28 of this annual report and the circular issued by the Company on 30 April 2014.

FINAL DIVIDEND

The Company paid an interim dividend of 1.60 HK cents per share for the year ended 31 December 2014. At the meeting of the board of Directors held on 1 March 2015, the Directors proposed a final cash dividend of 2.40 HK cents per share for 2014.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group mainly operates in the PRC with most of the transactions denominated and settled in Chinese Renminbi ("**RMB**") and US Dollar ("**USD**"). Given the exchange rate peg between Hong Kong dollars ("**HKD**") and USD, the Directors do not foresee that the Group will be exposed to significant exchange rate risk for transactions conducted in HKD or USD. However, exchange rate fluctuation between RMB and HKD or RMB and USD may affect the Group's financial performance and asset value. The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. For the year ended 31 December 2014, the Group did not use any financial instrument for hedging purposes.

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. LEE Yin Yee, M.H. (李賢義), aged 62, is a non-executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Mr. LEE Yin Yee, M.H. joined our Group in July 2006. Mr. LEE Yin Yee, M.H. has 26 years experience in the glass industry. Mr. LEE Yin Yee, M.H. is the founder of Xinyi Glass Holdings Limited ("**Xinyi Glass**") (stock code: 00868), a company listed on the Hong Kong Stock Exchange, and its subsidiaries ("**Xinyi Glass Group**") and is currently an executive director and the chairman of Xinyi Glass. Prior to establishing the Xinyi Glass Group, Mr. LEE Yin Yee, M.H. engaged in the trading of automobile parts. Mr. LEE Yin Yee, M.H. is a committee member of the 12th Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Mr. LEE Yin Yee, M.H. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Mr. LEE Yin Yee, M.H. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Mr. LEE Yin Yee, M.H. is the brother-in-law of Mr. TUNG Ching Sai, an executive Director, and an uncle of Mr. LEE Yau Ching, our Chief Executive Officer and an executive Director.

EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai (董清世), aged 49, is an executive Director and our Vice Chairman and is responsible for the formulation of our Group's overall business strategy and overseeing the implementation of the business strategies. Mr. TUNG joined our Group in July 2006. Mr. TUNG has been working in Xinyi Glass Group for 26 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Mr. TUNG Ching Sai is a committee member of The Chinese People's Political Consultative Conference of Fujian Province, vice chairman of the China Architectural and Industrial Glass Association, and the chairman of the Shenzhen Federation of Young Entrepreneurs. Mr. TUNG obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hongkong 2006". Mr. TUNG graduated from the Sun Yat-Sen University with a senior executive master degree in business administration in 2007. Mr. TUNG is the brother-in-law of Mr. LEE Yin Yee, M.H., our Chairman and a non-executive Director.

Mr. LEE Yau Ching (李友情), aged 39, is an executive Director and our Chief Executive Officer. Mr. LEE Yau Ching is responsible for the daily operation of our business operations. Upon graduating from The Hong Kong University of Science and Technology in 1999 with a bachelor's degree in business administration majoring in finance, Mr. LEE Yau Ching joined the Xinyi Glass Group in June 1999. From June 1999 until February 2004, Mr. LEE Yau Ching worked in various functions within Xinyi Glass Group, including overseas sales, finance, production and sales of construction glass and production and sales of automobile OEM glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass Group responsible for planning the overall marketing strategy and overseeing the marketing department. From February 2006 to February 2011, Mr. LEE Yau Ching was the chief operations officer of Xinyi Glass Group. Mr. LEE Yau Ching has since 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013. Mr. LEE Yau Ching started to involve in our business in mid-2006 and has since November 2010 been the Chief Executive Officer overseeing our business. Mr. LEE Yau Ching is now a committee member of the 12th Chinese People's Political Consultative Conference of Dongguan, Guangdong Province and was awarded the "Young Industrialist Awards of Hong Kong 2014". Mr. LEE Yau Ching is a nephew of Mr. LEE Yin Yee, M.H., our Chairman and a non-executive Director, and a cousin of Mr. LEE Shing Put. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling shareholders of Xinyi Glass.

Mr. LI Man Yin (李文演), aged 60, is an executive Director and is responsible for overseeing the purchase and procurement functions of our business since December 2011. Mr. LI Man Yin was appointed as our executive Director on 20 September 2013. Mr. LI Man Yin has since June 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013.

Mr. CHEN Xi (陳曦), aged 57, is an executive Director and is responsible for overseeing the production and new projects. Mr. CHEN joined our Company in November 2010 as vice president of our TCO glass business. Mr. CHEN was appointed as our executive Director on 20 September 2013. Mr. CHEN obtained a bachelor's degree in machinery manufacturing technology, equipment and automation from Sichuan Industrial Institute (四川工業學院) in 1983. From December 1989 to February 1994, Mr. CHEN was an assistant engineer and engineer of Zhongshan Tractor Factory* (中山市拖拉機廠), responsible for machinery design and manufacture. From February 1994, Mr. CHEN started to work for Grand Engineering Glass Co., Ltd. (格蘭特工程玻璃(中山)有限公司) as production equipment manager. From September 1997 to April 2003, Mr. CHEN was the general manager of this company, overseeing its operation. Mr. CHEN joined Xinyi Glass Group in June 2003. From June 2003 to mid-2010, Mr. CHEN was principally responsible for the construction and operation of the construction glass production lines of Xinyi Glass Group in Dongguan.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Put (李聖潑), aged 37, is our non-executive Director. Mr. LEE Shing Put joined our Company in September 2013 and was appointed as our non-executive Director on 20 September 2013. Prior to joining us, Mr. LEE Shing Put had been engaged in information technology and investment businesses in Hong Kong and China since 2001. Mr. LEE Shing Put graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics. Mr. LEE Shing Put was the executive director of Xinyi Glass from June 2004 to October 2008. Mr. LEE Shing Put is currently a committee member of the 11th All-China Youth Federation and a committee member of the 5th Shenzhen Political Consultative Conference. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, M.H., our Chairman and a non-executive Director, a cousin of Mr. LEE Yau Ching, and a nephew of Mr. TUNG Ching Sai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin Paul (鄭國乾), aged 63, is an independent non-executive Director. Mr. Cheng has over 30 years of experience in the accounting and finance disciplines. Mr. CHENG joined Leach & Co., Chartered Accountants, of London, United Kingdom in 1972, and qualified as a Chartered Accountant in 1976. Mr. CHENG became a partner of the firm in 1978 and retired from the partnership in 1992. Mr. CHENG was with Mitsubishi UFJ Securities (HK) Holdings, Limited between April 2006 and December 2012. Mr. CHENG joined the company initially as a managing director, head of legal, compliance and company secretary. Mr. CHENG was appointed as a board director and deputy president of the company in November 2007 and held these positions until his retirement in December 2012.

Profile of Directors and Senior Management

Mr. CHENG was admitted as an Associate of the Institute of Chartered Accountants in England and Wales (''**ICAEW**'') and of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") in 1976 and 1982, respectively. He was made Fellow of ICAEW in 1982 and Fellow of HKICPA in 1990. Mr. CHENG was a member of Corporate Finance Committee of the HKICPA from 2006 to 2012. Currently, Mr. CHENG is a member of the Audit Profession Reform Working Group of the HKICPA and a member of the Membership Committee of the Hong Kong Securities and Investment Institute. Mr. CHENG serves as an independent non-executive director of RM Group Holdings Limited (stock code: 8185), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. CHENG serves as an independent non-executive director of Forterra Real Estate Pte. Ltd, which is a trustee-manager of Forterra Trust ("**Forterra**"), a registered business trust formerly listed on the Singapore Exchange Securities Trading Limited ("**Singapore Stock Exchange**"). Forterra was delisted from the Singapore Stock Exchange on 13 February 2015, following the completion of a mandatory cash offer for Forterra which commenced in November 2014 by its largest unitholder, a member of the Nan Fung Group ("**Nan Fung**"), resulting in Nan Fung holding all of the issued units of Forterra. From 23 June 2014 onwards, Mr. CHENG serves as an independent non-executive director of Kin Yat Holdings Limited (stock code: 638), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. LO Wan Sing, Vincent (盧溫勝), aged 67, is an independent non-executive Director. Mr. LO is a member of the Chinese People's Political Consultative Conference, with a Bronze Bauhinia Star (BBS) awarded on 1 July 2011 by the government of Hong Kong. Mr. LO is the vice chairman and managing director of Good Fellow Resources Holdings Limited (Stock code: 00109), a company listed on the Hong Kong Stock Exchange.

Mr. KAN E-ting, Martin (簡亦霆), aged 32, is an independent non-executive Director. Mr. KAN graduated from the University of Sydney with a bachelor's degree in engineering majoring in software engineering in 2005 and a bachelor's degree in laws in 2007. Mr. KAN joined Mallesons Stephen Jaques (now known as King & Wood Mallesons) in August 2008 as a trainee solicitor and left the firm as a solicitor in corporate finance and capital markets practice in February 2013. Mr. KAN was admitted as a lawyer of the Supreme Court of New South Wales, Australia, in July 2008. Mr. KAN was admitted as a solicitor of the High Court of Hong Kong in April 2011. Since April 2013, he has been the deputy general manager of Ming Hong Technology (Shenzhen) Limited, which is primarily engaged in the business relating to the design and production of consumer electronics products.

Save as disclosed above, our Directors has no relationship with each other, senior management staff or substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, none of our Directors has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this annual report and there is no information which needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or any other matters concerning any Director which need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. CHU Charn Fai (朱燦輝), aged 45, is our Financial Controller and our Company Secretary. Mr. CHU joined us in April 2011. Prior to joining us, Mr. CHU was the financial controller of Minmetals Resources Limited (a company listed on the Hong Kong Stock Exchange, now known as MMG Limited) (stock code: 01208) during the period between August 2002 and August 2010. Mr. CHU started working with Minmetals Resources Limited in February 1998 and held various positions in the finance department during the period up to July 2002. Before joining Minmetals Resources Limited, Mr. CHU worked in an international accounting firm for more than four years. Mr. CHU obtained a higher diploma in business studies from City Polytechnic of Hong Kong in 1992, a bachelor's degree in applied computing from The Open University of Hong Kong in 2001 and a master's degree in corporate finance from The Hong Kong Polytechnic University in 2006. Mr. CHU is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. LIU Xiao Rong (劉笑榮), aged 35, is our General Manager, responsible for overseeing our ultra-clear photovoltaic glass business. Mr. LIU obtained a bachelor's degree in inorganic non-metal materials from Northwest Institute of Light Industry* (西北輕工業學院) (now known as Shanxi University of Science & Technology (陝西科技大學)) in July 2002. Mr. LIU joined Xinyi Glass Group in July 2007 as a raw material engineer of our solar glass business. From February to June 2009, Mr. LIU was transferred to the group management office of Xinyi Glass as an assistant of the chief executive officer, focusing on the development of our solar glass business. Since October 2008, Mr. LIU has been working for us and worked as our vice general manager of production from October 2010 to December 2013. In December 2013, Mr. LIU was appointed as general manager of our ultra-clear photovoltaic glass business.

Mr. WEN Jie (文杰), aged 53, is our Vice General Manager of Sales, responsible for overseeing the sales function of our photovoltaic glass business. Mr. WEN studied chemical technology at Tianjin Chemical Vocational University* (天津市化工職業大學) from 1980 to 1983. From 1997 to 2004, Mr. WEN worked in Tianjin Nippon Sheet Glass Co. Ltd.* (天津日板浮法玻璃有限公司) as a sales manager. From 2004 to 2009, Mr. WEN worked for Tianjin NFG Glass Fibre Co., Ltd. (天津日硝玻璃纖維有限公司). Mr. WEN joined us in May 2009 as the vice general manager of sales.

* For identification purpose only.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year of 2014.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the code provisions of the CG Code for the year ended 31 December 2014.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 12 to 14 of this annual report.

The four executive Directors are Mr. TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi. Mr. TUNG is the brother-in-law of Mr. LEE Yin Yee, M.H. Mr. LEE Yau Ching is a nephew of Mr. LEE Yin Yee, M.H. and a cousin of Mr. LEE Shing Put.

The two non-executive Directors are Mr. LEE Yin Yee, M.H. and Mr. LEE Shing Put. Mr. LEE Yin Yee, M.H. is the father of Mr. LEE Shing Put, and also the brother-in-law of Mr. TUNG Ching Sai, and an uncle of Mr. LEE Yau Ching. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, M.H. and a cousin of Mr. LEE Yau Ching and a nephew of Mr. TUNG Ching Sai.

The three independent non-executive Directors are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.

The Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

The Company has adopted the board diversity policy (the "**Diversity Policy**") as required by the CG code. The nomination committee of the Board (the "**Nomination Committee**") will monitor the implementation of the Diversity Policy and review the same as appropriate.

Mr. LEE Yin Yee, M.H. is the Chairman of the Group and Mr. LEE Yau Ching is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board and ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. LEE Yau Ching closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. LEE Yau Ching is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

The two non-executive Directors and the three independent non-executive Directors were appointed for a term of three years, commencing from 19 November 2013. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

Attendance records of the Directors at board meetings and annual general meeting held in 2014 are as follows:

	Meetings attended/held	
Directors	Board meetings	Annual general meeting
Executive		
TUNG Ching Sai *(Vice Chairman)*	4/4	1/1
LEE Yau Ching *(Chief Executive Officer)*	4/4	1/1
LI Man Yin	4/4	1/1
CHEN Xi	4/4	0/1
Non-executive		
LEE Yin Yee, M.H. *(Chairman)*	4/4	1/1
LEE Shing Put	4/4	1/1
Independent non-executive		
CHENG Kwok Kin, Paul	4/4	0/1
LO Wan Sing, Vincent	4/4	0/1
KAN E-ting, Martin	4/4	1/1

Corporate Governance Report

At least four Board meetings are scheduled to be held during the year ending 31 December 2015.

In additions to board meetings, the Chairman also holds meetings from time to time with executive Directors and at least one meeting with non-executive Directors (including independent non-executive Directors) annually without the presence of executive Directors.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in relation to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on the business operation of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2014 and up to the date of this annual report.

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "**Remuneration Committee**") comprises five members, namely Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Sai, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. The chairman of the Remuneration Committee is Mr. LO Wan Sing, Vincent.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2014, a meeting of the Remuneration Committee was held on 23 July 2014 and all the committee members attended this meeting. In the meeting, the Remuneration Committee reviewed the remuneration packages of each Director and made recommendations to the Board.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2014 is set forth below:

In the band of:	Number of individuals
Below HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1

Details of the Directors's remuneration is set out in Note 9 to the consolidated financial statements of the Group on pages 80 to 83 in this annual report.

AUDIT COMMITTEE

The audit committee of the Board ("**Audit Committee**") comprises three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. Mr. CHENG Kwok Kin, Paul is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. The Audit Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2014 on 26 February 2014, 23 July 2014 and 26 September 2014, respectively, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee consists of five members, namely Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Sai, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. The chairman of the Nomination Committee is Mr. LEE Yin Yee, M.H.

The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The Nomination Committee held no meeting during the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 39 and 40 of this annual report.

AUDITORS' REMUNERATION

The professional fees charged by the external auditors of the Company, PricewaterhouseCoopers, for the year ended 31 December 2014 amounted to HK$1,200,000, which were solely for the audit services in respect of the annual financial statements of the Group.

Corporate Governance Report

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of internal controls and procedures. Through the Audit Committee, the Board has reviewed the effectiveness of risk management and internal control activities of the Group for the year ended 31 December 2014. The results of which were found to be satisfactory.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

COMPANY SECRETARY

The company secretary is Mr. Chu Charn Fai, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chu is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2014, Mr. Chu has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 58 of the articles of association (the "**Articles**") of the Company, an extraordinary general meeting ("**EGM**") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following channels:

(i) the annual general meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address Shareholders' queries;

(ii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iii) the Company maintains a website at www.xinyisolar.com, where updated key information/news of the Group is available for public access; and

(iv) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xinyisolar.com".

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2014.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sale of solar glass products as well as the development and operation of solar farms. Particulars of the subsidiaries of the Company are set forth in Note 22 to the consolidated financial statements of the Group in this annual report.

The analysis of the Group's performance for the financial year ended 31 December 2014 by operating segments is set out in Note 5 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2014 are set out in the consolidated income statement on page 41 in this annual report. During the financial year, an interim dividend of 1.6 HK cents per Share, amounting to a total of cash dividend of approximately HK$97.3 million, was paid to shareholders on 8 September 2014.

The Board proposes the payment of a final dividend of 2.40 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 9 June 2015. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before 7 July, 2015.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Wednesday, 27 May 2015 to Friday, 29 May 2015, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 26 May 2015.

The register of members will be closed from Friday, 5 June 2015 to Tuesday, 9 June 2015, both days inclusive, during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 4 June 2015 for such purpose.

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set out in Note 20 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 18 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2014 and without taking into account the proposed final dividend of 2.40 HK cents per Share for the year then ended, share premium amounting to approximately HK$1,779.1 million (2013: HK$1,238.8 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

Save for disclosed above, the Company had no distributable reserve available for distribution to Shareholders at 31 December 2014.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Report of the Directors

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai *(Vice Chairman)*
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHEN Xi

NON-EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. *(Chairman)*
Mr. LEE Shing Put

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul
Mr. LO Wan Sing, Vincent
Mr. KAN E-ting, Martin

In accordance with article 84 of the Company's articles of association, Mr. CHEN Xi, Mr. LEE Shing Put and Mr. CHENG Kwok Kin, Paul will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, taking into account the Group's operating results, individual performance as well as market trends and practices. The Company's policies concerning remuneration of the executive Directors include the following:-

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package; and

(iii) the executive Directors may be granted, at the discretion of the Board, options pursuant to the share option scheme of the Company, as part of their remuneration package.

The Remuneration Committee reviewed the remuneration packages of the Directors at its meetings on 23 July 2014 and 1 March 2015. Based on its recommendations, the Board has adjusted the directors' fee as follows:

Chairman of the Audit Committee	:	Increased from HK$150,000 per annum to HK$250,000 per annum effective from 23 July 2014.
All other directors	:	Increased from HK$150,000 per annum to HK$200,000 per annum effective from 23 July 2014.

During the year ended 31 December 2014, two directors waived emoluments of aggregate amount of HK$344,384. Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2014.

SHARE OPTION SCHEME

As at 1 March 2015, options to subscribe for a total of 4,039,500 option shares were still outstanding under the Share Option Scheme which represents approximately 0.07% of the issued ordinary shares of the Company.

The following table sets forth movements in the share options of the Company during the year under review:

	Number of share options						
	As at 1/1/2014	Granted during the year under review	As at 31/12/2014	Grant date	Exercisable period	Exercise price (HK$)	Share price of the Company as at the grant date (HK$)
Mr. CHEN Xi, an executive Director	—	375,000	375,000	24/7/2014	24/7/2017-23/7/2018	2.29	2.29
Continuous contract employees	—	3,664,500	3,664,500	24/7/2014	24/7/2017-23/7/2018	2.29	2.29
Total	—	4,039,500	4,039,500				

A summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants had or may have made to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the eligible participants (the "**Participants**") to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants

The Participants include: (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultants, advisers, managers, officers who provide research, development, other technological support or services to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

(iii) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). The shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Share Option Scheme Mandate Limit.

Notwithstanding the above, the aggregate number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(iv) Maximum entitlement of each Participant

Unless with the approval of the Shareholders in general meeting, the maximum number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

(v) Option period

The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(vii) Option price for subscription of shares

The subscription price of a share in respect of any particular share option granted under the Share Option Scheme will be such price as determined by the Board in its absolute discretion, but in any event will not be less than the higher of:

(a) the official closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average of the official closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 6 June 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 12 to 15 of this annual report.

Pursuant to Rule 13.51B of the Listing Rules, the change of information of Directors of the Company are set out below:

Mr. CHENG Kwok Kin Paul serves as an independent non-executive director of Forterra Real Estate Pte. Ltd, which is a trustee-manager of Forterra Trust ("**Forterra**"), a registered business trust formerly listed on the Singapore Exchange Securities Trading Limited ("**Singapore Stock Exchange**"). Forterra was delisted from the Singapore Stock Exchange on 13 February 2015, following the completion of a mandatory cash offer for Forterra which commenced in November 2014 by its largest unitholder, a member of the Nan Fung, resulting in Nan Fung holding all of the issued units of Forterra.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares and debentures 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 to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

THE COMPANY AND ASSOCIATED CORPORATIONS

Long position in the Shares

Name of Director	Capacity	Name of the controlled corporations	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. LEE Yin Yee, M.H.[(1)]	Interest in a controlled corporation[(1)]	Realbest (as defined below)	725,209,552	11.93%
	Interest in a controlled corporation[(2)]	Full Guang (as defined below)	73,190,000	1.20%
	Personal interest[(1)]		32,912,000	0.54%
	Interest in persons acting in concert[(3)]		2,169,153,059	35.68%
Mr. TUNG Ching Sai[(4)]	Interest in a controlled corporation[(4)]	Copark (as defined below)	246,932,579	4.06%
	Personal interest[(4)]		66,256,000	1.09%
	Interest in persons acting in concert[(3)]		2,169,153,059	35.68%
Mr. LI Man Yin[(5)]	Interest in a controlled corporation[(5)]	Perfect All (as defined below)	79,041,911	1.30%
	Personal interest[(5)]		1,960,000	0.03%
	Interest in persons acting in concert[(3)]		2,169,153,059	35.68%
Mr. LEE Yau Ching[(6)]	Interest in a controlled corporation[(6)]	Telerich (as defined below)	251,595,089	4.14%
Mr. CHEN Xi[(7)]	Personal interest		200,000	*

* Amount insignificant.

Notes:

(1) Mr. LEE Yin Yee, M.H. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") which in turn is the registered owner of 725,209,552 ordinary shares ("**Xinyi Glass Shares**") of Xinyi Glass Holdings Limited ("**Xinyi Glass**"). Xinyi Glass holds the entire issued share capital of Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI**)") and Xinyi Glass (BVI) holds the entire issued share capital of Xinyi Group (Glass) Company Limited ("**Xinyi Glass (Hong Kong)**"). Mr. LEE Yin Yee, M.H. also has personal interest in 56,748,000 Xinyi Glass Shares. In addition, Realbest is the registered owner of 725,209,552 Shares. Mr. LEE Yin Yee, M.H. also has 32,912,000 Shares through his spouse, Madam Tung Hai Chi.

(2) The interest in the Shares are held through Full Guang Holdings Limted ("**Full Guang**"). Full Guang is owned by Mr. LEE Yin Yee, M.H. as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, 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 31 May 2013 and entered into by Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, 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, by way of special interim dividend declared on 19 November 2013 of such number of Shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.

(4) Mr. TUNG Ching Sai is the beneficial owner of the entire issued share capital of Copark Investment Limited "**Copark**") which is the registered owner of 246,932,579 Xinyi Glass Shares. Xinyi Glass holds the entire issued share capital of Xinyi Glass (BVI) and Xinyi Glass (BVI) holds the entire issued share capital of Xinyi Glass (Hong Kong). Mr. TUNG Ching Sai also has personal interest in 52,802,000 Xinyi Glass Shares. In addition, Copark is the registered owner of 246,932,579 Shares. Mr. TUNG Ching Sai also has 13,782,000 Shares held in his own name and 52,474,000 Shares through his spouse, Madam Sze Tang Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited ("**Perfect All**") which is the registered owner of 79,041,911 Xinyi Glass Shares. Xinyi Glass holds the entire issued share capital of Xinyi Glass (BVI) and Xinyi Glass (BVI) holds the entire issued share capital of Xinyi Glass (Hong Kong). Mr. LI Man Yin also has personal interest in 1,540,000 Xinyi Glass Shares. In addition, Perfect All is the registered owner of 79,041,911 Shares. Mr. LI Man Yin also has 1,960,000 Shares through his spouse, Madam Li Sau Suet.

(6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company 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 251,595,089 Shares.

(7) Mr. CHEN Xi has 200,000 Shares held through his spouse, Madam Mao Ke.

Share options

As at 31 December 2014, there were a total of 375,000 outstanding share options of the Company granted to an executive Director under the Share Option Scheme. Details of which are summarized as follows:

Name of Director	:	Mr. CHEN Xi
Number of share options granted	:	375,000
Number of share options outstanding at the end of the year	:	375,000
Date of grant	:	24 July 2014
Exercise period	:	24 July 2017 to 23 July 2018
Exercise price per Share	:	HK$2.29
Capacity in which interest is held	:	Beneficial owner
Approximate percentage of the Company's issued share capital	:	0.006%

Save as disclosed above, as at 31 December 2014, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2014, 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:

THE COMPANY

Long position in the Shares

Name of substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Xinyi Glass (Hong Kong)	Beneficial owner	1,778,709,301	29.26%
Xinyi Glass (BVI)	Interest in a controlled corporation	1,778,709,301	29.26%
Xinyi Glass	Beneficial owner	12,500,000	0.21%
	Interest in a controlled corporation	1,778,709,301	29.26%
Mr. TUNG Ching Bor	Interest in a controlled corporation[(1)]	266,766,456	4.39%
	Personal interest[(1)]	23,000,000	0.38%
	Interest in persons acting in concert[(2)]	2,169,153,059	35.68%
Mr. LEE Sing Din	Interest in a controlled corporation[(3)]	251,595,089	4.14%
	Personal interest	19,770,000	0.33%
	Interest in persons acting in concert[(2)]	2,169,153,059	35.68%
Mr. LI Ching Wai	Interest in a controlled corporation[(4)]	116,580,868	1.92%
	Interest in persons acting in concert[(2)]	2,169,153,059	35.68%
Mr. SZE Nang Sze	Interest in a controlled corporation[(5)]	105,630,781	1.74%
	Interest in persons acting in concert[(2)]	2,169,153,059	35.68%
Mr. NG Ngan Ho	Interest in a controlled corporation[(6)]	77,852,912	1.28%
	Personal interest	2,200,000	0.04%
	Interest in persons acting in concert[(2)]	2,169,153,059	35.68%
Mr. LI Ching Leung	Interest in a controlled corporation[(7)]	77,853,911	1.28%
	Personal interest[(7)]	2,400,000	0.04%
	Interest in persons acting in concert[(2)]	2,169,153,059	35.68%

Notes:

(1) Mr. Tung Ching Bor's interests in the Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. Tung Ching Bor's interests in the Shares are also held through a joint account with his spouse, Madam Kung Sau Wai.

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, 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, by way of special interim dividend declared on 19 November 2013 of such number of Shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.

(3) Mr. Lee Sing Din's interests in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.

(4) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.

(5) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(6) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.

(7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 2,000,000 Shares held in his own name and 400,000 Shares through his spouse, Madam DY Maria Lumin.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL OF SUBSIDIARIES OF THE COMPANY

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 31 December 2014.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2014, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

Report of the Directors

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	13.1%
– five largest customers in aggregate	54.2%
Purchases	
– the largest supplier	25.8%
– five largest suppliers in aggregate	49.4%

One of the Group's five largest suppliers, namely Tianjin Wuqing District Xinke Natural Gas Investment Company Limited, is owned as to 25% indirectly by Xinyi Glass (Hong Kong), a wholly-owned subsidiary of Xinyi Glass and one of our substantial shareholders (as defined in the Listing Rules). The Directors confirm that the amount paid to this supplier was negotiated on an arm's length basis. Except for this, none of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2014 amounted to HK$1,300.0 million (2013: nil). Particulars of the bank borrowings are set out in Note 24 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2014, we had about 2,250 full-time employees and most of them are based in the PRC. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2014 are set out in Note 30 to the consolidated financial statements. Some of these transactions also constitute "non-exempt continuing connected transactions" under Chapter 14A of the Listing Rules, as identified below.

1) *Lease of property from Xinyi EnergySmart (Wuhu)*

Pursuant to a lease agreement dated 1 September 2013 entered into between Xinyi PV Products (Anhui) Holdings Limited ("**Xinyi Solar (Wuhu)**") and Xinyi EnergySmart (Wuhu) Company Limited ("**Xinyi EnergySmart (Wuhu)**"), Xinyi Solar (Wuhu) has agreed to lease factory premises with a gross floor area of approximately 11,000 square metre ("**sq. m.**") for its production purpose from Xinyi EnergySmart (Wuhu) for a term of three years from 1 September 2013 to 31 August 2016. The annual rent is fixed at RMB924,000, which is determined with reference to the then market rental level.

2) *Lease of property from Xinyi Glass (Tianjin)*

Pursuant to a lease agreement dated 1 September 2013 entered into between Xinyi PV Products (Anhui) Holdings Limited Tianjin Branch Company ("**Xinyi Solar (Tianjin Branch)**") and Xinyi Glass (Tianjin) Company Limited ("**Xinyi Glass (Tianjin)**"), Xinyi Solar (Tianjin Branch) has agreed to lease factory premises with a gross floor area of approximately 28,680 sq. m. for its production purpose from Xinyi Glass (Tianjin) for a term of three years from 1 September 2013 to 31 August 2016. The annual rent is fixed at RMB3,441,600, which is determined with reference to the then market rental level.

3) Lease of property to Xinyi EnergySmart (Wuhu)

Pursuant to a lease agreement dated 1 September 2013 entered into between Xinyi EnergySmart (Wuhu) and Xinyi Solar (Wuhu), Xinyi EnergySmart (Wuhu) has agreed to lease the property from Xinyi Solar (Wuhu) for a term of three years from 1 September 2013 to 31 August 2016. The annual rent is fixed at RMB924,000 and is determined with reference to the then market rental level.

Xinyi EnergySmart (Wuhu) and Xinyi Glass (Tianjin) are connected persons of the Company by virtue of their being wholly-owned subsidiaries of Xinyi Group (Glass) Company Limited, a substantial shareholder of the Company. The above transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and a waiver from strict compliance with the shareholders' approval requirements under Chapter 14A of the Listing Rules has been been granted by the Stock Exchange. The Company confirms that it has complied with the disclosure requirements in respect of the above non-exempt continuing connected transactions in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

For the year ended 31 December 2014, the rent paid to Xinyi EnergySmart (Wuhu) in the amount of approximately HK$1,164,000 and the rent paid to Xinyi Glass (Tianjin) in the amount of approximately HK$4,334,000 pursuant to the relevant lease agreements, in aggregate amounted to approximately HK$5,498,000, which was within the annual cap of HK$5,830,000 as set forth in the listing document of the Company issued on 22 November 2013.

For the year ended 31 December 2014, the rent received from Xinyi EnergySmart (Wuhu) in the amount of approximately HK$1,164,000 pursuant to the relevant lease agreement was within the annual cap of HK$1,240,000 as set forth in the listing document of the Company issued on 22 November 2013.

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 35 to 36 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition dated 19 November 2013 entered into by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Covenantors.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set out in this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established the Audit Committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The Audit Committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company allotted and issued 380,000,000 Shares in August 2014 by way of placement and raised net proceeds of approximately HK$778.2 million. The proceeds from this share placement were used in full for the capital expenditure on the Group's solar farm projects.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required under the Listing Rules.

Report of the Directors

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified its willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 29 May 2015, at 3/F, Harbour View 2, 16 Science Park East Avenue, Phase2, Hong Kong Science Park, Pak Shek Kok, Tai Po, N.T., Hong Kong, at 9:30 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.xinyisolar.com, and will be dispatched to the Shareholders in due course.

On Behalf of the Board
LEE Yin Yee, M.H.
Chairman

Hong Kong, 1 March 2015

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF XINYI SOLAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 113, which comprise the consolidated and company balance sheets as at 31 December 2014 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**2,410,004**	1,967,507
Cost of sales	7	**(1,649,067)**	(1,375,161)
Gross profit		**760,937**	592,346
Other income	5	**87,413**	62,679
Other (losses)/gains, net	6	**(13,038)**	187
Selling and marketing expenses	7	**(98,459)**	(124,331)
Administrative expenses	7	**(160,125)**	(162,172)
Operating profit		**576,728**	368,709
Finance income	8	**2,361**	1,749
Finance costs	8	**(7,441)**	—
Profit before income tax		**571,648**	370,458
Income tax expense	10	**(78,676)**	(66,659)
Profit for the year attributable to equity holders of the Company		**492,972**	303,799
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic and diluted	11	**8.42**	7.33

The notes on pages 49 to 113 are an integral part of these consolidated financial statements.

	Note	2014	2013
Dividends (Expressed in HK cents per share)	12	**2.40**	1.80

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	492,972	303,799
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	(76,133)	45,469
Total comprehensive income for the year attributable to equity holders of the Company	416,839	349,268

The notes on pages 49 to 113 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,685,227	1,367,987
Land use rights	14	180,186	188,888
Prepayments for property, plant and equipment, land use rights and operating leases	16	294,989	54,176
Deferred income tax assets	25	1,244	1,244
Total non-current assets		4,161,646	1,612,295
Current assets			
Inventories	15	299,198	91,031
Trade and other receivables	16	732,529	498,681
Bills receivables	16	27,868	205,866
Cash and cash equivalents	17	542,726	279,122
Total current assets		1,602,321	1,074,700
Total assets		5,763,967	2,686,995
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		608,000	570,000
Share premium			
– Proposed final dividend	12	145,920	102,600
– Others		1,633,156	1,136,205
	18	2,387,076	1,808,805
Other reserves	20	72,774	98,838
Retained earnings		846,038	402,792
Total equity		3,305,888	2,310,435

Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	24	1,157,143	—
Deferred income tax liabilities	25	9,619	9,619
Total non-current liabilities		1,166,762	9,619
Current liabilities			
Bank borrowings	24	142,857	—
Trade payables, accruals and other payables	23	1,120,819	350,158
Current income tax liabilities		27,641	16,783
Total current liabilities		1,291,317	366,941
Total liabilities		2,458,079	376,560
Total equity and liabilities		5,763,967	2,686,995
Net current assets		311,004	707,759
Total assets less current liabilities		4,472,650	2,320,054

The financial statements on pages 41 to 113 were approved by the Board of Directors on 1 March 2015 and were signed on its behalf.

Director *Director*

The notes on pages 49 to 113 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	22	899,850	899,850
Current assets			
Amounts due from subsidiaries	22	1,434,615	863,995
Prepayments and other receivable		664	449
Cash and cash equivalents	17	110	55
Total current assets		1,435,389	864,499
Total assets		2,335,239	1,764,349
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		608,000	570,000
Share premium			
– Proposed final dividend	12	145,920	102,600
– Others		1,633,156	1,136,205
	18	2,387,076	1,808,805
Accumulated losses	21	(51,837)	(48,110)
Total equity		2,335,239	1,760,695

Balance Sheet

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Current liabilities			
Accruals and other payables		—	3,654
Total current liabilities		—	3,654
Total equity and liabilities		2,335,239	1,764,349
Net current assets		1,435,389	860,845
Total assets less current liabilities		2,335,239	1,760,695

The financial statements on pages 41 to 113 were approved by the Board of Directors on 1 March 2015 and were signed on its behalf.

Director *Director*

The notes on pages 49 to 113 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	For the year ended 31 December 2014 Attributable to equity holders of the Company				
	Share capital (Note 18) HK$'000	Share premium (Note 18) HK$'000	Other reserves (Note 20) HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2014	570,000	1,238,805	98,838	402,792	2,310,435
Comprehensive income					
Profit for the year	—	—	—	492,972	492,972
Other comprehensive income					
Currency translation differences	—	—	(76,133)	—	(76,133)
Total comprehensive income	—	—	(76,133)	492,972	416,839
Transactions with owners					
Issuance of shares	38,000	740,151	—	—	778,151
Employee's share option scheme:					
– value of employee services	—	—	343	—	343
– release of share option reserve upon exercise and lapse of share options	—	—	(706)	706	—
Dividend paid to shareholders	—	(199,880)	—	—	(199,880)
Appropriation to statutory reserve	—	—	50,432	(50,432)	—
Balance at 31 December 2014	608,000	1,779,076	72,774	846,038	3,305,888

	For the year ended 31 December 2013 Attributable to equity holders of the Company				
	Share capital (Note 18) HK$'000	Share premium (Note 18) HK$'000	Other reserves (Note 20) HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2013	—	899,850	20,886	144,382	1,065,118
Comprehensive income					
Profit for the year	—	—	—	303,799	303,799
Other comprehensive income					
Currency translation differences	—	—	45,469	—	45,469
Total comprehensive income	—	—	45,469	303,799	349,268
Transactions with owners					
Issuance of shares	570,000	338,955	—	—	908,955
Repurchase and cancellation of warrants	—	—	(1,851)	(11,149)	(13,000)
Employee's share option scheme:					
– release of share option reserve upon recharge by the then ultimate holding company	—	—	(4,962)	—	(4,962)
– value of employee services	—	—	5,056	—	5,056
Appropriation to statutory reserve	—	—	34,240	(34,240)	—
Balance at 31 December 2013	570,000	1,238,805	98,838	402,792	2,310,435

The notes on pages 49 to 113 are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	788,471	697,618
Interest paid		(6,450)	—
Income tax paid		(67,008)	(43,932)
Net cash generated from operating activities		715,013	653,686
Cash flows from investing activities			
Prepayments of land use right and operating leases		(59,249)	—
Purchases of property, plant and equipment		(2,321,744)	(239,666)
Government grants received	13	50,475	96,767
Repayment of advances from related parties		—	14,487
Proceeds from disposal of property, plant and equipment	26(b)	107	2,072
Interest received		2,361	1,749
Net cash used in investing activities		(2,328,050)	(124,591)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		778,151	—
Proceeds from bank borrowings		1,300,000	—
Dividend paid		(199,880)	—
Repurchase and cancellation of warrants		—	(13,000)
Repayment of advances to related parties		—	(292,272)
Net cash generated from/(used in) financing activities		1,878,271	(305,272)
Net increase in cash and cash equivalents		265,234	223,823
Cash and cash equivalents at 1 January		279,122	54,176
Effect of foreign exchange rate changes		(1,630)	1,123
Cash and cash equivalents at 31 December	17	542,726	279,122

The notes on pages 49 to 113 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the production and sale of solar glass products, which are carried out internationally, through the production complexes located in Mainland China (the "PRC"). In addition, the Group is also engaged in the development and operation of solar farms.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 1 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these new and amended standards and interpretations does not have any significant impact to the results and financial position of the Group:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 January 2014
HKIFRIC 21	Levies	1 January 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRSs (amendment)	Annual Improvements to HKFRSs 2010–2012 Cycle	1 July 2014
HKFRSs (amendment)	Annual Improvements to HKFRSs 2011–2013 Cycle	1 July 2014
HKAS 19 (2011) (amendment)	Defined Benefit Plans: Employee Contribution	1 July 2014
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRSs (amendment)	Annual Improvements 2012-2014 Cycle	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 16 and HKAS 41 Amendment	Agriculture : Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership interest's proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the entities now comprising the Group that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in Hong Kong dollars ("HKD"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other (losses)/gains, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the entities now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced parts are derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress represents buildings, plant and machinery and solar farm on which construction work has not been completed and which, upon completion, management intends to hold for production or electricity generation purposes. Construction in progress is carried at cost which includes development and construction expenditures incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

Completed solar power generated equipment and plants ("Solar Farms"), being Solar Farms held for the generation of electricity income, are stated in the consolidated balance sheet at historical cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Solar Farms under construction are stated in the consolidated balance sheet at cost less subsequent impairment losses, if any. Such Solar Farms under construction are reclassified to completed Solar Farms upon completion and are ready for intended use. Depreciation of these Solar Farms commences when the Solar Farms are successfully connected to grids and completed trial operation.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	30 years
– Plant and machinery	5-15 years
– Solar Farms	25 years
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated income statement.

2.6 Land use rights

All land in the PRC is state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayments for operating leases and recorded as land use rights, which are amortised over the lease period using the straight-line method.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 2.12), bills receivables and 'cash and cash equivalents' (Note 2.13) in the consolidated balance sheet.

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade payables, accruals and other payables

Trade payables, accruals and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, accruals and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Warrant

Warrant issued by the Company that will be settled by exchanging fixed amount of cash for a fixed number of the Company's equity instruments are classified as an equity instrument. Where the warrants are issued by the Company, the fair value of warrants on the date of issue is recognised as warrant reserve. Incremental costs directly attributable to the issue of new warrants are shown in equity as a deduction, net of tax, from the proceeds. The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where warrants remain unexercised at the expiry date, the amount initially recognised in warrant reserve will be released to the retained earnings. Where the warrants cancelled before the expiry date, the amount initially recognised in warrant reserve will be transferred to retained earnings within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Government grant

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grant and when they were built or purchased, the received government grant were netted off with cost of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and the entities comprising the Group and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Sales of electricity

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted.

(c) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the government authorities in respect of the electricity generated from the Group's solar farms and sold to national grid. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that additional tariff will be received and the Group will comply with all attached conditions, if any.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(e) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

2.23 Employee benefits

(a) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payments

(a) Equity-based share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entities revise their estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.26 Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "other (losses)/gains, net".

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.27 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to various types of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Chinese Renminbi ("RMB"), HK$ and US Dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary.

As at 31 December 2014, if US$ had strengthened/weakened by 1% against the RMB with all other variables held constant, profit after income tax for the year would have been approximately HK$878,000 (2013: HK$1,616,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade and other receivables and cash and cash equivalents.

As at 31 December 2014, if HK$ had strengthened/weakened by 1% against the RMB with all other variables held constant, profit after income tax for the year would have been approximately HK$2,117,000 (2013: HK$389,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents.

Details of the Group's trade and other receivables and cash and cash equivalents are disclosed in Note 16 and Note 17.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 17 and Note 24 to the consolidated financial statements.

As at 31 December 2014, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$1,581,000 (2013: HK$582,000) lower/higher mainly as a result of higher interest expense/income being incurred/earned.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, bills receivables and, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2014 HK$'000	2013 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	680,106	463,297
Bills receivables	27,868	205,866
Cash at bank (Note 17)	542,459	278,935
Maximum exposure to credit risk	1,250,433	948,098

As at 31 December 2014 and 2013, most of the bank deposits are deposited with state-owned banks in the PRC and reputable banks in Hong Kong. Bills receivables are issued from state-owned banks in the PRC and other reputable commercial banks.The credit quality of cash at bank and bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of trade and other receivables, the Group has policies in place to ensure that the loans or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and customers.

The credit periods of the majority of the Group's trade receivables are within 90 days and largely comprise amounts receivable from business customers.

The Group's sales are made to several major customers and there is some concentration of credit risks. Sales to the top five customers constituted approximately 54% (2013: 59%) of the Group's total sales. They accounted for approximately 47% (2013: 77%) of the gross trade receivable balances as at 31 December 2014.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. Depending on the customer's credit worthiness and historical relationship with us, the Group may require cash payment before delivery of products, and record such receipts as advances from customers.

The Group grants extended credit terms to customers with overall creditworthiness, as determined by its credit assessment. For customers to whom credit terms are extended, the Group assesses a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group maintains liquidity by a number of means including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and other credit lines available. The Group monitors rolling forecasts of its working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	Group			
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2014				
Trade and other payables excluding accruals	1,043,771	—	—	1,043,771
Bank borrowings	153,257	594,203	616,961	1,364,421
Total	1,197,028	594,203	616,961	2,408,192
At 31 December 2013				
Trade and other payables excluding accruals	288,556	—	—	288,556

	Company			
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2014				
Financial guarantee (Note a)	153,257	594,203	616,961	1,364,421
At 31 December 2013				
Other payables	3,654	—	—	3,654

Note :

(a) These amounts are financial guarantees from the Company for its subsidiaries' borrowings representing the hypothetical payment should the guarantees be crystalised. However, based on the financial positions, the Company does not expect them to be crystalised.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Company may repurchase its own shares when the Company's shares are trading at a discount to the expected net assets value per share.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Total borrowings	**1,300,000**	—
Less: Cash and cash equivalents (Note 17)	**(542,726)**	(279,122)
Net debt/(cash)	**757,274**	(279,122)
Total equity	**3,305,888**	2,310,435
Gearing ratio	**22.9%**	N/A

3.3 Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Property, plant and equipment

(i) Useful lives

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment assessment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience.

(b) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is provided in full, using the liability methods, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities of the Group mainly arise from the unremitted earnings of a PRC subsidiary. The reliability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

(d) Government grants

Government grants should be recognised until there is reasonable assurance that the Group will comply with the all attached conditions for the grants to be received. Significant judgement is required by the management to determine whether the attached conditions to the grants will be met or complied by the Group. When the situation is different from the original estimate, such change may impact the government grant recognised in the period in which such estimate has been changed.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2014 HK$'000	2013 HK$'000
Revenue		
Solar glass		
Sales of ultra-clear photovoltaic raw glass	237,219	561,857
Sales of ultra-clear photovoltaic processed glass and other glass	2,142,205	1,405,650
	2,379,424	1,967,507
Solar farm		
Sales of electricity	13,102	—
Tariff adjustment	17,478	—
Total revenue	2,410,004	1,967,507
Other income		
Rental income	1,163	391
Government grants (Note (a))	71,019	60,281
Others (Note b)	15,231	2,007
	87,413	62,679

Notes:

(a) Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations and certain tax payments. There are other government grants received in relation to assets. Such grants were netted off with the cost of the related assets (Note 13).

(b) It mainly represents scrap sales and other income on early settlement with suppliers.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors consider the business from product type perspective. Generally, the Executive Directors consider the performance of business of each product type within the Group separately. Thus, the performance of each product type within the Group is an individual operating segment.

Among these operating segments, they are aggregated into three segments based on product type: (1) ultra-clear photovoltaic raw glass; (2) ultra-clear photovoltaic processed glass and other glass; and (3) solar power electricity generation. The Group's solar power electricity generation business commenced operation in 2014 and was reported separately as an individual operating segment. During 2013, other glass was classified as a reportable operating segment. As it did not meet the quantitative thresholds required by HKFRS 8 for reportable segments, it was aggregated into the ultra-clear photovoltaic processed glass segment during 2014. The comparatives have been restated accordingly.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate operating costs to its segments as this information is not reviewed by the Executive Directors.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statements.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

The segment information provided to the Executive Directors for the reportable segments is as follows:

	Year ended 31 December 2014			
	Ultra-clear photovoltaic raw glass HK$'000	Ultra-clear photovoltaic processed glass and other glass HK$'000	Solar power electricity generation HK$'000	Total HK$'000
Segment revenue	237,243	2,148,089	30,580	2,415,912
Inter-segment revenue	(24)	(5,884)	—	(5,908)
Revenue from external customers	237,219	2,142,205	30,580	2,410,004
Cost of sales	(210,930)	(1,434,198)	(3,939)	(1,649,067)
Gross profit	26,289	708,007	26,641	760,937

	Year ended 31 December 2013		
	Ultra-clear photovoltaic raw glass HK$'000	Ultra-clear photovoltaic processed glass and other glass HK$'000	Total HK$'000
Revenue from external customers	561,857	1,405,650	1,967,507
Cost of sales	(458,208)	(916,953)	(1,375,161)
Gross profit	103,649	488,697	592,346

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Other segment information

As no discrete financial information is available for ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass and other glass, their other segment information, assets and liabilities are aggregated and presented under the solar glass segment.

	Other segment information		
	Solar glass HK$'000	Solar power electricity generation HK$'000	Total HK$'000
Year ended 31 December 2014			
Depreciation charge of property, plant and equipment	88,700	3,390	92,090
Amortisation charge of land use rights	2,405	—	2,405
Additions to non-current assets (other than deferred tax income tax assets)	454,245	2,250,076	2,704,321
Year ended 31 December 2013			
Depreciation charge of property, plant and equipment	97,334	—	97,334
Amortisation charge of land use rights	2,405	—	2,405
Additions to non-current assets (other than deferred tax income tax assets)	114,654	—	114,654

	Assets and liabilities			
	Solar glass HK$'000	Solar power electricity generation HK$'000	Unallocated HK$'000	Total HK$'000
At 31 December 2014				
Total assets	3,966,064	1,787,044	10,859	5,763,967
Total liabilities	1,128,493	18,662	1,310,924	2,458,079
At 31 December 2013				
Total assets	2,471,202	—	215,793	2,686,995
Total liabilities	342,246	—	34,314	376,560

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Reportable segment assets/(liabilities) are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment assets/(liabilities)	5,753,108	2,471,202	(1,147,155)	(342,246)
Unallocated:				
Prepayments	3,144	1,875	—	—
Cash and cash equivalents	7,576	213,918	—	—
Other receivables	139	—	—	—
Other payables	—	—	(1,305)	(24,695)
Bank borrowings	—	—	(1,300,000)	—
Deferred tax liabilities	—	—	(9,619)	(9,619)
Total assets/(liabilities)	5,763,967	2,686,995	(2,458,079)	(376,560)

A reconciliation of segment gross profit to profit before income tax is provided as follows:

	2014 HK$'000	2013 HK$'000
Segment gross profit	760,937	592,346
Unallocated:		
Other income	87,413	62,679
Other (losses)/gains, net	(13,038)	187
Selling and marketing expenses	(98,459)	(124,331)
Administrative expenses	(160,125)	(162,172)
Finance income	2,361	1,749
Finance costs	(7,441)	—
Profit before income tax	571,648	370,458

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

The Group's revenue is mainly derived from customers located in Mainland China and other countries, while the Group's business activities are conducted predominately in Mainland China. An analysis of the Group's sales by geographical area of its customers is as follows:

	2014 HK$'000	2013 HK$'000
Mainland China	1,945,732	1,673,419
Other countries	464,272	294,088
	2,410,004	1,967,507

For the year ended 31 December 2014, revenues of approximately HK$316,678,000, HK$289,714,000, HK$266,706,000 and HK$258,886,000 were derived from customer A, customer B, customer C and customer D, respectively. For the year ended 31 December 2013, revenues of approximately HK$259,135,000, HK$347,652,000 and HK$324,074,000 were derived from customer A, customer B and customer E, respectively. Revenue from customer C and customer D respectively accounted for less than 10% of the Group's total revenue for the year ended 31 December 2013.

An analysis of the Group's non-current assets other than deferred income tax assets by geographical area in which the assets are located is as follows:

	2014 HK$'000	2013 HK$'000
Mainland China	4,144,976	1,611,051
Other countries	15,426	—
	4,160,402	1,611,051

6 OTHER (LOSSES)/GAINS, NET

	2014 HK$'000	2013 HK$'000
Foreign exchange (losses)/gains, net	(12,837)	258
Loss on disposal of property, plant and equipment (Note 26)	(201)	(71)
	(13,038)	187

7 EXPENSES BY NATURE

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

	2014 HK$'000	2013 HK$'000
Auditor's remuneration		
– Audit services	1,200	1,100
– Non-statutory audit services	—	2,300
Professional expenses in respect of the spin-off for listing of the Group	—	20,347
Reversal of provision for impairment of trade receivables (Note 16(b))	(123)	(80)
Depreciation charge of property, plant and equipment (Note 13)	92,090	97,334
Amortisation charge of land use rights (Note 14)	2,405	2,405
Employee benefit expenses (including directors' emoluments) (Note 9)	139,518	123,310
Raw material and consumables used	1,070,726	954,690
Changes in inventories	208,167	126,385
Cost of inventories sold (Note 15)	1,278,893	1,081,075
Operating lease payments in respect of land and buildings	8,233	7,586
Other selling expenses (including transportation and advertising costs)	77,416	106,266
Research and development expenditures	91,639	69,405
Other expenses	216,380	150,616
	1,907,651	1,661,664

8 FINANCE INCOME AND COSTS

	2014 HK$'000	2013 HK$'000
Finance income		
Interest income on bank deposits	2,361	1,749
Finance costs		
Interest on bank borrowings	7,329	—
Others	112	—
	7,441	—

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Wages and salaries	120,188	102,805
Retirement benefit - defined contribution schemes (Note (i))	18,987	15,449
Share options granted to employees (Note 20)	343	5,056
	139,518	123,310

Note (i):

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,500 per month effective from 1 June 2014 (HK$1,250 per month for the period from 1 January 2013 to 31 May 2014) to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2014 is set out below:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Retirement benefit - defined contribution scheme HK$'000	Other benefits HK$'000	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—
LEE Yau Ching	172	2,975	4,652	17	—	—	7,816
LI Man Yin	172	1,209	—	—	—	—	1,381
CHEN Xi	172	571	189	20	62	32	1,046
LEE Shing Put	172	—	—	—	—	—	172
CHENG Kwok Kin, Paul	195	—	—	—	—	—	195
LO Wan Sing, Vincent	172	—	—	—	—	—	172
KAN E-ting, Martin	172	—	—	—	—	—	172
Total	1,227	4,755	4,841	37	62	32	10,954

The remuneration of every director for the year ended 31 December 2013 is set out below:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Retirement benefit - defined contribution scheme HK$'000	Other benefits HK$'000	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	18	—	—	—	—	—	18
TUNG Ching Sai	18	—	—	—	—	—	18
LEE Yau Ching	18	2,875	2,352	15	—	—	5,260
LI Man Yin	18	345	300	3	—	—	666
CHEN Xi	18	161	93	5	17	—	294
LEE Shing Put	18	—	—	—	—	—	18
ZHANG Ming	—	305	148	—	—	435	888
CHENG Kwok Kin, Paul	18	—	—	—	—	—	18
LO Wan Sing, Vincent	18	—	—	—	—	—	18
KAN E-ting, Martin	18	—	—	—	—	—	18
Total	162	3,686	2,893	23	17	435	7,216

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) The directors of the Company were appointed/resigned on the following dates:

	Date of appointment	Date of resignation
Executive directors		
TUNG Ching Sai	5 June 2011	N/A
LEE Yau Ching	11 January 2011	N/A
LI Man Yin	20 September 2013	N/A
CHEN Xi	20 September 2013	N/A
ZHANG Ming	5 June 2011	20 September 2013
Non-executive directors		
LEE Yin Yee	5 June 2011	N/A
LEE Shing Put	20 September 2013	N/A
Independent non-executive directors		
CHENG Kwok Kin, Paul	19 November 2013	N/A
LO Wan Sing, Vincent	19 November 2013	N/A
KAN E-ting, Martin	19 November 2013	N/A

(ii) Mr. LEE Yin Yee and Mr. TUNG Ching Sai waived emoluments of HK$172,000 and HK$172,000 respectively for the year ended 31 December 2014. Except these, no other directors waived or agreed to waive any emoluments for the year ended 31 December 2014 and 2013. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2014 and 2013.

(iii) Mr. LEE Yau Ching is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: three) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, bonus, other allowances and benefits	1,765	2,050
Retirement benefits - defined contribution scheme	35	53
Share options granted	38	1,121
	1,838	3,224

	2014 HK$'000	2013 HK$'000
Emoluments band		
Nil to HK$1,000,000	1	2
HK$1,000,001 - HK$1,500,000	1	1
	2	3

Note:

(i) No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the years ended 31 December 2014 and 2013.

10 INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current income tax		
Hong Kong profits tax (Note (ii))	1,244	934
PRC corporate income tax ("CIT") (Note (iii))	80,000	60,544
Over-provision in prior year	(2,568)	—
Deferred income tax (Note 25)		
– Origination of temporary differences	—	5,181
Income tax expense	78,676	66,659

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

(iii) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2013: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. The Group's subsidiaries operating solar farms in the PRC are fully exempted from CIT for three years starting from their first year of profitable operations, followed by 50% reduction in CIT in next three years.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	571,648	370,458
Calculated at weighted average tax rate of 25.0% (2013: 24.9%)	142,912	92,244
Preferential tax rates on income of certain PRC subsidiaries	(65,243)	(33,026)
Effect of different tax rates in other countries	(47)	—
Over provision in prior years	(2,568)	—
Income not subject to tax	(320)	(23)
Expenses not deductible for tax purposes	3,942	1,967
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	—	5,497
Tax charge	78,676	66,659

11 EARNINGS PER SHARE

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

	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**492,972**	303,799
Adjusted weight average number of shares in issue (thousands)*	**5,853,041**	4,142,264
Basic earnings per share (HK cents)	**8.42**	7.33

The basic and diluted earnings per share for the year ended 31 December 2014 and 2013 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

* The basic and diluted earnings per share for 2013 as presented on the consolidated income statement have taken into account the loan capitalisation in June and December 2013, respectively.

12 DIVIDENDS

	2014	2013
Interim dividend paid of 1.60 HK cents (2013: Nil) per share (Note a)	**97,280**	—
Proposed final dividend of 2.40 HK cents (2013: 1.80 HK cents) per share (Note b)	**145,920**	102,600

Notes:

(a) An interim dividend of 1.60 HK cents per share (2013: Nil) was paid to shareholders whose names appeared on the Register of Members of the Company on 12 August 2014.

(b) A final dividend in respect of the financial year ended 31 December 2014 of HK$2.40 HK cents per share (2013: 1.80 HK cents), amounting to a total dividend of HK$145,920,000 (2013: HK$102,600,000) is to be proposed at the forthcoming Annual General Meeting. The amount of 2014 proposed final dividend is based on 6,080,000,000 shares in issue as at 31 December 2014 (5,700,000,000 shares in issue as at 31 December 2013). These financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statements

13 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings HK$'000	Plant and machinery HK$'000	Solar farms HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2013						
Opening net book amount	203,503	1,168,427	—	1,499	281,396	1,654,825
Additions	—	14,088	—	529	66,694	81,311
Transfers	—	114,382	—	939	(115,321)	—
Disposals	—	(123,403)	—	(20)	(190,894)	(314,317)
Depreciation charge	(5,906)	(84,332)	—	(298)	—	(90,536)
Exchange differences	5,110	28,743	—	56	2,795	36,704
Closing net book amount	202,707	1,117,905	—	2,705	44,670	1,367,987
At 31 December 2013						
Cost	215,481	1,342,772	—	4,305	44,670	1,607,228
Accumulated depreciation	(12,774)	(224,867)	—	(1,600)	—	(239,241)
Net book amount	202,707	1,117,905	—	2,705	44,670	1,367,987
Year ended 31 December 2014						
Opening net book amount	202,707	1,117,905	—	2,705	44,670	1,367,987
Additions	—	10,095	2,333	378	2,450,702	2,463,508
Transfers	—	268,255	811,925	—	(1,080,180)	—
Disposals	—	(308)	—	—	—	(308)
Depreciation charge	(5,906)	(84,747)	(3,372)	(391)	—	(94,416)
Exchange differences	(5,025)	(29,582)	(5,879)	(64)	(10,994)	(51,544)
Closing net book amount	191,776	1,281,618	805,007	2,628	1,404,198	3,685,227
At 31 December 2014						
Cost	210,094	1,584,771	808,355	4,579	1,404,198	4,011,997
Accumulated depreciation	(18,318)	(303,153)	(3,348)	(1,951)	—	(326,770)
Net book amount	191,776	1,281,618	805,007	2,628	1,404,198	3,685,227

13 PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

	2014 HK$'000	2013 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	80,116	85,325
– Administrative expenses	11,974	12,009
	92,090	97,334

	2014 HK$'000	2013 HK$'000
Depreciation charges capitalised in inventories	5,154	2,828

Government grants received from the PRC government in relation to the construction of factory buildings and purchase of plant and equipment were netted off with the cost of the related assets as follows:

	2014 HK$'000	2013 HK$'000
Deferred government grants:		
At 1 January	—	25,061
Received	50,475	96,767
Netted off with the cost of the related assets	(50,475)	(121,729)
Exchange differences	—	(99)
At 31 December	—	—

14 LAND USE RIGHTS – GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their movements are analysed as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**188,888**	188,146
Amortisation charge	**(4,009)**	(4,009)
Exchange differences	**(4,693)**	4,751
At 31 December	**180,186**	188,888

All of the Group's land use rights are located in the PRC and are held on leases between 10 to 50 years.

During the year, amortisation charge of HK$1,604,000 (2013: HK$1,604,000) was capitalised as direct cost of construction in progress when the buildings thereon were not yet ready for production purposes. Amortisation of the Group's land use rights amounted to HK$2,405,000 (2013: HK$2,405,000) was charged to the consolidated income statement.

15 INVENTORIES – GROUP

	2014 HK$'000	2013 HK$'000
Raw materials	**153,752**	61,983
Work in progress	**38,951**	13,513
Finished goods	**106,495**	15,535
	299,198	91,031

The cost of inventories included in cost of sales amounted to approximately HK$1,278,893,000 (2013: HK$1,081,075,000).

16 TRADE AND OTHER RECEIVABLES – GROUP

	2014 HK$'000	2013 HK$'000
Trade receivables	350,777	413,929
Bills receivables	27,868	205,866
Trade and bills receivables (Note (a))	378,645	619,795
Less: Provision for impairment of trade receivables (Note (b))	—	(123)
Trade and bills receivables, net	378,645	619,672
Prepayments	340,210	89,560
Deposits and other receivables (Note (c))	329,329	49,491
Other tax receivables (Note (d))	7,202	—
	1,055,386	758,723
Less: Non-current portion:		
Prepayments for property, plant and equipment, land use rights and operating leases	(294,989)	(54,176)
Current portion	760,397	704,547

(a) Trade and bills receivables

The credit terms granted by the Group to its customers are generally from 30 to 90 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0 to 90 days	349,247	394,875
91 days to 180 days	1,240	18,003
Over 180 days	290	1,051
	350,777	413,929

The maturity of the bills receivables is within 6 months.

16 TRADE AND OTHER RECEIVABLES – GROUP (Continued)

(a) Trade and bills receivables (Continued)

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
RMB	310,890	594,630
US$	50,094	25,121
Other currencies	17,661	44
	378,645	619,795

(b) Provision for impairment of trade receivables

As at 31 December 2014, trade receivables of HK$28,058,000 (2013: HK$206,392,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

The ageing analysis of these trade receivables based on due date is as follows:

	2014 HK$'000	2013 HK$'000
0 to 90 days	27,420	188,805
91 days to 180 days	348	17,427
Over 180 days	290	160
	28,058	206,392

As at 31 December 2014, all trade receivables were expected to be recoverable. Consequently, no provision for doubtful debts was recognised as at 31 December 2014.

16 TRADE AND OTHER RECEIVABLES – GROUP (Continued)

(b) Provision for impairment of trade receivables (Continued)

The individually impaired receivables are related to customers with unexpected financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, provisions for doubtful debts of approximately HK$123,000 were recognised as at 31 December 2013. The Group did not hold any collateral over these balances. The ageing analysis of these trade receivables based on due date is as follows:

	2014 HK$'000	2013 HK$'000
Over 180 days	—	307

The movements on the provision for impairment of trade receivables are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	123	825
Reversal of provision for impairment of trade receivables (Note 7)	(123)	(80)
Receivables written off during the year as uncollectible	—	(631)
Exchange differences	—	9
At 31 December	—	123

The reversal of provision for impaired receivables has been included in administrative expenses in the consolidated income statement. The amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

16 TRADE AND OTHER RECEIVABLES – GROUP (Continued)

(c) Deposits and other receivables

Deposits and other receivables were all expected to be recoverable and therefore no provision was made. Aging analysis of other receivables at the end of each reporting period is as follows:

	2014 HK$'000	2013 HK$'000
Within 1 year	321,963	49,323
From 1 year to 2 years	7,366	168
	329,329	49,491

The carrying amounts of the Group's deposits and other receivable are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
RMB	329,110	49,491
HK$	219	—
	329,329	49,491

(d) Other tax receivables mainly represent value added tax recoverable.

(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.

17 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group	
	2014	2013
	HK$'000	HK$'000
Cash at bank	**542,459**	278,935
Cash on hand	**267**	187
	542,726	279,122

As at 31 December 2014, funds of the Group amounting to HK$386,101,000 (2013: HK$65,018,000) were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$156,358,000 (2013: HK$213,917,000) as at 31 December 2014 were deposited in reputable banks in Hong Kong.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**253,487**	46,536
RMB	**229,236**	62,004
US$	**55,057**	168,383
Euro dollars ("EUR")	**2,986**	2,047
Other currency	**1,960**	152
	542,726	279,122

	Company	
	2014	2013
	HK$'000	HK$'000
Cash at bank	**110**	55

The carrying amounts of the Company's cash and cash equivalents are denominated in HK$.

18 SHARE CAPITAL AND PREMIUM – GROUPGROUP AND COMPANY

	Number of ordinary shares	Ordinary shares of HK$0.1 each HK$'000	Share premium HK$'000	Total HK$'000
Authorised:				
At 1 January 2013, 31 December 2013 and 2014	80,000,000,000	8,000,000	—	8,000,000
Issued:				
At 1 January 2013	200	—	899,850	899,850
Issuance of shares	5,699,999,800	570,000	338,955	908,955
At 31 December 2013 and 1 January 2014	5,700,000,000	570,000	1,238,805	1,808,805
Issuance of shares (Note (a))	380,000,000	38,000	740,151	778,151
Less : Dividend paid to shareholders	—	—	(199,880)	(199,880)
At 31 December 2014	6,080,000,000	608,000	1,779,076	2,387,076

Note:

(a) In August 2014, the Company allotted and issued 380,000,000 shares by way of placing at HK$2.07 each. Proceeds of approximately HK$786,600,000 were received and the related transaction costs of approximately HK$8,449,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

19 SHARE OPTIONS

(a) 2014 share option scheme

In June 2014, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of the Company on the Stock Exchange, unless the Company obtains further approval from the shareholders.

19 SHARE OPTIONS (Continued)

(a) 2014 share option scheme (Continued)

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

In July 2014, 4,039,500 share options were granted to the Company's selected employees and an executive director. The exercise price is HK$2.29 per share, which is equal to the closing price of the Company's share on the date of grant. The share options are conditional on the employee completing three year's service (the vesting period) and exercisable starting three years from the grant date. No share options were exercised or lapsed during the year ended 31 December 2014. The expiry date of these share options is 23 July 2018.

The fair value of the share options granted was determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK$0.68 per option. The significant inputs into the model are as follows:

	2014
Share price, at the grant date (HK$)	2.29
Exercise price (HK$)	2.29
Volatility (%)	44.862
Dividend yield (%)	1.75
Expected share option life (years)	3.5
Annual risk-free interest rate (%)	1.02

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 9 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

19 SHARE OPTIONS (Continued)

(b) Share-based payment in 2013

Xinyi Glass Holdings Limited ("Xinyi Glass"), the former ultimate holding company, adopted a share option scheme ("Share Option Scheme 2005") in 2005. Under the Share Option Scheme 2005, Xinyi Glass's directors may, at their sole discretion, grant options to any employee of Xinyi Glass and its subsidiaries to subscribe for shares of Xinyi Glass at the highest of (i) the closing price of shares of Xinyi Glass as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of Xinyi Glass as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme 2005 and any other share option scheme of Xinyi Glass must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of Xinyi Glass on the Stock Exchange, unless Xinyi Glass obtains further approval from the shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme 2005 and any other share option scheme of the Xinyi Glass must not, in aggregate, exceed 30% of the relevant shares or securities of Xinyi Glass in issue from time to time.

Movements in the number of share options granted by Xinyi Glass to the employees of the Group and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price in HK dollars per share	Options ('000)	Average exercise price in HK dollars per share	Options ('000)
At 1 January	5.33	6,939	4.48	8,565
Granted	—	—	4.80	2,982
Exercised	3.55	(176)	3.17	(4,128)
Lapsed	5.46	(267)	5.49	(480)
At 31 December	5.37	6,496	5.33	6,939

Out of the above outstanding share options, 2,167,000 (2013: 176,000) were exercisable at 31 December 2014. During 2014, options exercised resulted in 176,000 (2013: 4,128,000) shares being issued at weighted average price at the time of exercise of HK$3.55 (2013: HK$3.17) each.

19 SHARE OPTIONS (Continued)

(b) Share-based payment in 2013 (Continued)

These outstanding share options at the end of 2014 have the following expiry dates and exercise prices:

		Options ('000)	
Expiry date	Exercise price in HK dollar per share	2014	2013
31 March 2014	3.55	—	176
31 March 2015	6.44	2,167	2,256
31 March 2016	4.34	2,535	2,621
31 March 2017	5.55	1,794	1,886
		6,496	6,939

The weighted average fair values of the options granted in 2013 were determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK$1.39 per option. The significant inputs into the model are as follows:

	2013
Weighted average share price, at the grant date (HK$)	5.28
Exercise price (HK$)	5.55
Volatility (%)	47.72
Dividend yield (%)	3.29
Expected share option life (years)	3.5
Annual risk-free interest rate (%)	0.29

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 9 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

20 OTHER RESERVES – GROUPGROUP

	Merger reserve (Note (a)) HK$'000	Capital reserve (Note (b)) HK$'000	Statutory reserve (Note (c)) HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 January 2014	**(209,495)**	**26,744**	**111,214**	**6,931**	**—**	**163,444**	**98,838**
Currency translation differences	**—**	**—**	**—**	**—**	**—**	**(76,133)**	**(76,133)**
Employee's share option scheme:							
– value of employee services	**—**	**—**	**—**	**343**	**—**	**—**	**343**
– release of share option reserve upon exercise and lapse of share options	**—**	**—**	**—**	**(706)**	**—**	**—**	**(706)**
Appropriation to statutory reserve	**—**	**—**	**50,432**	**—**	**—**	**—**	**50,432**
At 31 December 2014	**(209,495)**	**26,744**	**161,646**	**6,568**	**—**	**87,311**	**72,774**
At 1 January 2013	(209,495)	26,744	76,974	6,837	1,851	117,975	20,886
Currency translation differences	—	—	—	—	—	45,469	45,469
Repurchase and cancellation of warrants	—	—	—	—	(1,851)	—	(1,851)
Employee's share option scheme:							
– release of share option reserve upon recharge by the then ultimate holding company	—	—	—	(4,962)	—	—	(4,962)
– value of employee services	—	—	—	5,056	—	—	5,056
Appropriation to statutory reserve	—	—	34,240	—	—	—	34,240
At 31 December 2013	(209,495)	26,744	111,214	6,931	—	163,444	98,838

(a) Merger reserve

For the purpose of preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Group undertook a reorganisation (the "Reorganisation") in 2011. Merger reserve represents the difference between the share capital and share premium issued by the Company for acquisition of the subsidiaries pursuant to the Reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

20 OTHER RESERVES – GROUPGROUP

(b) Capital reserve

In 2011, the Group's PRC subsidiary declared dividends of RMB421,826,000 (equivalent to HK$514,423,000). The related withholding tax of HK$26,744,000 arising from the dividends distribution was paid on behalf by Xinyi Glass and Xinyi Glass has not recharged back the Group. Such amount was accounted for as capital reserve within equity.

(c) Statutory reserve

PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2014, the board of directors of Xinyi Solar (Wuhu) resolved to appropriate approximately HK$50,432,000 (2013: HK$34,240,000) from retained earnings to statutory reserve.

21 ACCUMULATED LOSSES – GROUPCOMPANY

	2014 HK$'000	2013 HK$'000
At 1 January	(48,110)	(13,156)
Repurchase and cancellation of warrants	—	(11,149)
Loss for the year	(3,727)	(23,805)
At 31 December	(51,837)	(48,110)

22 INTERESTS IN SUBSIDIARIES – GROUPCOMPANY

	2014 HK$'000	2013 HK$'000
Unlisted shares (Note (i))	899,850	899,850
Amounts due from subsidiaries (Note (ii))	1,434,615	863,995

Notes:

(i) Unlisted investments in subsidiaries are stated at the aggregate net book value of the net assets of the subsidiary acquired upon the Reorganisation.

(ii) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of balances are denominated in HK$ and approximate their fair values.

22 INTERESTS IN SUBSIDIARIES – GROUPCOMPANY (Continued)

Details of the principal subsidiaries at 31 December 2014 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held
Xinyi Solar (BVI) Limited ("Xinyi Solar (BVI)")	The British Virgin Islands, limited liability company	Investment holding	200 ordinary shares	100%
Xinyi Solar (Hong Kong) Limited ("Xinyi Solar (Hong Kong)")	Hong Kong, limited liability company	Trading of solar glass products	200 ordinary shares	100%
Xinyi PV Products (Anhui) Holdings Limited	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid up capital of US$154,200,000	100%
Wuhu Xinyi Renewable Energy Limited	The PRC, limited liability company	Development and operation of solar farm	Registered and paid up capital of RMB10,000,000	100%
Tianjin Xinyi Renewable Energy Limited	The PRC, limited liability company	Development and operation of solar farm	Registered and paid up capital of RMB10,000,000	100%
Liuan Xinyi Renewable Energy Limited	The PRC, limited liability company	Development and operation of solar farm	Registered and paid up capital of RMB300,000,000	100%
Nanping Xinyi Renewable Energy Limited	The PRC, limited liability company	Development and operation of solar farm	Registered and paid up capital of USD18,000,000	100%
Hongan Xinyi Renewable Energy Limited	The PRC, limited liability company	Development and operation of solar farm	Registered and paid up capital of USD35,000,000	100%
Xinyi Solar (Malaysia) Sdn Bhd	Malaysia, limited liability company	Manufacturing of solar glass in the Malaysia	Authorised capital of RM40,000 with total paid up capital of 2 ordinary shares of RM1 each	100%
Cheer King Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 Ordinary shares	100%

22 INTERESTS IN SUBSIDIARIES – GROUPCOMPANY (Continued)

Details of the principal subsidiaries at 31 December 2014 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held
Mega Gain Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%
Wise Regal Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares	100%

Other than Xinyi Solar (BVI), which is held directly by the Company, all subsidiaries are held by the Company indirectly.

23 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES – GROUPGROUP

	2014 HK$'000	2013 HK$'000
Trade payables (Note (a))	171,020	104,734
Bills payables (Note (b))	344,815	44,109
Trade and bills payables	515,835	148,843
Accruals and other payables (Note (c))	604,984	201,315
	1,120,819	350,158

Notes:

(a) The ageing analysis of the trade payables based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0 to 90 days	163,502	100,953
91 days to 180 days	4,061	1,402
Over 180 days	3,457	2,379
	171,020	104,734

The carrying amounts of trade payables are denominated in RMB.

23 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES – GROUPGROUP (Continued)

Notes: (Continued)

(b) The maturity of bills payable is within 6 months.

(c) Details of accruals and other payables are as follows:

	2014 HK$'000	2013 HK$'000
Payables for property, plant and equipment	471,513	99,314
Accruals for employee benefits and welfare	46,503	33,374
Receipt in advance from customers	21,073	11,047
Payables for transportation costs and other operating expenses	15,560	15,889
Provision for value added tax and other taxes in the PRC	9,472	17,181
Payables for utilities	14,862	9,228
Others	26,001	15,282
	604,984	201,315

(d) The carrying amounts of trade payables, accruals and other payables approximate their fair values.

24 BANK BORROWINGS – GROUPGROUP

The bank borrowings are unsecured and repayable as follows:

	2014 HK$'000	2013 HK$'000
Within 1 year	142,857	—
Between 1 and 2 years	555,714	—
Between 2 and 5 years	601,429	—
	1,300,000	—
Less: Non-current portion	(1,157,143)	—
Current portion	142,857	—

As at 31 December 2014, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2017. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2014. The effective interest rates at reporting date were as follows:

	2014	2013
Bank borrowings	2.39%	—

The bank borrowings were guaranteed by corporate guarantee provided by the Company.

25 DEFERRED INCOME TAX – GROUPGROUP

The analysis of deferred income tax assets and deferred income liabilities is as follows:

	2014 HK$'000	2013 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	1,244	1,244
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(9,619)	(9,619)
Deferred income tax liabilities, net	(8,375)	(8,375)

The gross movement on the deferred income tax account is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	8,375	3,194
Charged to the consolidated income statement (Note 10)	—	5,181
At 31 December	8,375	8,375

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, are as follows:

	Provisions	
	2014 HK$'000	2013 HK$'000
Deferred income tax assets		
At 1 January	1,244	928
Credited to the consolidated income statement	—	316
At 31 December	1,244	1,244

25 DEFERRED INCOME TAX – GROUPGROUP (Continued)

	Undistributed profits of subsidiaries	
	2014	2013
	HK$'000	HK$'000
Deferred income tax liabilities		
At 1 January	**9,619**	4,122
Charged to the consolidated income statement	**—**	5,497
At 31 December	**9,619**	9,619

Withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in the PRC that held by holding companies incorporated in Hong Kong are subject to 5% withholding tax.

As at 31 December 2014, deferred income tax liabilities of approximately HK$38,847,000 (2013: HK$18,216,000) were not recognised for withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary in the PRC. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$776,937,000 (2013: HK$364,320,000).

26 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2014 HK$'000	2013 HK$'000
Profit before income tax	571,648	370,458
Adjustments for:		
Share options granted to employees (Note 9)	343	5,056
Interest income	(2,361)	(1,749)
Interest expense	7,441	—
Depreciation of property, plant and equipment (Note 7)	92,090	97,334
Amortisation of land use rights (Note 7)	2,405	2,405
Loss on disposal of property, plant and equipment (Note 6)	201	71
Reversal of provision for impairment of trade receivables (Note 7)	(123)	(80)
	671,644	473,495
Changes in working capital:		
Inventories	(205,841)	119,587
Trade and other receivables	(55,727)	(68,320)
Trade payables, accruals and other payables	378,395	168,445
Amounts due to related parties, net	—	4,411
Cash generated from operations	788,471	697,618

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2014 HK$000	2013 HK$000
Net book amount (Note 13)	308	2,143
Loss on disposal of property, plant and equipment	(201)	(71)
Proceeds from disposal of property, plant and equipment	107	2,072

During the year 2013, the Group sold property, plant and equipment at a consideration of HK$179,357,000 and property, plant and equipment, other assets and liabilities at a consideration of HK$136,081,000 to certain related parties which was settled by offsetting an equivalent amount due by the Group to the related parties.

Notes to the Consolidated Financial Statements

27 OPERATING LEASE COMMITMENTS – GROUPGROUP AND COMPANY

Group

The Group leases certain of its factory and office premises under non-cancellable operating lease agreements. As at 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2014 HK$'000	2013 HK$'000
Not later than one year	7,725	5,597
Later than 1 year and not later than 5 years	16,983	9,328
More than 5 years	170,819	—
	195,527	14,925

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings with lease terms as follows:

	2014 HK$'000	2013 HK$'000
Not later than one year	1,170	1,185
Later than 1 year and not later than 5 years	780	1,974
	1,950	3,159

Company

The Company did not have any operating lease commitment as at 31 December 2014 and 2013.

28 CAPITAL COMMITMENTS – GROUPGROUP AND COMPANY

Group

Capital expenditures at the balance sheet dates not yet incurred are as follows:

	2014 HK$'000	2013 HK$'000
Property, plant and equipment and land use rights:		
– Authorised but not contracted for	4,837,840	—
– Contracted but not provided for	733,035	118,587
Total	5,570,875	118,587

Company

The Company did not have any capital commitment as at 31 December 2014 and 2013.

29 BANKING FACILITIES AND GUARANTEES – GROUPGROUP AND COMPANY

Group

The banking facilities made available to subsidiaries of the Group are as follows:

	2014		2013	
	Available facilities HK$'000	Facilities utilised HK$'000	Available facilities HK$'000	Facilities utilised HK$'000
Banking facilities granted to subsidiaries of the Group without securities	1,708,089	1,644,815	256,410	44,109

Company

The Company did not have any banking facilities as at 31 December 2014 and 2013.

Notes to the Consolidated Financial Statements

30 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of related parties	Relationship Before the spin-off on 12 December 2013	Relationship After the spin-off on 12 December 2013
Xinyi Glass Holdings Limited	Ultimate holding company	Note (i)
Xinyi Automobile Glass (Shenzhen) Company Limited	Fellow subsidiary	Note (ii)
Xinyi Ultra-thin Glass (Dongguan) Company Limited ("Xinyi Ultra-thin (Dongguan)")	Fellow subsidiary	Note (ii)
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited ("Xinyi Ultra-clear (Dongguan)")	Fellow subsidiary	Note (ii)
Xinyi Automobile Parts (Tianjin) Company Limited	Fellow subsidiary	Note (ii)
Xinyi EnergySmart (Wuhu) Company Limited ("Xinyi EnergySmart (Wuhu)")	Fellow subsidiary	Note (ii)
Xinyi Automobile Parts (Wuhu) Company Limited ("Xinyi Automobile Parts (Wuhu)")	Fellow subsidiary	Note (ii)
Xinyi Electronic Glass (Wuhu) Company Limited ("Xinyi Electronic Glass (Wuhu)")	Fellow subsidiary	Note (ii)
Xinyi Glass (Tianjin) Company Limited ("Xinyi Glass (Tianjin)")	Fellow subsidiary	Note (ii)
Xinyi Glass Japan Company Limited	Fellow subsidiary	Note (ii)
Xinyi Glass (Yingkou) Company Limited	Fellow subsidiary	Note (ii)
Dongyuan County Xinhuali Quartz Sand Company Limited ("Dongyuan Xinhuali")	Related company	Note (iii)
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited ("Tianjin Xinke")	Related company	Note (iii)

Notes:

(i) Ultimate holding company of a company which has a significant influence on the Group.

(ii) Companies under control of a company which has a significant influence on the Group.

(iii) Unrelated. These suppliers were related parties of the Group up to the spin-off on 12 December 2013.

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant 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 year.

Continuing transactions

	Note	2014 HK$'000	2013 HK$'000
Purchases of glass products from:	i, iii		
– Xinyi EnergySmart (Wuhu)		**483**	39
– Xinyi Automobile Parts (Wuhu)		**1,054**	—
– Xinyi Electronic Glass (Wuhu)		**388**	—
		1,925	39
Rental expenses paid to:	ii, iv		
– Xinyi EnergySmart (Wuhu)		**1,164**	2,480
– Xinyi Glass (Tianjin)		**4,334**	5,106
		5,498	7,586
Rental income received from:	ii, iv		
– Xinyi EnergySmart (Wuhu)		**1,164**	390

Notes:

(i) The purchases were charged at mutually agreed prices and terms.

(ii) The leases of premises were charged at mutually agreed rental.

(iii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms, exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.31 (or rule 14A.76 effective from 1 July 2014) of the Listing Rules.

(iv) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. Details of transactions were disclosed under the section headed "Continuing Connected Transactions" in the Company's listing document dated 22 November 2013.

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

Discontinued transactions

	Note	2014 HK$'000	2013 HK$'000
Purchases of glass products from:	i, vi		
– Xinyi Glass (Tianjin)		—	29
Purchases of raw materials from:	i, vi		
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	513
– Xinyi EnergySmart (Wuhu)		—	15,575
– Xinyi Automobile Parts (Wuhu)		—	258
– Xinyi Glass (Tianjin)		—	470
		—	16,816
Purchases of machinery from:	i, vii		
– Xinyi Ultra-clear (Dongguan)		235	172
Sales of raw materials to:	ii, vi		
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	134
– Xinyi Automobile Parts (Wuhu)		—	317
– Xinyi Glass (Tianjin)		—	411
– Xinyi EnergySmart (Wuhu)		—	15,592
– Xinyi Electronic Glass (Wuhu) Company Limited		—	142
– Xinyi Automobile Parts (Tianjin) Company Limited		—	5
– Xinyi Glass (Yingkou) Company Limited		—	7
		—	16,608
Purchases of natural gas from:	i, viii		
– Tianjin Xinke		N/A	90,842
Purchases of low iron silica sand from:	i, viii		
– Dongyuan Xinhuali		N/A	25,939

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

Discontinued transactions (Continued)

	Note	2014 HK$'000	2013 HK$'000
Consultancy fee paid to:	iii, vii		
– Xinyi Glass Japan Company Limited		37	482
Disposal of land use rights and property, plant and equipment to:	iv, vi		
– Xinyi EnergySmart (Wuhu)		—	179,357
Disposal of property, plant and equipment, other assets and liabilities to:	v, vi		
– Xinyi Ultra-thin (Dongguan)		—	136,081

Notes:

(i) Purchases of glass products and raw materials from related parties were charged at mutually agreed prices and terms.

Purchases of machinery from related parties were charged at considerations based on net book amount of these assets.

(ii) Sales of glass products and raw materials to related parties were charged at mutually agreed prices and terms.

(iii) Consultancy fee paid to a related party for business advice in Japan's market was charged at mutually agreed fee.

(iv) For the year ended 31 December 2013, Xinyi Solar (Wuhu) disposed of a TCO production line to Xinyi EnergySmart (Wuhu) at consideration of RMB142,937,000 (equivalent to HK$179,357,000). The disposal was charged at considerations based on mutually agreed terms.

(v) For the year ended 31 December 2013, Xinyi PV Products (Anhui) Holdings Limited Dongguan Branch ("Xinyi Solar (Dongguan Branch)") entered into an agreement pursuant to which Xinyi Solar (Dongguan Branch) disposed property, plant and equipment, other assets and liabilities of Xinyi Solar (Dongguan Branch) to Xinyi Ultra-thin (Dongguan) at a consideration of RMB108,634,000 (equivalent to HK$136,081,000). The disposal was charged at a consideration based on mutually agreed price and terms. Besides, pursuant to the sales and purchase agreement, Xinyi Ultra-thin (Dongguan) agreed to reimburse Xinyi Solar (Dongguan Branch) the related taxes arising from the disposal.

(vi) Transactions discontinued before the date of Listing by Introduction of the Company.

(vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms, exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.31 (or rule 14A.76 effective from 1 July 2014) of the Listing Rules.

(viii) After the spin-off from Xinyi Glass on 12 December 2013, the Group has become an associate of Xinyi Glass. For the reason that Dongyuan Xinhuali and Tianjin Xinke are associates of Xinyi Glass, they were not connected persons of the Company and the transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

30 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties:

There are no outstanding balances with related parties as at 31 December 2014 and 2013..

(d) Key management compensation

	2014 HK$'000	2013 HK$'000
Basic salaries, bonus, other allowances and benefits	13,213	7,749
Retirement benefits - defined contribution scheme	90	68
Share options granted	89	1,556
	13,392	9,373

31 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

Group

	2014 HK$'000	2013 HK$'000
Assets - loans and receivables		
Trade and other receivables excluding prepayments and other tax receivables	680,106	463,297
Bills receivables	27,868	205,866
Cash and cash equivalents (Note 17)	542,459	278,935
	1,250,433	948,098
Liabilities - other financial liabilities at amortised cost		
Trade and other payables excluding accruals	1,043,771	288,556
Bank borrowings (Note 24)	1,300,000	—
	2,343,771	288,556

31 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (Continued)

Company

	2014 HK$'000	2013 HK$'000
Assets - loans and receivables		
Amounts due from subsidiaries	1,435,615	863,995
Other receivables	122	—
Cash and cash equivalents (Note 17)	110	55
	1,435,847	864,050

Financial Summary

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Result					
Revenue	2,410,004	1,967,507	1,533,130	1,233,678	1,077,393
Cost of sales	(1,649,067)	(1,375,161)	(1,268,910)	(791,060)	(522,711)
Gross profit	760,937	592,346	264,220	442,618	554,682
Profit before income tax	571,648	370,458	143,743	390,963	480,180
Income tax expense	(78,676)	(66,659)	(23,894)	(70,187)	(72,331)
Profit for the year attributable to equity holders of the Company	492,972	303,799	119,849	320,776	407,849

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	5,763,967	2,686,995	2,795,682	2,927,145	1,972,422
Total liabilities	2,458,079	376,560	1,730,564	2,006,266	649,143
Equity attributable to equity holders of the Company	3,305,888	2,310,435	1,065,118	920,879	1,323,279