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

(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock code: 00968)

Annual Report 2013

A Green Life With
XINYI SOLAR

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 Sanders
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

Bank of Communications, Wuhu branch
Citibank, N.A., Hong Kong branch
HSBC
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$1.74
Market capitalisation as of the date of this annual report: Approximately HK$9,918 million

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting:
Wednesday, 4 June 2014 to Friday, 6 June 2014 (both days inclusive)
Date of Annual General Meeting:
Friday, 6 June 2014
Closure of register of members for the purpose of entitlements to the final dividend:
Friday, 13 June 2014 to Tuesday, 17 June 2014
Proposed final dividend payable date:
On or before Tuesday, 8 July 2014

Chairman’s Statement

On behalf of the Board (the “**Board**”) of Directors (the “**Directors**”) of Xinyi Solar Holdings Limited (the “**Company**”), I am very pleased to present our first annual results after the successful listing of our shares (the “**shares**”) on the Hong Kong Stock Exchange on 12 December 2013. The listing has marked the beginning of a new chapter for the Company and opened up brand-new opportunities for the Group’s future growth.

During the year under review, the Group’s performance was satisfactory and achieved impressive profit growth. As compared with 2012, revenue of the Group rose by about 28.3% to approximately HK$1,967.5 million in 2013. Our net profit attributable to equity holders of the Company increased by about 153.5% to approximately HK$303.8 million in 2013. Basic earnings per Share was 7.33 HK cents, as compared with 3.43 HK cents last year. A final dividend of 1.8 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**”).

I present below an overview of the business of the Group during 2013 and key development highlights for the coming year.

RECOVERY IN SOLAR INDUSTRY AND NEW CAPACITY TO MEET DEMAND

With the recovery of the solar industry in 2013, the Group recorded satisfactory revenue growth in both domestic and export sales. During the year, the demand for solar modules and hence solar glass products in the PRC, United States, Japan and other Asian countries increased significantly. To meet the growth in the market demand, the Group re-commenced the commercial production of a production line in Wuhu in March 2013 following completion of equipment modification and upgrade. As a result, the aggregate daily production capacity of the ultra-clear photovoltaic raw glass (the “**Raw Glass**”) of the Group had increased from 1,500 tonnes at the end of 2012 to 2,000 tonnes in March 2013. The average selling prices of the solar glass products, after experiencing significant price pressures in the past two years, remained stable in the first half of 2013 and increased gradually in the second half of the year.

The Group will continue to expand its production capacity so as to capture the new business opportunities arising from the favourable policies and stimulation measures that have been rolled out in China as well as other countries to promote the use and development of solar energy. In view of the better-than-expected growth in the solar industry, the Group has accelerated the installation of two new ultra-clear photovoltaic raw glass production lines, each with a daily production capacity of 900 tonnes, in Wuhu. Subject to market conditions and the progress of construction, these two production lines are expected to commence commercial production in the third quarter and fourth quarter of 2014, respectively.

FLEXIBLE AND PROACTIVE MARKETING STRATEGIES TO ENHANCE AND DIVERSIFY CUSTOMER BASE

The Group has built a strong customer base that includes leading solar module manufacturers and glass processing companies in China and overseas. With increased production capacity, the Group will be able to satisfy different requirements of its customers for solar glass products in different thicknesses, sizes and functionality. China is the most important market of the Group and accounted for about 85% of the Group’s revenue in 2013. Because of the shift in the global demand for solar products to the PRC, Japan and North American markets, the percentage of the Group’s revenue derived from the European Union market has been decreasing in recent years. Direct export of the ultra-clear photovoltaic processed glass (the “**Processed Glass**”) to the European Union market accounted for less than one per cent. of the Group’s total revenue in 2013. Therefore, the Directors believe that the imposition of provisional anti-dumping duty by the European Commission on ultra-clear photovoltaic processed glass imported from the PRC would have no material adverse impact on the Group’s business. The Group will continue to adopt flexible and proactive marketing strategies to enhance and diversify its customer base in the PRC and overseas markets.

PRODUCT ENHANCEMENT

As a leading solar glass manufacturer, the Group continues to collaborate with its customers to improve the solar transmittance level and reduce the defect rates of its solar glass products in light of the latest development trends. An example of these improvements is the application of anti-reflective coating on the surface of Processed Glass. This coating can reduce the light reflection of the glass surface and thus improve the solar transmittance rate, thereby increasing the energy conversion efficiency and power output of the solar modules. To ensure its product quality, the Group also established and maintained stringent quality control and assurance standards and inspection procedures at each critical step of its production process.

HIGHER PRODUCTION AND COST EFFICIENCY

The Group strived to enhance its competitiveness by seeking continuous improvement in its production process and producing solar glass products in a more cost-effective manner.

In 2013, economies of scale arising from the increase in melting volume allowed the Group to reduce its fuel and raw material consumption as well as other fixed costs. Automation and more streamlined production process were also introduced to save labour costs. These measures, together with better management of raw materials and the increasing use of electricity generated from residual heat generation system and roof-top solar panels, enabled the Group to have a better control on the overall production cost and mitigated the impact of rising price pressure of natural gas and certain raw materials.

As of 31 December 2013, the Group installed 35MW roof-top solar panel power system at its Wuhu production complex.

STRATEGIC EXPANSION INTO SOLAR FARM BUSINESS

In light of the favourable government policies for solar energy industry in the Mainland China, the Group is looking for opportunities to expand its business downstream. Leveraging its experience in constructing the roof-top solar panel power system at its production plant, the Group plans to invest in solar farm and related facilities in selected provinces of the Mainland China for the purpose of enhancing these business activities and investment to become one of the important source of revenue of the Group. Currently, the Group plans to construct 250MW solar farm power generation system in Anhui province in the PRC. In addition, the Group will proactively consider and explore other investment opportunities in both solar farm and solar power distribution program in addition to the production and sales of solar glass products.

The Directors anticipate that the solar farm business would generate a stable investment return for the Group. It is also complementary to the Group’s solar glass business with new customers and new product development and new product applications, all of these are expected to increase the sales of the Group’s solar glass products.

BUSINESS OUTLOOK

In the previous decade, solar energy market has been one of the fastest growing renewable energy sector. Nevertheless, solar power only accounts for a small percentage of the global power generation market, which means that there will be huge development potential for the use of solar power in the future.

Chairman's Statement

As solar power is one of the cleanest forms of alternative energy, many countries have provided strong support to the use of solar technology through incentive measures and policies, such as formulating on-grid tariffs or policies to encourage the use of roof-top solar technology. Benefiting from supportive government policies and incentive schemes, the demand for solar products in China, the United States and Japan experienced a significant growth in 2013. The Directors expect that these countries will continue to be the major driver for demand growth in the coming year.

China has become the world's largest solar module and solar glass production base. Other than the rapid development of its solar module manufacturing industry, China has substantially increased its construction of solar power generation facilities. According to the China National Energy Administration, China has recently raised its target of installed photovoltaic capacity for 2014 to 14GW. With increasing environmental awareness and emphasis on renewable energy, it is expected that the capacity of photovoltaic installation will further increase in China and other countries. Leveraging its experience in constructing the 35MW roof-top solar power panels at its production plant, the Group is well positioned to increase its investment in the solar farm business.

CONCLUSION

Our Group has successfully demonstrated our ability to maintain the market leadership and has gained greater market share by seizing the great market opportunities in China and overseas. With an improved market outlook signaled by the rebound in trend indicators since late 2012, we remain optimistic about our future development and look forward to generating further growth and achieving more business breakthroughs not only in our existing solar glass business but also in our solar farm business.

We are well positioned to benefit from the increasing market demand and supportive government policies for solar energy, which we believe would pave the way for substantial growth in our Group's future business.

LEE Yin Yee, M.H.
Chairman

26 February 2014

Management's Discussion and Analysis

INTRODUCTION

The year of 2013 is important to the corporate history of the Group. The successful listing of the Company not only provides the Group with a separate platform for capital markets transactions, but also facilitates dedicated management team to focus on the business opportunities in the solar-related markets. The business focus of the Group is expected to attract new investors seeking investments in solar-related industry.

The Group is a China-based solar glass manufacturer with production facilities strategically located in Wuhu and Tianjin, China. Currently, the Group offers two principal solar glass products to its customers, namely (i) the Raw Glass and (ii) the Processed Glass. Other than these two principal products, the Group also produces other glass products, such as back glass and TCO glass (an ultra-clear float glass coated with transparent conductive oxide for use in solar modules based on thin film technology) as part of its product portfolio. All of the Group's products are sold to solar module manufacturers and glass processing companies in China, North America and other countries in Asia.

OVERVIEW

In 2013, the global solar industry has shown signs of rebound that is principally driven by the demand growth for solar modules in China, Japan and the United States. This accelerated the level of demand and improved the demand and supply balance of solar glass products. The weighted average selling prices of the Group's principal solar glass products (Raw Glass and Processed Glass) remained stable during the first quarter of 2013 and started to rebound during the first half of 2013. The growth momentum continued in the second half of 2013. The sales volume also grew with increasing selling prices and production efficiency. All of these result in the satisfactory results of the Group in 2013. The revenue and the net profit of the Group in 2013 amounted to HK$1,967.5 million and HK$303.8 million, respectively, representing an increase of 28.3% and 153.5%, as compared with HK$1,533.1 million and HK$119.8 million, respectively, in 2012.

The Group sells Processed Glass to solar module manufacturers and Raw Glass and other glass to glass processing companies. In 2013, the Group focused its efforts on the production of Processed Glass with an increased percentage of Processed Glass applied with anti-reflective coating. This business focus increased the sales revenue of the Group in 2013 as the selling prices of the Processed Glass are generally higher than that of Raw Glass.

Management's Discussion and Analysis

OPERATIONAL REVIEW

Revenue

The Group's total revenue increased by 28.3% in 2013 due to the increase in the sales volume of Raw Glass and Processed Glass. The revenue contribution from these two products increased by 27.2% and 64.9%, respectively, as compared with 2012. In 2013, the product mix of the Group shifted to the production of Processed Glass as the selling prices of Processed Glass are generally higher than that of Raw Glass.

The substantial decrease in the revenue of other glass products produced by the Group was principally due to the decrease in the sales of ultra-clear float glass and common float glass following the disposal of the ultra-clear float glass production line in September 2012 to the Group's previous parent company, Xinyi Glass Holdings Limited ("**Xinyi Glass**"), as part of the restructuring for the purpose of the separate listing of the Company on the Stock Exchange. Such disposal was made by the Group because of the lower than expected increase in the demand for solar modules based on thin film technology as well as the demand for related solar glass products. The following table illustrates an analysis of the revenue of the Group in 2013 in terms of principal product types and the location of the principal customers with comparative figures for 2012.

	Year ended 31 December			
	2013		2012	
	HK$'000	**%**	HK$'000	%
Revenue – By products				
Raw Glass	**561,857**	**28.6**	441,688	28.8
Processed Glass	**1,404,529**	**71.4**	851,817	55.6
Other glass	**1,121**	*****	239,625	15.6
Total	**1,967,507**	**100.0**	1,533,130	100.0

* Amount insignificant.

	Year ended 31 December			
	2013		2012	
	HK$'000	**%**	HK$'000	%
Revenue – By geographical markets				
Mainland China	**1,673,419**	**85.1**	1,245,210	81.2
Other countries (Note)	**294,088**	**14.9**	287,920	18.8
Total	**1,967,507**	**100.0**	1,533,130	100.0

Note: Other countries principally include North America and other Asian countries.

Cost of sales

Despite the increase in energy cost and certain material costs in 2013, the Group's cost of sales only increased by 8.4% from HK$1,268.9 million in 2012 to HK$1,375.2 million in 2013 — a lower percentage increase as compared with the percentage increase of the revenue of the Group. The increase in the cost of sales at slower pace was principally due to the increase in production efficiency, improvement in the output rate and the increasing use of electricity generated from the Group's residual heat power generation system and roof-top solar panels.

Gross profit

The Group's gross profit increased by HK$328.1 million, or 124.2%, from HK$264.2 million in 2012 to HK$592.3 million in 2013. As a result of the rebound in the average selling prices and the improvement in the production efficiency, the gross margins of the Group's two principal products — Raw Glass and Processed Glass — both recorded an increase in 2013. The Group's overall gross margin increased from 17.2% in 2012 to 30.1% in 2013.

Other income

The Group's other income increased to HK$62.7 million, as compared with the other income of HK$40.3 million in 2012. The increase was principally due to the receipt of additional government grant by the Group in 2013.

Selling and marketing expenses

The Group's selling and marketing expenses amounted to HK$124.3 million in 2013 and HK$71.6 million in 2012, representing 6.3% and 4.7% of the Group's revenue in the relevant year, respectively. The increase was primarily due to the increase in transportation cost as a result of: (i) higher sales volume and (ii) more finished products were delivered from our Tianjin production plant to the Group's target customers around the Yangtze River Delta.

Administrative expenses

The Group's administrative expenses increased by HK$69.7 million, or 75.3%, to HK$162.2 million in 2013 principally due to the increase in the research and development expenses and the professional fees incurred in relation to the listing on the Stock Exchange.

Income tax expense

The Group's income tax expense amounted to HK$66.7 million in 2013. The effective tax rate increased from 16.6% in 2012 to 18.0% in 2013 principally due to the increase in the provision for withholding tax on the distributable profit of the Group's PRC subsidiaries as a result of higher percentage of the Group's profit was derived from its PRC subsidiaries.

EBITDA and net profit

In 2013, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$470.2 million, representing an increase of 85.4% as compared with HK$253.6 million in 2012. The Company's EBITDA margin, which is based on the Group's revenue in 2013, was 23.9% as compared with 16.5% in 2012.

Management's Discussion and Analysis

Net profit attributable to equity holders of the Company in 2013 was HK$303.8 million, representing an increase of 153.5%, as compared with HK$119.8 million in 2012. The increase in the net profit margin to 15.4% in 2013 from 7.8% in 2012 was principally due to: (i) the recovery in the solar industry which resulted in favourable market conditions for solar glass products and (ii) the improvement in the production and operation efficiency of the Group.

Net current assets and current ratio

As of 31 December 2013, the Group's net current assets amounted to HK$707.8 million, as compared with net current liabilities of HK$770.4 million as of 31 December 2012. The Group's current ratio as of 31 December 2013 was 2.93, as compared with 0.55 as of 31 December 2012. The change from net current liabilities to net current assets and the improvement in current ratio are principally due to the significant decrease in the Group's current liabilities as a result of the capitalisation of the amounts due to related parties as part of the reorganisation process of the Group prior to the Listing.

FINANCIAL RESOURCES AND LIQUIDITY

In 2013, the Group's primary source of funding included cash generated from the Group's operating activities and banking facilities provided by banks. Net cash inflow from operating activities amounted to HK$653.7 million (2012: HK$86.5 million). The increase was primarily attributable to: (i) the increase in the Group's revenue; and (ii) the reduced length of collection period for trade receivables in 2013. Net cash used in investing activities amounted to HK$124.6 million (2012: HK$308.6 million). The decrease was mainly due to the drop in capital expenditures in 2013 for roof-top solar power system installation compared to 2012. Net cash used in financing activities amounted to HK$305.3 million (2012: net cash generated of HK$244.0 million). The change was principally due to the change in amounts due to related parties by the Group during the year.

The Group did not have any bank borrowings and was at a net cash position as of 31 December 2013 and 2012. The Group's cash and cash equivalents amounted to HK$279.1 million as of 31 December 2013 and were mainly denominated in US dollars (60.3%), Renminbi (22.2%) and Hong Kong dollars (16.7%), The net debt gearing ratio, which is calculated as total borrowings less cash and bank balances divided by total equity of the Group, is thus not applicable.

PLEDGE OF ASSETS

No assets were pledged by the Group as security for borrowings as of 31 December 2013 and 2012.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2013, the Group had about 1,600 full-time employees and most of them are based in the Mainland China. 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. Remuneration packages offered to the Group's employees are consistent with the prevailing market rates and are 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 employees.

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 the Mainland 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) have been implemented.

Prior to the listing of the Company on the Stock Exchange, members of the Group were wholly-owned subsidiaries of Xinyi Glass and some of the employees of the Group have been granted share options under the share option scheme adopted by Xinyi Glass. As of the date of this annual report, the Company does not have any share option scheme. The Board considers that it is in the interest of the Company to adopt a share option scheme (the "**Share Option Scheme**") so as to continue to provide incentives or rewards to the eligible persons thereunder for their contributions to the success of the Group. The Board therefore proposed to recommend to the Shareholders at the Annual General Meeting to adopt the Share Option Scheme.

FINAL DIVIDEND

The Company did not pay interim dividend for the year ended 31 December 2013. At the meeting of the Board held on 26 February 2014, the Directors proposed a final cash dividend of 1.8 HK cents per share for 2013.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group adheres to a policy of financial prudence. The overall objective of treasury policies is to minimise finance costs and manage the associated risks.

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi and US dollars. Given the exchange rate peg between Hong Kong dollars and US dollars, the Directors do not expect that the Group will be exposed to significant exchange rate risk for transactions conducted in Hong Kong dollars or US dollars. However, exchange rate fluctuation between Renminbi and Hong Kong dollars or Renminbi and US dollars could affect the Group's 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.

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. LEE Yin Yee, M.H. (李賢義), aged 61, 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 25 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 48, 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 25 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 38, 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 and has more than 14 years of experience in the glass industry. 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. 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 58, 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 56, 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. Mr. CHEN has more than 19 years of experience in the glass industry.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Put (李聖潑), aged 36, 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 62, 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 R M Group Holdings Limited (stock code: 8185), a company listed on the Growth Enterprise Market, from September 2013 onwards. From October 2013 onwards, Mr. CHENG serves as an independent non-executive director of Forterra Real Estate Pte. Ltd, which is a trustee-manager of Forterra Trust (SGX-ST Code: LG2U.SI), a business trust listed on the Singapore Exchange Securities Trading Limited.

Mr. LO Wan Sing, Vincent (盧溫勝), aged 66, 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 31, 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 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 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 44, 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 34, 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. LIU has over six years of experience in the glass industry.

Mr. WEN Jie (文杰), aged 51, 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. Mr. WEN has about 16 years of experience in the glass industry.

* 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**") since 19 November 2013.

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 period from 12 December 2013 (being the first date of listing of its shares on the Stock Exchange, hereafter the "**Listing Date**") to 31 December 2013.

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 adopted the board diversity policy (the "**Diversity Policy**") as required by the CG Code in November 2013. 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. Mr. LEE is responsible for 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 Group's 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 of 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.

The table below sets out the number of meetings of the Board in 2013 and individual attendance of each Director at these meetings:

Directors	Attendance at board meetings *(Note 1)*
Executive	
TUNG Ching Sai	3/3 *(Note 2)*
LEE Yau Ching	3/3 *(Note 2)*
LI Man Yin *(Note 3)*	3/3 *(Note 2)*
CHEN Xi *(Note 3)*	3/3 *(Note 2)*
ZHANG Ming *(Note 4)*	—
Non-executive	
LEE Yin Yee, M.H.	3/3 *(Note 2)*
LEE Shing Put *(Note 3)*	3/3 *(Note 2)*
Independent non-executive	
CHENG Kwok Kin, Paul *(Note 5)*	1/1
LO Wan Sing, Vincent *(Note 5)*	1/1
KAN E-ting, Martin *(Note 5)*	1/1

Notes:

1) The attendance figure represents actual attendance/the number of meetings a Director is entitled to attend. Three meetings were held on 20 September 2013, 16 November 2013 and 19 November 2013, respectively.

2) One meeting was conducted by telephone.

3) Mr. LI Man Yin and Mr. CHEN Xi were appointed as executive Directors on 20 September 2013. Mr. LEE Shing Put was appointed as non-executive Director on 20 September 2013.

4) Mr. ZHANG Ming resigned as executive Director on 20 September 2013.

5) Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin were appointed as independent non-executive Directors on 19 November 2013.

At least four Board meetings are scheduled to be held during the year ending 31 December 2014.

Corporate Governance Report

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 ended 31 December 2013 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board 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 2013, no meeting of the Remuneration Committee was held.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors of the Company) by band for the year ended 31 December 2013 is set forth below:

In the band of:	Number of individuals
Below HK$1,000,000	3

Details of the Directors' remuneration is set out in Note 8 to the consolidated financial statements of the Group on pages 70 to 73 in the annual report.

AUDIT COMMITTEE

The Audit Committee of the Board 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 one meeting during the year ended 31 December 2013 on 12 December 2013 and all the committee members attended the meeting.

NOMINATION COMMITTEE

The Nomination Committee of the Board 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 2013.

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 34 and 35 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the remuneration paid/payable to PricewaterhouseCoopers, the auditor of the Company, is as follows:

Service in respect of:	HK$'000
– statutory audit	1,100
– non-statutory audit for acting as the Company's reporting accountant in relation to the spin-off and listing of the Company	2,300

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 2013. 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.

The Listing Date of the Company was on 12 December 2013. Compliance of the requirement under Rule 3.29 of the Listing Rules will be reported in the next corporate governance report.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 58 of the articles of association 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 the 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 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 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.

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 from the Listing Date to 31 December 2013.

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 2013.

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. Particulars of the subsidiaries of the Company are set forth in Note 20 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 2013 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 2013 are set out in the consolidated income statement on page 36 in this annual report. During the financial year, no interim dividend was paid.

The Board proposes the payment of a final dividend of 1.8 HK cents per Share to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 11 June 2014. Subject to approval by the Shareholders at the Annual General Meeting, the final dividend will be paid on or before 8 July, 2014.

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, 4 June 2014 to Friday, 6 June 2014, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 3 June 2014.

The register of members will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014, 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, 12 June 2014 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 18 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 four 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 12 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 17 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as of 31 December 2013 and without taking into account the proposed final dividend of 1.8 HK cents per Share for the year then ended, share premium amounting to approximately HK$1,238.8 million (2012: HK$899.9 million) was distributable to the 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 the Shareholders at 31 December 2013 (2012: Nil).

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.

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 *(appointed on 20 September 2013)*
Mr. CHEN Xi *(appointed on 20 September 2013)*
Mr. ZHANG Ming *(resigned on 20 September 2013)*

NON-EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. *(Chairman)*
Mr. LEE Shing Put *(appointed on 20 September 2013)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul *(appointed on 19 November 2013)*
Mr. LO Wan Sing, Vincent *(appointed on 19 November 2013)*
Mr. KAN E-ting, Martin *(appointed on 19 November 2013)*

In accordance with articles 83(3) and 84 of the Company's articles of association, Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Sai, Mr. LEE Yau Ching and Mr. LI Man Yin will retire and being eligible, 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 Company's policies concerning remuneration of the executive Directors are:-

(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;

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme adopted by the Company (if any), as part of their remuneration package; and

(iv) director's fee that formed part of the remuneration package of the executive Directors amounted to HK$17,671 for the period from 19 November 2013 to 31 December 2013 and HK$150,000 for the year ending 31 December 2014.

Save for the remuneration of HK$17,671 for each non-executive Director in 2013, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the remuneration of HK$17,671 for each independent non-executive Director in 2013, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin and their mutual agreement with the Company.

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 financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Directors) and letters of appointment (for the non-executive Directors and independent non-executive Directors) with the Company entered into with each of the Directors on 19 November 2013, 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 2013.

SHARE OPTION SCHEME

Prior to the listing of the Company on the Stock Exchange, members of the Group were wholly-owned subsidiaries of Xinyi Glass Holdings Limited ("**Xinyi Glass**") and some of the employees of the Group have been granted share options pursuant to a share option scheme adopted by Xinyi Glass.

As of the date of this annual report, the Company does not have any share option scheme. The Board considers that it is in the interest of the Company to adopt a share option scheme (the "**Share Option Scheme**") so as to continue to provide incentives or rewards to the eligible persons thereunder for their contributions to the success of the Group. The Board therefore proposed to recommend to the Shareholders at the Annual General Meeting to adopt the Share Option Scheme. A circular containing a summary of the details of the Share Option Scheme will be sent to the Shareholders in due course.

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.

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

As of 31 December 2013, 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	12.723%
	Personal interest(1)		32,912,000	0.577%
	Interest in persons acting in concert(2)		2,074,251,059	36.390%
Mr. TUNG Ching Sai(3)	Interest in a controlled corporation(3)	Copark (as defined below)	246,932,579	4.332%
	Personal interest(3)		48,064,000	0.843%
	Interest in persons acting in concert(2)		2,074,251,059	36.390%
Mr. LI Man Yin(4)	Interest in a controlled corporation(4)	Perfect All (as defined below)	79,041,911	1.387%
	Personal interest(4)		1,540,000	0.027%
	Interest in persons acting in concert(2)		2,074,251,059	36.390%
Mr. LEE Yau Ching(5)	Interest in a controlled corporation(5)	Telerich (as defined below)	251,595,089	4.414%

Notes:

(1) Mr. LEE Yin Yee, M.H. is the beneficial owner of all the issued share capital of Realbest Investment Limited ("**Realbest**") which in turn is the registered owner of 725,209,552 ordinary shares of Xinyi Glass ("**Xinyi Glass Shares**"). 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 32,912,000 Xinyi Glass Shares. In addition, Realbest is the registered owner of 725,209,552 ordinary shares of the Company ("**Shares**"). Mr. LEE Yin Yee, M.H. also has personal interest in 32,912,000 Shares.

(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.

(3) Mr. TUNG Ching Sai is the beneficial owner of all the 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 48,064,000 Xinyi Glass Shares. In addition, Copark is the registered owner of 246,932,579 Shares. Mr. TUNG Ching Sai also has personal interest in 48,064,000 Shares.

(4) Mr. LI Man Yin is the beneficial owner of all the 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 personal interest in 1,540,000 Shares.

(5) 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.

Save as disclosed above, as of 31 December 2013, 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 of 31 December 2013, 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 our 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	31.205%
Xinyi Glass (BVI)	Interest in a controlled corporation	1,778,709,301	31.205%
Xinyi Glass	Interest in a controlled corporation	1,778,709,301	31.205%

Name of our substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. TUNG Ching Bor	Interest in a controlled corporation	266,766,456	4.680%
	Personal interest	19,900,000	0.349%
	Interest in persons acting in concert[(1)]	2,074,251,059	36.390%
Mr. LEE Sing Din	Interest in a controlled corporation	251,595,089	4.414%
	Personal interest	19,770,000	0.347%
	Interest in persons acting in concert[(1)]	2,074,251,059	36.390%
Mr. LI Ching Wai	Interest in a controlled corporation	116,580,868	2.045%
	Interest in persons acting in concert[(1)]	2,074,251,059	36.390%
Mr. SZE Nang Sze	Interest in a controlled corporation	105,630,781	1.853%
	Interest in persons acting in concert[(1)]	2,074,251,059	36.390%
Mr. NG Ngan Ho	Interest in a controlled corporation	77,853,912	1.366%
	Personal interest	2,200,000	0.039%
	Interest in persons acting in concert[(1)]	2,074,251,059	36.390%
Mr. LI Ching Leung	Interest in a controlled corporation	77,853,911	1.366%
	Personal interest	2,400,000	0.042%
	Interest in persons acting in concert[(1)]	2,074,251,059	36.390%

Note:

(1) 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.

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 of 31 December 2013.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As of 31 December 2013, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year 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	17.7%
– five largest customers in aggregate	58.9%
Purchases	
– the largest supplier	23.2%
– five largest suppliers in aggregate	42.1%

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 controlling 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 Group did not have any bank borrowings as of 31 December 2013 (2012: nil).

REWARD FOR EMPLOYEES

As of 31 December 2013, we had about 1,600 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 2013 are set out in note 29 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 June 2011 (the "**2011 Wuhu Lease Agreement**") entered into between a wholly-owned subsidiary of the Company, 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 26,000 square metre ("sq. m.") for its production purpose from Xinyi EnergySmart (Wuhu) from 1 June 2011 to 31 May 2014. The annual rent is fixed at RMB2,496,000, which is determined with reference to the then market rental level.

Pursuant to a lease agreement dated 1 September 2013 (the "**2013 Wuhu Lease Agreement**") entered into between Xinyi Solar (Wuhu) and Xinyi EnergySmart (Wuhu), Xinyi Solar (Wuhu) agrees to lease the same factory premises with a smaller gross floor area of approximately 11,000 sq. m. for its production purpose from Xinyi EnergySmart (Wuhu) 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.

The 2011 Wuhu Lease Agreement was superseded by the 2013 Wuhu Lease Agreement in its entirety with effect from 1 September 2013.

2) Lease of property from Xinyi Glass (Tianjin)

Pursuant to a lease agreement dated 1 April 2011 (the "**2011 Tianjin Lease Agreement**", together with the 2011 Wuhu Lease Agreement, the "**2011 Lease Agreements**") entered into between a branch company of Xinyi Solar Wuhu, 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 36,370 sq. m. for its production purpose from Xinyi Glass (Tianjin) for a term of three years from 1 April 2011 to 31 March 2014. The annual rent is fixed at RMB4,364,400, which is determined with reference to the then market rental level.

Pursuant to a lease agreement dated 1 September 2013 (the "**2013 Tianjin Lease Agreement**", together with the 2013 Wuhu Lease Agreement, the "**2013 Lease Agreements**") entered into between Xinyi Solar (Tianjin Branch) and Xinyi Glass (Tianjin), Xinyi Solar (Tianjin Branch) agrees to lease the factory premises with gross floor area of approximately 28,680 sq. m. from Xinyi Glass (Tianjin) for a term of three years from 1 September 2013 to 31 August 2016.

The 2011 Tianjin Lease Agreement was superseded by the 2013 Tianjin Lease Agreement in its entirety with effect from 1 September 2013.

3) Lease of property to Xinyi EnergySmart (Wuhu)

Pursuant to a lease agreement (the "**Lease Agreement**") dated 1 September 2013 entered into between Xinyi EnergySmart (Wuhu) and Xinyi Solar (Wuhu), Xinyi EnergySmart (Wuhu) has agreed to lease factory premises with a gross floor area of approximately 11,000 sq. m. for its production purpose from Xinyi Solar (Wuhu) 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 controlling 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 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 2013, the rent paid to Xinyi EnergySmart (Wuhu) in the amount of approximately HK$2,480,000 and the rent paid to Xinyi Glass (Tianjin) in the amount of approximately HK$5,106,000 pursuant to the 2011 Lease Agreements and the 2013 Lease Agreements, in aggregate amounted to approximately HK$7,586,000, which was within the annual cap of HK$7,810,000 as set forth in the listing document of the Company issued on 22 November 2013.

For the year ended 31 December 2013, the rent received from Xinyi EnergySmart (Wuhu) in the amount of approximately HK$390,000 pursuant to the Lease Agreement was within the annual cap of HK$410,000 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.38 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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 30 and 31 of this annual report in accordance with Rule 14A.38 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 an 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 2013.

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as of 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.

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, 6 June 2014, 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, 26 February 2014

Independent Auditor's Report

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 36 to 103, which comprise the consolidated and company balance sheets as of 31 December 2013 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 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

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 of 31 December 2013, 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, 26 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,967,507**	1,533,130
Cost of sales	7	**(1,375,161)**	(1,268,910)
Gross profit		**592,346**	264,220
Other income	5	**62,679**	40,345
Other gains, net	6	**187**	2,367
Selling and marketing expenses	7	**(124,331)**	(71,602)
Administrative expenses	7	**(162,172)**	(92,516)
Operating profit		**368,709**	142,814
Finance income		**1,749**	929
Profit before income tax		**370,458**	143,743
Income tax expense	9	**(66,659)**	(23,894)
Profit for the year attributable to equity holders of the Company		**303,799**	119,849
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	10	**7.33**	3.43
– Diluted	10	**7.33**	3.43

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

	Note	2013	2012
Dividends (Expressed in HK cents per share)	11	**1.80**	—

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	303,799	119,849
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	45,469	20,130
Total comprehensive income for the year attributable to equity holders of the Company	349,268	139,979

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,367,987**	1,654,825
Land use rights	13	**188,888**	188,146
Prepayments for property, plant and equipment and land use rights		**54,176**	20,833
Deferred income tax assets	23	**1,244**	928
Total non-current assets		**1,612,295**	1,864,732
Current assets			
Inventories	14	**91,031**	217,416
Bills receivables	15	**205,866**	119,784
Trade and other receivables	15	**498,681**	521, 227
Amounts due from related parties	29(c)	**—**	16,816
Current income tax recoverable		**—**	1,531
Cash and cash equivalents	16	**279,122**	54,176
Total current assets		**1,074,700**	930,950
Total assets		**2,686,995**	2,795,682
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium			
– Proposed final dividend	11	**102,600**	—
– Others		**1,706,205**	899,850
	17	**1,808,805**	899,850
Other reserves	18	**98,838**	20,886
Retained earnings		**402,792**	144,382
Total equity		**2,310,435**	1,065,118
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	23	**9,619**	4,122
Deferred government grants	24	**—**	25,061
Total non-current liabilities		**9,619**	29,183

	Note	2013 HK$'000	2012 HK$'000
Current liabilities			
Trade payables, accruals and other payables	22	**350,158**	189,675
Amounts due to related parties	29(c)	**—**	1,510,971
Current income tax liabilities		**16,783**	735
Total current liabilities		**366,941**	1,701,381
Total liabilities		**376,560**	1,730,564
Total equity and liabilities		**2,686,995**	2,795,682
Net current assets/(liabilities)		**707,759**	(770,431)
Total assets less current liabilities		**2,320,054**	1,094,301

The financial statements on pages 36 to 103 were approved by the Board of Directors on 26 February 2014 and were signed on its behalf.

Director *Director*

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	899,850	899,850
Current assets			
Amounts due from subsidiaries	20	863,995	10
Amounts due from related parties	21, 29(c)	—	2,079
Prepayments		449	—
Cash and cash equivalents	16	55	59
Total current assets		864,499	2,148
Total assets		1,764,349	901,998
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium			
– Proposed final dividend	11	102,600	—
– Others		1,706,205	899,850
	17	1,808,805	899,850
Other reserves	18	—	1,851
Accumulated losses	19	(48,110)	(13,156)
Total equity		1,760,695	888,545

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Current liabilities			
Accruals and other payables		3,654	105
Amounts due to subsidiaries	20	—	13,348
Total current liabilities		3,654	13,453
Total equity and liabilities		1,764,349	901,998
Net current assets/(liabilities)		860,845	(11,305)
Total assets less current liabilities		1,760,695	888,545

The financial statements on pages 36 to 103 were approved by the Board of Directors on 26 February 2014 and were signed on its behalf.

Director

Director

The notes on pages 44 to 103 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	For the year ended 31 December 2013 Attributable to equity holders of the Company				
	Share capital (Note 17) HK$'000	Share premium (Note 17) HK$'000	Other reserves (Note 18) 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

	For the year ended 31 December 2012 Attributable to equity holders of the Company				
	Share capital (Note 17) HK$'000	Share premium (Note 17) HK$'000	Other reserves (Note 18) HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2012	—	899,850	(16,970)	37,999	920,879
Comprehensive income					
Profit for the year	—	—	—	119,849	119,849
Other comprehensive income					
Currency translation differences	—	—	20,130	—	20,130
Total comprehensive income	—	—	20,130	119,849	139,979
Transactions with owners					
Issuance of warrants, net of issuance cost	—	—	1,851	—	1,851
Employee's share option scheme:					
– release of share option reserve upon recharge by the then ultimate holding company	—	—	(1,223)	—	(1,223)
– value of employee services	—	—	3,632	—	3,632
Appropriation to statutory reserve	—	—	13,466	(13,466)	—
Balance at 31 December 2012	—	899,850	20,886	144,382	1,065,118

The notes on pages 44 to 103 are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	25(a)	697,618	147,324
Income tax paid		(43,932)	(60,811)
Net cash generated from operating activities		653,686	86,513
Cash flows from investing activities			
Purchase of property, plant and equipment		(239,666)	(347,798)
Government grants received	12	96,767	50,352
Repayment of advances from/(advances to) related parties		14,487	(12,062)
Proceeds from disposal of property, plant and equipment		2,072	—
Interest received		1,749	929
Net cash used in investing activities		(124,591)	(308,579)
Cash flows from financing activities			
Net proceeds from warrants issuance		—	1,851
Repurchase and cancellation of warrants		(13,000)	—
(Repayment of advances to)/advances from related parties		(292,272)	242,191
Net cash (used in)/generated from financing activities		(305,272)	244,042
Net increase in cash and cash equivalents		223,823	21,976
Cash and cash equivalents at 1 January		54,176	31,933
Effect of foreign exchange rate changes		1,123	267
Cash and cash equivalents at 31 December	16	279,122	54,176

The notes on pages 44 to 103 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 planning to develop solar farm business.

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. Before the spin-off exercise (the "Spin-off") on 12 December 2013, the ultimate holding company of the Company is Xinyi Glass Holdings Limited ("Xinyi Glass"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). After the Spin-off from Xinyi Glass on 12 December 2013, the shares of the Company have been listed on The Main Board of the Stock Exchange by way of introduction (the "Listing by Introduction"). Since then, the Company has become an associate of Xinyi Glass. For further details of the Spin-off and the Listing by Introduction, please refer to the Company's listing document dated 22 November 2013 and announcement dated 11 December 2013.

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 26 February 2014.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards and interpretations are effective for the financial year beginning on 1 January 2013. 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 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 1	First time adoption	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosure	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HK (IFRIC) - Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

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 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
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
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HK (IFRIC) 21	Levies	1 January 2014

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)

2.2 Subsidiaries and associate

(a) *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.

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. Acquisition-related costs are expensed as incurred. 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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries and associate (Continued)

(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.

2.3 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.

All foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses), 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 exchange 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 depreciation and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Construction in progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production 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.

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 gains/(losses), net" in the consolidated income statement.

2.6 Land use rights

Land use rights in the PRC is state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease 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', 'amounts due from related parties' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2.12 and 2.13).

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 sheets 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.14 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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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 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.

2.18 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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

(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.

Outside basis differences

Deferred income tax is provided on 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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) 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.

(c) Rental income

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

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(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 end of the reporting period.

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.

2.22 Share-based payments

(a) Equity-based share-based payment transactions

Before the Spin-off, the Group's then ultimate holding company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the related company. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share-based payments (Continued)

(a) *Equity-based share-based payment transactions* (Continued)

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

(b) *Share-based payment transaction among group entities*

Prior to the Spin-off and the Listing by Introduction, the grant by the then ultimate holding company of options over its equity instruments to the employees of the Group is recharged back by the then ultimate holding company over the vesting period. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an employee benefit expenses, with a corresponding credit to equity. When the then ultimate holding recharges the grant to the employees of the Group, the Group recognises a liability to the then ultimate holding, with a corresponding adjustment to equity.

2.23 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Research and development

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are recognised as part of the product include the product development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product development costs recognised as assets are amortised over their estimated useful lives.

2.25 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 gains/(losses), 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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") 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 of 31 December 2013, 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$1,616,000 (2012: HK$416,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade and other receivables and cash and cash equivalents.

Details of the Group's trade and other receivables and cash and cash equivalents are disclosed in Note 15 and Note 16.

(ii) Cash flow and fair value interest rate risk

The Group does not have significant fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk.

As of 31 December 2013, if interest rates on cash and cash equivalents 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$582,000 (2012: HK$111,000) higher/lower as a result of higher/lower interest income being 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, trade and other receivables and amounts due from related parties. 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:

	2013 HK$'000	2012 HK$'000
Trade and other receivables excluding prepayments	**669,163**	635,412
Amounts due from related parties (Note 29(c))	**—**	16,816
Cash at bank (Note 16)	**278,935**	53,937
Maximum exposure to credit risk	**948,098**	706,165

As of 31 December 2013 and 2012, most of the bank deposits are deposited with state-owned banks in the PRC and reputable banks in Hong Kong. The credit quality of cash and cash equivalents 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 and amounts due from related parties, 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 59% (2012: 42%) of the Group's total sales. They accounted for approximately 77% (2012: 46%) of the gross trade receivable balances as of 31 December 2013.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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.

The Group's financial liabilities are all less than 12 months at the balance sheet date to the contractual maturity date. The amounts disclosed in the balance sheets are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant. These financial liabilities are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Trade and other payables excluding accruals	**288,556**	155,233
Amounts due to related parties (Note 29(c))	**—**	1,510,971
	288,556	1,666,204

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Company	
	2013	2012
	HK$'000	HK$'000
Other payables	3,654	105
Amounts due to subsidiaries *(Note 21)*	—	13,348
	3,654	13,453

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.

The Group monitors its capital based on net debt (calculated as total external borrowings less cash and bank balances) to total capital ratio and there were no bank borrowings as of 31 December 2013 and 2012. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2013	2012
	HK$'000	HK$'000
Cash and cash equivalents (Note 16)	279,122	54,176
Less: Total borrowings	—	—
Net cash	279,122	54,176
Total equity	2,310,435	1,065,118
Gearing ratio	N/A	N/A

The Group monitors capital by maintaining a net cash position throughout 2013 and 2012.

3 FINANCIAL RISK MANAGEMENT (Continued)

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) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(d) 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.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2013 HK$'000	2012 HK$'000
Revenue		
Sales of ultra-clear photovoltaic raw glass	561,857	441,688
Sales of ultra-clear photovoltaic processed glass	1,404,529	851,817
Sales of other glass	1,121	239,625
	1,967,507	1,533,130
Other income		
Rental income	391	—
Government grants (Note (a))	60,281	38,132
Others	2,007	2,213
	62,679	40,345

Note:

(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 12).

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 the products sold: (1) ultra-clear photovoltaic raw glass; (2) ultra-clear photovoltaic processed glass; (3) other glass.

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.

There are no sales between segments and the revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statements.

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

	Year ended 31 December 2013			
	Ultra-clear photovoltaic raw glass HK$'000	Ultra-clear photovoltaic processed glass HK$'000	Other glass HK$'000	Total HK$'000
Revenue from external customers	**561,857**	**1,404,529**	**1,121**	**1,967,507**
Cost of sales	**(458,208)**	**(915,619)**	**(1,334)**	**(1,375,161)**
Gross profit/(loss)	**103,649**	**488,910**	**(213)**	**592,346**

	Year ended 31 December 2012			
	Ultra-clear photovoltaic raw glass HK$'000	Ultra-clear photovoltaic processed glass HK$'000	Other glass HK$'000	Total HK$'000
Revenue from external customers	441,688	851,817	239,625	1,533,130
Cost of sales	(390,111)	(657,018)	(221,781)	(1,268,910)
Gross profit	51,577	194,799	17,844	264,220

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	2013 HK$'000	2012 HK$'000
Segment gross profit	**592,346**	264,220
Unallocated:		
Other income	**62,679**	40,345
Other gains, net	**187**	2,367
Selling and marketing expenses	**(124,331)**	(71,602)
Administrative expenses	**(162,172)**	(92,516)
Finance income	**1,749**	929
Profit before income tax	**370,458**	143,743

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

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:

	2013 HK$'000	2012 HK$'000
Mainland China	**1,673,419**	1,245,210
Other countries	**294,088**	287,920
	1,967,507	1,533,130

The Group's non-current assets are all located in Mainland China.

For the year ended 31 December 2013, revenue of approximately HK$324,074,000, HK$347,652,000 and HK$259,135,000 were derived from customer A, customer B and customer C, respectively. For the year ended 31 December 2012, revenue of approximately HK$210,800,000 was derived from customer A.

6 OTHER GAINS, NET

	2013 HK$'000	2012 HK$'000
Foreign exchange gains, net	258	2,376
Loss on disposal of property, plant and equipment (Note 25)	(71)	(9)
	187	2,367

7 EXPENSES BY NATURE

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

	2013 HK$'000	2012 HK$'000
Auditor's remuneration		
– Audit services	1,100	600
– Non-statutory audit services	2,300	—
Professional expenses in respect of the Spin-off	20,347	3,144
(Reversal of provision for)/Provision for impairment of trade receivables (Note 15(b))	(80)	602
Depreciation charge of property, plant and equipment (Note 12)	97,334	107,536
Amortisation charge of land use rights (Note 13)	2,405	2,349
Employee benefit expenses (including directors' emoluments) (Note 8)	123,310	109,604
Raw material and consumables used	954,690	775,588
Changes in inventories	126,385	197,920
Cost of inventories sold (Note 14)	1,081,075	973,508
Operating lease payments in respect of land and buildings	7,586	11,319
Other selling expenses (including transportation and advertising costs)	106,266	54,637
Research and development expenditures	69,405	32,695
Other expenses	150,616	137,034
	1,661,664	1,433,028

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013	2012
	HK$'000	HK$'000
Wages and salaries	102,805	91,933
Retirement benefit - defined contribution schemes (Note (i))	15,449	14,039
Share options granted to employees (Note 18(d))	5,056	3,632
	123,310	109,604

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$1,250 per month (HK$1,000 per month before 1 June 2012) 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.

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

(a) Directors' emoluments

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

The remuneration of every director for the year ended 31 December 2012 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	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—
LEE Yau Ching	—	2,487	1,154	14	—	3,655
ZHANG Ming	—	557	—	17	636	1,210
SHI Ding Huan	67	—	—	—	—	67
WANG Xiao Bin	67	—	—	—	—	67
LAI Wing Chueng	67	—	—	—	—	67
Total	201	3,044	1,154	31	636	5,066

8 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
ZHANG Ming	5 June 2011	20 September 2013
CHEN Xi	20 September 2013	N/A
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
SHI Ding Huan	9 November 2011	31 August 2012
WANG Xiao Bin	9 November 2011	31 August 2012
LAI Wing Chueng	9 November 2011	31 August 2012

(ii) No directors waived or agreed to waive any emoluments during the years ended 31 December 2013 and 2012. 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 2013 and 2012.

(iii) 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, bonus, other allowances and benefits	2,050	1,987
Retirement benefits - defined contribution scheme	53	52
Share options granted	1,121	1,066
	3,224	3,105

	2013 HK$'000	2012 HK$'000
Emoluments band		
Nil to HK$1,000,000	2	2
HK$1,000,001 - HK$1,500,000	1	1
	3	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 2013 and 2012.

9 INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current income tax		
Hong Kong profits tax (Note (ii))	934	2,607
PRC corporate income tax ("CIT") (Note (iii))	60,544	21,607
Deferred income tax (Note 23)		
– Origination of temporary differences	5,181	(320)
Income tax expense	66,659	23,894

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% (2012: 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. Certain PRC subsidiaries enjoyed tax holiday and the profits are fully exempted from CIT for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in CIT in next three years.

The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2012: 12.5%) for the year as it enjoyed high-tech enterprise income tax benefit.

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:

	2013 HK$'000	2012 HK$'000
Profit before income tax	370,458	143,743
Calculated at weighted average tax rate of 24.9% (2012: 24.7%)	92,244	35,508
Preferential tax rates on income of certain PRC subsidiaries	(33,026)	(17,076)
Under provision in prior years	—	69
Income not subject to tax	(23)	(423)
Expenses not deductible for tax purposes	1,967	5,816
Effect of withholding tax on distributable profits of the Group's PRC subsidiary	5,497	—
Tax charge	66,659	23,894

10 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.

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**303,799**	119,849
Adjusted weight average number of shares in issue (thousands)*	**4,142,264**	3,494,870
Basic earnings per share (HK cents)	**7.33**	3.43

The basic and diluted earnings per share for the year ended 31 December 2013 and 2012 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 as presented on the consolidated income statement have taken into account the loan capitalisation as described in Note 17(a).

11 DIVIDENDS

No interim dividend was paid for the year ended 31 December 2013 and 2012. A final dividend in respect of the financial year ended 31 December 2013 of HK$0.018 per share (2012: Nil), amounting to a total dividend of HK$102,600,000 (2012: Nil) (based on 5,700,000,000 shares in issue as at 31 December 2013), is to be proposed at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

Subject to the approval by the Shareholders at the forthcoming annual general meeting, the final dividend of 1.8 HK cents per Share will be payable on or before Tuesday, 8 July 2014 to the Shareholders whose names appear on the register of members of the Company at the closure day of register of members. The closure day for cash dividend will be disclosed in the notice of Annual General Meeting.

12 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2012					
Opening net book amount	200,258	1,420,343	1,796	209,648	1,832,045
Additions	6,488	12,004	—	132,524	151,016
Transfers	—	64,373	—	(64,373)	—
Disposals	—	(248,595)	—	(79)	(248,674)
Depreciation charge	(5,758)	(93,196)	(315)	—	(99,269)
Exchange differences	2,515	13,498	18	3,676	19,707
Closing net book amount	203,503	1,168,427	1,499	281,396	1,654,825
At 31 December 2012					
Cost	210,094	1,359,933	2,916	281,396	1,854,339
Accumulated depreciation	(6,591)	(191,506)	(1,417)	—	(199,514)
Net book amount	203,503	1,168,427	1,499	281,396	1,654,825
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

12 PROPERTY, PLANT AND EQUIPMENT - GROUP (Continued)

	2013 HK$'000	2012 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	85,325	98,159
– Administrative expenses	12,009	9,377
	97,334	107,536

	2013 HK$'000	2012 HK$'000
Depreciation charges capitalised in inventories	2,828	9,626

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:

	2013 HK$'000	2012 HK$'000
Deferred government grants:		
At 1 January	25,061	85,079
Received	96,767	50,352
Netted off with the cost of the related assets	(121,729)	(112,164)
Exchange differences	(99)	1,794
At 31 December (Note 24)	—	25,061

13 LAND USE RIGHTS - GROUP

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

	2013 HK$'000	2012 HK$'000
At 1 January	188,146	189,754
Amortisation charge	(4,009)	(3,915)
Exchange differences	4,751	2,307
At 31 December	188,888	188,146

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 (2012: HK$1,566,000) 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 (2012: HK$2,349,000) was charged to the consolidated income statement.

14 INVENTORIES - GROUP

	2013 HK$'000	2012 HK$'000
Raw materials	61,983	72,951
Work in progress	13,513	14,581
Finished goods	15,535	129,884
	91,031	217,416

The cost of inventories included in cost of sales amounted to approximately HK$1,081,075,000 (2012: HK$973,508,000).

15 TRADE AND OTHER RECEIVABLES - GROUP

	2013 HK$'000	2012 HK$'000
Trade receivables	413,929	387,382
Bills receivables	205,866	119,784
Trade and bills receivables (Note (a))	619,795	507,166
Less: Provision for impairment of trade receivables (Note (b))	(123)	(825)
Trade and bills receivables, net	619,672	506,341
Prepayment for inventories	34,299	5,434
Prepayment - Others	1,085	165
Deposits and other receivables (Note (c))	49,491	41,833
Other tax receivables (Note (d))	—	87,238
	704,547	641,011

(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:

	2013 HK$'000	2012 HK$'000
0 to 90 days	394,875	231,260
91 days to 180 days	18,003	77,968
Over 180 days	1,051	78,154
	413,929	387,382

The maturity of the bills receivables is within 6 months.

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

	2013 HK$'000	2012 HK$'000
RMB	594,630	468,398
US$	25,121	34,094
Other currencies	44	4,674
	619,795	507,166

15 TRADE AND OTHER RECEIVABLES - GROUP (Continued)

(b) Provision for impairment of trade receivables

As of 31 December 2013, trade receivables of HK$206,392,000 (2012: HK$235,907,000) 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:

	2013 HK$'000	2012 HK$'000
0 to 90 days	188,805	97,437
91 days to 180 days	17,427	61,848
Over 180 days	160	76,622
	206,392	235,907

As of 31 December 2013, trade receivables of HK$307,000 (2012: HK$41,365,000) were past due and partially impaired and provided for. 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 (2012: HK$825,000) were recognised as of 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:

	2013 HK$'000	2012 HK$'000
0 to 90 days	—	28,102
91 days to 180 days	—	12,035
Over 180 days	307	1,228
	307	41,365

15 TRADE AND OTHER RECEIVABLES - GROUP (Continued)

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

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

	2013 HK$'000	2012 HK$'000
At 1 January	825	917
(Reversal of provision for)/Provision for impairment of trade receivables (Note 7)	(80)	602
Receivables written off during the year as uncollectible	(631)	(685)
Exchange differences	9	(9)
At 31 December	123	825

The creation/(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.

(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:

	2013 HK$'000	2012 HK$'000
Within 1 year	49,323	41,665
From 1 year to 2 years	168	168
	49,491	41,833

All the Group's deposits and other receivables are denominated in RMB.

(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.

16 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group	
	2013	2012
	HK$'000	HK$'000
Cash at bank	278,935	53,937
Cash on hand	187	239
	279,122	54,176

As of 31 December 2013, funds of the Group amounting to HK$65,018,000 (2012: HK$43,519,000) 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$213,917,000 (2012: HK$10,418,000) as of 31 December 2013 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	
	2013	2012
	HK$'000	HK$'000
RMB	62,004	28,369
US$	168,383	15,785
HK$	46,536	675
Euro dollars ("EUR")	2,047	8,331
Other currency	152	1,016
	279,122	54,176

	Company	
	2013	2012
	HK$'000	HK$'000
Cash at bank	55	59

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

17 SHARE CAPITAL AND PREMIUM - GROUP AND COMPANY

	Number of ordinary shares	Ordinary shares of HK$ 0.1 each	Share premium	Total
		HK$'000	HK$'000	HK$'000
Authorised:				
At 1 January 2012, 31 December 2012 and 2013	80,000,000,000	8,000,000	—	8,000,000
Issued:		HK$	HK$	HK$
At 1 January 2012 and 31 December 2012	200	20	899,850,000	899,850,020
Issuance of shares (Note (a))	**5,699,999,800**	**569,999,980**	**338,955,020**	**908,955,000**
At 31 December 2013	**5,700,000,000**	**570,000,000**	**1,238,805,020**	**1,808,805,020**

Note:

(a) On 30 June 2013 and 5 December 2013, the Company allotted and issued 2,574,013,096 and 3,125,986,704 shares, respectively of HK$0.1 each for the capitalisation of certain related companies balances amounting to HK$471,515,000 and HK$437,440,000, respectively due by the Group to its then immediate holding company, Xinyi Group (Glass) Company Limited ("Xinyi Glass (Hong Kong)").

18 OTHER RESERVES - GROUP AND COMPANY

Group

	Merger reserve (Note (a)) HK$'000	Capital Reserve (Note (b)) HK$'000	Statutory reserve (Note (c)) HK$'000	Share option reserve (Note (d)) HK$'000	Warrant reserve (Note (e)) HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance 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
Balance at 31 December 2013	(209,495)	26,744	111,214	6,931	—	163,444	98,838
Balance at 1 January 2012	(209,495)	26,744	63,508	4,428	—	97,845	(16,970)
Currency translation differences	—	—	—	—	—	20,130	20,130
Issuance of warrants, net of issuance cost	—	—	—	—	1,851	—	1,851
Employee's share option scheme:							
– release of share option reserve upon recharge by the then ultimate holding company	—	—	—	(1,223)	—	—	(1,223)
– value of employee services	—	—	—	3,632	—	—	3,632
Appropriation to statutory reserve	—	—	13,466	—	—	—	13,466
Balance at 31 December 2012	(209,495)	26,744	76,974	6,837	1,851	117,975	20,886

18 OTHER RESERVES - GROUP AND COMPANY (Continued)

Group (Continued)

(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.

(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 2013, the board of directors of Xinyi Solar (Wuhu) resolved to appropriate approximately HK$34,240,000 (2012: HK$13,466,000) from retained earnings to statutory reserve.

18 OTHER RESERVES - GROUP AND COMPANY (Continued)

Group (Continued)

(d) Share option reserve

Xinyi Glass, the former ultimate holding company, adopted a share option scheme ("Share Option Scheme") in 2005. Under the Share Option Scheme, 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 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 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:

	2013		2012	
	Average exercise price in HK dollars per share	Options ('000)	Average exercise price in HK dollars per share	Options ('000)
At 1 January	4.48	8,565	3.90	8,487
Granted	4.80	2,982	4.34	2,707
Exercised	3.17	(4,128)	2.15	(1,670)
Lapsed	5.49	(480)	2.95	(959)
At 31 December	5.33	6,939	4.48	8,565

Out of the above outstanding share options, 176,000 (2012: 591,000) were exercisable at 31 December 2013. During the year, options exercised resulted in 4,128,000 (2012: 1,670,000) shares being issued at weighted average price at the time of exercise of HK$3.17 (2012: HK$2.15) each.

18 OTHER RESERVES - GROUP AND COMPANY (Continued)

Group (Continued)

(d) Share option reserve (Continued)

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

Expiry date	Exercise price in HK dollar per share	Options ('000) 2013	Options ('000) 2012
19 April 2013	2.34	—	591
31 March 2014	3.55	176	3,019
31 March 2015	6.44	2,256	2,288
31 March 2016	4.34	2,621	2,667
31 March 2017	5.55	1,886	—
		6,939	8,565

The weighted average fair values of these options granted 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 (2012: HK$1.40) per option. The significant inputs into the model are as follows:

	2013	2012
Weighted average share price, at the grant date (HK$)	5.28	4.34
Exercise price (HK$)	5.55	4.34
Volatility (%)	47.72	56.89
Dividend yield (%)	3.29	3.69
Expected share option life (years)	3.5	3.36
Annual risk-free interest rate (%)	0.29	0.32

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 8 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

18 OTHER RESERVES - GROUP AND COMPANY (Continued)

Group (Continued)

(e) Warrant reserve

On 3 May 2012, the Company entered into a subscription agreement to issue: i) 98,087,881 warrants ("Solar Warrants") to certain independent third parties at a consideration of HK$1,940,000 and ii) an option for the subscription for the zero coupon guaranteed variable maturity bonds due 2017 to be issued by the Company in the principal amount of HK$233,000,000 ("Solar Bonds"). The warrants will mature 5 years from the issuance date. The initial exercise ratio is 1 warrant to 1 common share and the initial exercise price is HK$2.38 per warrant. Upon the exercise of warrants, the Company will adjust its share capital and issue new shares to the existing shareholders. The expenses related to issuance of warrants were HK$89,000. In addition, the warrant can be exercised by the holders at any time on or after 15 days from the issue date up to the close of business on the date falling 14 days prior to the expiry date.

On 30 August 2013, the Company entered into a repurchase agreement for the purpose of implementing the repurchase and cancellation of the Solar Warrants and the waiver of the rights in relation to the option to subscribe for the Solar Bonds. The repurchase was completed on 11 December 2013. The aggregate repurchase price of HK$13,000,000 was first set off against the warrant reserve and the remaining balance was recorded in retained earnings.

Company

The reserve comprised the warrant reserve as set out in Note 18(e) above.

19 ACCUMULATED LOSSES - COMPANY

	2013 HK$'000	2012 HK$'000
At 1 January	**(13,156)**	(9,638)
Repurchase and cancellation of warrants	**(11,149)**	—
Loss for the year	**(23,805)**	(3,518)
At 31 December	**(48,110)**	(13,156)

20 INTERESTS IN SUBSIDIARIES - COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted shares (Note (i))	899,850	899,850
Amounts due from subsidiaries (Note (ii))	863,995	10
Amounts due to subsidiaries (Note (ii))	—	13,348

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/to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of balances are denominated in HK$ and approximate their fair values.

Details of the subsidiaries at 31 December 2013 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 of US$1 each	100%
Xinyi Solar (Hong Kong) Limited ("Xinyi Solar (Hong Kong)")	Hong Kong, limited liability company	Trading of solar glass products	Authorised capital of HK$10,000 with total paid up capital of 200 ordinary shares of HK$1 each	100%
Xinyi PV (Anhui) Products 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 provision of consultancy services of new energy technologies	Registered and paid up capital of RMB10,000,000	100%

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

21 AMOUNTS DUE FROM/TO RELATED PARTIES - COMPANY

The amounts are unsecured, interest-free and repayable on demand. The carrying amounts of balances approximate their fair values.

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES - GROUP

	2013 HK$'000	2012 HK$'000
Trade payables (Note (a))	104,734	36,119
Bills payable (Note (b))	44,109	—
Trade and bills payables	148,843	36,119
Accruals and other payables (Note (c))	201,315	153,556
	350,158	189,675

Notes:

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

	2013 HK$'000	2012 HK$'000
0 to 90 days	100,953	31,503
91 days to 180 days	1,402	1,399
Over 180 days	2,379	3,217
	104,734	36,119

The carrying amounts of trade payables are denominated in RMB.

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

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

	2013 HK$'000	2012 HK$'000
Payables for property, plant and equipment	99,314	104,201
Accruals for employee benefits and welfare	33,374	24,516
Receipt in advance from customers	11,047	8,870
Payables for transportation costs and other operating expenses	15,889	6,951
Provision for value added tax and other taxes in the PRC	17,181	1,056
Payables for utilities	9,228	2,605
Others	15,282	5,357
	201,315	153,556

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

23 DEFERRED INCOME TAX - GROUP

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

	2013 HK$'000	2012 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	1,244	928
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(9,619)	(4,122)
Deferred income tax liabilities, net	(8,375)	(3,194)

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

	2013 HK$'000	2012 HK$'000
At 1 January	3,194	3,514
Charged/(credited) to the consolidated income statement (Note 9)	5,181	(320)
At 31 December	8,375	3,194

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	
	2013 HK$'000	2012 HK$'000
Deferred income tax assets		
At 1 January	928	608
Credited to the consolidated income statement	316	320
At 31 December	1,244	928

23 DEFERRED INCOME TAX - GROUP (Continued)

	Undistributed profits of subsidiaries	
	2013	2012
	HK$'000	HK$'000
Deferred income tax liabilities		
At 1 January	4,122	4,122
Charged to the consolidated income statement	5,497	—
At 31 December	9,619	4,122

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 Xinyi Solar (Hong Kong), a company incorporated in Hong Kong, is subject to 5% withholding tax.

As of 31 December 2013, deferred income tax liabilities of approximately HK$18,216,000 (2012: HK$6,168,000) 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$364,320,000 (2012: HK$123,370,000).

24 DEFERRED GOVERNMENT GRANTS - GROUP

The government grants were received from the government in subsidising the Group's purchase of property, plant and equipment in the PRC. It will be netted off with the cost of acquisition when property, plant and equipment are acquired and are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

25 CASH GENERATED FROM OPERATIONS

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	370,458	143,743
Adjustments for:		
Share options granted to employees (Note 8)	5,056	3,632
Interest income	(1,749)	(929)
Depreciation of property, plant and equipment (Note 7)	97,334	107,536
Amortisation of land use rights (Note 7)	2,405	2,349
Loss on disposal of property, plant and equipment (Note 6)	71	9
(Reversal of provision for)/Provision for impairment of trade receivables (Note 7)	(80)	602
	473,495	256,942
Changes in working capital:		
Inventories	119,587	189,653
Trade and other receivables	(68,320)	(209,724)
Trade payables, accruals and other payables	168,445	(103,119)
Amounts due to/(from) related parties, net	4,411	13,572
Cash generated from operations	697,618	147,324

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

	2013 HK$000	2012 HK$000
Net book amount (Note 12)	2,143	9
Loss on disposal of property, plant and equipment	(71)	(9)
Proceeds from disposal of property, plant and equipment	2,072	—

25 CASH GENERATED FROM OPERATIONS (Continued)

(c) Major non-cash transactions

(i) During the year, the Group sold property, plant and equipment at a consideration of HK$179,357,000 (2012: HK$248,665,000) and property, plant and equipment, other assets and liabilities at a consideration of HK$136,081,000 (2012: Nil) to certain related parties which was settled by offsetting an equivalent amount due by the Group to the related parties.

(ii) On 30 June 2013 and 5 December 2013, the Company allotted and issued 2,574,013,096 shares and 3,125,986,704 shares, respectively of HK$0.1 each for the capitalisation of certain related company balances amounting to HK$471,515,000 and HK$437,440,000, respectively due by the Group to Xinyi Glass (Hong Kong).

26 OPERATING LEASE COMMITMENTS - GROUP AND COMPANY

Group

The Group leases certain of its factory and office premises under non-cancellable operating lease agreements. As of 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 HK$'000	2012 HK$'000
Not later than one year	5,597	8,576
Later than 1 year and not later than 5 years	9,328	2,663
	14,925	11,239

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

	2013 HK$'000	2012 HK$'000
Not later than one year	1,185	—
Later than 1 year and not later than 5 years	1,974	—
	3,159	—

26 OPERATING LEASE COMMITMENTS - GROUP AND COMPANY (Continued)

Company

The Company did not have any operating commitment as of 31 December 2013 and 2012.

27 CAPITAL COMMITMENTS - GROUP AND COMPANY

Group

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

	2013 HK$'000	2012 HK$'000
Property, plant and equipment:		
– Contracted but not provided for	118,587	53,542

Company

The Company did not have any capital commitment as of 31 December 2013 and 2012.

28 BANKING FACILITIES AND GUARANTEES - GROUP AND COMPANY

Group

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

	2013		2012	
	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	256,410	44,109	78,000	—

Company

The Company did not have any banking facilities as of 31 December 2013 and 2012.

29 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	Ultimate holding company	Note (i)
Xinyi Glass (Hong Kong)	Immediate holding company	Note (ii)
Xinyi Automobile Glass (Shenzhen) Company Limited	Fellow subsidiary	Note (iii)
Shenzhen Benson Automobile Glass Company Limited	Fellow subsidiary	Note (iii)
Xinyi Ultra-thin Glass (Dongguan) Company Limited (“Xinyi Ultra-thin (Dongguan)”)	Fellow subsidiary	Note (iii)
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited (“Xinyi Ultra-clear (Dongguan)”)	Fellow subsidiary	Note (iii)
Xinyi Automobile Glass (Dongguan) Company Limited	Fellow subsidiary	Note (iii)
Xinyi Glass Engineering (Dongguan) Company Limited	Fellow subsidiary	Note (iii)
Xinyi Automobile Parts (Dongguan) Company Limited	Fellow subsidiary	Note (iii)
Xinyi Automobile Parts (Tianjin) Company Limited	Fellow subsidiary	Note (iii)
Xinyi EnergySmart (Wuhu) Company Limited (“Xinyi EnergySmart (Wuhu)”)	Fellow subsidiary	Note (iii)
Xinyi Automobile Parts (Wuhu) Company Limited (“Xinyi Automobile Parts (Wuhu)”)	Fellow subsidiary	Note (iii)
Xinyi Electronic Glass (Wuhu) Company Limited	Fellow subsidiary	Note (iii)
Xinyi Glass (Tianjin) Company Limited (“Xinyi Glass (Tianjin)”)	Fellow subsidiary	Note (iii)
Xinyi Glass (Jiangmen) Company Limited	Fellow subsidiary	Note (iii)
Xinyi Glass Japan Company Limited	Fellow subsidiary	Note (iii)
Xinyi Glass (Yingkou) Company Limited	Fellow subsidiary	Note (iii)
Xinyi Glass Deutschland GmbH	Fellow subsidiary	Note (iii)
Xinyi Glass (America) Development Inc	Fellow subsidiary	Note (iii)
Xinyi International Investments Limited	Fellow subsidiary	Note (iii)
Dongyuan County Xinhuali Quartz Sand Company Limited (“Dongyuan Xinhuali”)	Related company	Note (iv)
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited (“Tianjin Xinke”)	Related company	Note (iv)

Notes:

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

(ii) Company which has a significant influence on the Group.

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

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

29 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	2013 HK$'000	2012 HK$'000
Purchases of float glass from:			
– Xinyi EnergySmart (Wuhu)	i, iv	39	1,125
Purchases of low iron silica sand from:			
– Dongyuan Xinhuali	i, iii	25,939	17,037
Purchases of natural gas from:	i, iii		
– Tianjin Xinke		90,842	69,650
Rental expenses paid to:	ii, v		
– Xinyi Ultra-thin (Dongguan)		—	2,883
– Xinyi EnergySmart (Wuhu)		2,480	3,069
– Xinyi Glass (Tianjin)		5,106	5,366
		7,586	11,318
Rental income received from:	ii, v		
– Xinyi EnergySmart (Wuhu)		390	—

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

Notes:

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

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

(iii) 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 County Xinhuali Quartz Sand Company Limited and Tianjin Wuqing District Xinke Natural Gas Investment Company Limited are associates of Xinyi Glass, they are not considered as related companies to the Group since then. Balances due to them were included in trade payables in the Group's consolidated balance sheet as of 31 December 2013.

These related parties were not connected persons of the Company and the transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(iv) Transactions conducted between the period from the date of Listing by introduction to 31 December 2013 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 of the Listing Rules.

(v) 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.

Discontinued transactions

	Note	2013 HK$'000	2012 HK$'000
Purchases of glass products from:	i, vi		
– Xinyi Glass (Tianjin)		29	—
– Xinyi Glass (Jiangmen) Company Limited		—	5
– Xinyi Automobile Parts (Wuhu)		—	2,013
		29	2,018
Purchases of raw materials from:	i, vi		
– Xinyi Automobile Glass (Shenzhen) Company Limited		513	877
– Xinyi EnergySmart (Wuhu)		15,575	714
– Xinyi Ultra-clear (Dongguan)		—	2,038
– Xinyi Ultra-thin (Dongguan)		—	178
– Xinyi Automobile Glass (Dongguan) Company Limited		—	1
– Xinyi Automobile Parts (Wuhu)		258	3,259
– Xinyi Glass Engineering (Dongguan) Company Limited		—	424
– Xinyi Glass (Tianjin)		470	900
– Xinyi Glass (Jiangmen) Company Limited		—	306
		16,816	8,697
Purchases of machinery from:	i, vi		
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	156
– Xinyi Ultra-thin (Dongguan)		—	1,564
– Xinyi Ultra-clear (Dongguan)		172	—
		172	1,720

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

Discontinued transactions (Continued)

	Note	2013 HK$'000	2012 HK$'000
Sales of glass products to:	ii		
– Xinyi Glass Engineering (Dongguan) Company Limited		—	2,091
– Xinyi Automobile Parts (Dongguan) Company Limited		—	5
– Xinyi Ultra-thin (Dongguan)		—	271
– Xinyi Glass (Jiangmen) Company Limited		—	641
– Xinyi Automobile Parts (Wuhu)		—	28,958
– Xinyi EnergySmart (Wuhu)		—	147,972
– Xinyi Glass (Tianjin)		—	1,328
		—	181,266
Sales of raw materials to:	ii, vi		
– Xinyi Automobile Glass (Shenzhen) Company Limited		134	7
– Shenzhen Benson Automobile Glass Company Limited		—	16
– Xinyi Automobile Glass (Dongguan) Company Limited		—	1
– Xinyi Automobile Parts (Wuhu)		317	180
– Xinyi Glass (Tianjin)		411	234
– Xinyi EnergySmart (Wuhu)		15,592	7,423
– Xinyi Electronic Glass (Wuhu) Company Limited		142	2
– Xinyi Glass Engineering (Dongguan) Company Limited		—	115
– Xinyi Ultra-clear (Dongguan)		—	427
– Xinyi Ultra-thin (Dongguan)		—	2
– Xinyi Automobile Parts (Tianjin) Company Limited		5	10
– Xinyi Glass (Yingkou) Company Limited		7	—
		16,608	8,417

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

Discontinued transactions (Continued)

	Note	2013 HK$'000	2012 HK$'000
Commission expenses paid to:	iii		
– Xinyi Glass Deutschland GmbH		—	2,637
Consultancy fee paid to:	iii, vii		
– Xinyi Glass Japan Company Limited		482	586
Disposal of land use rights and property, plant and equipment to:	iv, vi		
– Xinyi EnergySmart (Wuhu)		179,357	248,665
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) Commission expenses paid to a related party for selling the Group's glass products in Germany were charged at rates based on mutually agreed terms.

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 a TCO production line (2012: a float glass production line) to Xinyi EnergySmart (Wuhu) at consideration of RMB142,937,000 (equivalent to HK$179,357,000) (2012: RMB202,205,000 (equivalent to HK$248,665,000)). The disposal was charged at considerations based on mutually agreed terms.

(v) For the year ended 31 December 2013, 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) Transactions conducted between the period from the date of Listing by introduction to 31 December 2013 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 of the Listing Rules.

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties are as follows:

All balances with related parties are unsecured, interest-free and repayable on demand. The carrying amounts of balances with related parties approximate their fair values.

	Note	2013 HK$'000	2012 HK$'000	Maximum outstanding balance during the year HK$'000
Group				
Trade and other receivables				
Trade receivables due from:				
– Xinyi Automobile Parts (Tianjin) Company Limited		—	12	14
– Xinyi Glass Engineering (Dongguan) Company Limited		—	107	107
– Xinyi Ultra-thin (Dongguan)		—	326	326
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	95	151
		—	540	598
Other receivables due from:	i			
– Xinyi Glass (Jiangmen) Company Limited		—	6,762	6,762
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	5,744	5,744
– Xinyi Glass Engineering (Dongguan) Company Limited		—	76	80
– Dongyuan Xinhuali		—	1,789	5,063
– Xinyi Glass (Hong Kong)		—	1,905	1,905
		—	16,276	17,804
Total amounts due from related parties		—	16,816	18,402

The carrying amounts of amounts due from related parties were denominated in RMB, except for other receivables due from the former immediate holding company amounting to HK$1,905,000, which were denominated in HK$ as of 31 December 2012.

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties are as follows: (Continued)

	Note	2013 HK$'000	2012 HK$'000	Maximum outstanding balance during the year HK$'000
Company				
Other receivables due from:	i			
– Xinyi Glass (Hong Kong)		—	2,079	2,079

Group	Note	2013 HK$'000	2012 HK$'000
Trade and other payables			
Trade payables due to:			
– Xinyi Ultra-thin (Dongguan)		—	1,433
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	129
– Xinyi Glass (Tianjin)		—	3,556
– Xinyi Glass (Jiangmen) Company Limited			6
– Tianjin Xinke		—	472
		—	5,596
Other payables due to:	i		
– Xinyi Glass Japan Company Limited		—	45
– Xinyi Glass Deutschland GmbH		—	265
– Xinyi Glass (America) Development Inc		—	4,886
– Xinyi International Investments Limited		—	34,994
– Xinyi Automobile Glass (Shenzhen) Company Limited		—	391
– Xinyi Automobile Parts (Wuhu)		—	5,431
– Xinyi EnergySmart (Wuhu)		—	15,961
– Xinyi Ultra-thin (Dongguan)		—	734,249
– Xinyi Ultra-clear (Dongguan)		—	2,482
– Xinyi Automobile Glass (Dongguan) Company Limited		—	86
– Xinyi Electronic Glass (Wuhu) Company Limited		—	1
– Xinyi Glass (Jiangmen) Company Limited		—	194,687
– Xinyi Glass		—	597
– Xinyi Glass (Hong Kong)		—	511,300
		—	1,505,375
Total amounts due to related parties		—	1,510,971

29 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties are as follows: (Continued)

The carrying amounts of amounts due to related parties were denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
RMB	—	935,785
US$	—	4,886
HK$	—	569,990
Other currency	—	310
	—	1,510,971

Notes:

(i) Other receivables/payables due from/to related parties arose from advances to/from related parties for the Group's and Company's and the related parties' daily operations and capital expenditures during the years ended 31 December 2013 and 2012.

(d) Key management compensation

	2013 HK$'000	2012 HK$'000
Basic salaries, bonus, other allowances and benefits	7,749	6,556
Retirement benefits - defined contribution scheme	68	98
Share options granted	1,556	1,986
	9,373	8,640

Financial Summary

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

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