UNITED PHOTOVOLTAICS GROUP LIMITED
聯 合 光 伏 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2013	2012	% of
	HK$'million	*HK$'million*	Change
Revenue	**338**	223	51.57
Gross loss	**(74)**	(67)	10.45
Loss attributable to owners of the Company	**(2,305)**	(815)	182.82
Basic loss per share	**HK cents 137.94**	HK cents 93.35	47.77

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2013 prepared under HKFRS.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	3	**313,699**	223,269
Tariff adjustment	3	**23,879**	—
		337,578	223,269
Cost of sales	6	**(411,641)**	(289,806)
Gross loss		**(74,063)**	(66,537)
Other income	5	**12,436**	6,279
Other loss, net	5	**(66,946)**	(697)
Distribution costs	6	**(790)**	(7,041)
Administrative expenses	6	**(183,237)**	(66,952)
Fair value gain on previously held interest in CSPG as a result of business combination	15	**197,896**	—
Impairment charge on goodwill	11	**(1,205,018)**	(612,788)
Impairment charge on concession rights	11	**(819,145)**	—
Fair value loss on put option issued relating to acquisition of an associate	8	**(163,782)**	—
Operating loss		**(2,302,649)**	(747,736)
Finance income	7	**183,100**	1,629
Finance costs	7	**(356,607)**	(66,585)
Finance costs — net	7	**(173,507)**	(64,956)
Share of loss of an associate		**(1,019)**	(667)
Loss before income tax		**(2,477,175)**	(813,359)
Income tax credit/(expense)	9	**171,715**	(1,442)
Loss for the year		**(2,305,460)**	(814,801)
Loss attributable to			
— Owners of the Company		**(2,304,986)**	(814,801)
— Non-controlling interests		**(474)**	—
		(2,305,460)	(814,801)
Loss per share for loss attributable to owners of the Company			
— Basic (HK cents)	10	**(137.94)**	(93.35)
— Diluted (HK cents)	10	**(137.94)**	(93.35)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(2,305,460)**	(814,801)
Other comprehensive income:		
Item that will not be reclassified to profit or loss		
Revaluation surplus prior to transfer of property, plant and equipment to investment properties	**2,409**	—
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial asset	**(500)**	198,396
Realisation of available-for-sale financial asset revaluation reserve in relation to a business combination	**(197,896)**	—
Exchange differences arising on translation of financial statements of subsidiaries	**32,736**	(11,416)
Total other comprehensive (loss)/income for the year, net of tax	**(163,251)**	186,980
Total comprehensive loss for the year	**(2,468,711)**	(627,821)
Total comprehensive loss for the year attributable to		
— Owners of the Company	**(2,468,258)**	(627,821)
— Non-controlling interests	**(453)**	—
	(2,468,711)	(627,821)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Land use rights		**141,457**	139,909
Property, plant and equipment		**2,561,563**	857,165
Investment properties		**48,485**	5,901
Intangible assets	*11*	**1,647,995**	—
Investments in associates		**289,819**	4,456
Available-for-sale financial asset		**—**	219,240
Other receivables, deposits and prepayments	*12*	**562,518**	40,945
		5,251,837	1,267,616
Current assets			
Inventories		**8,771**	28,813
Trade and other receivables, deposits and prepayments	*12*	**324,850**	195,282
Financial asset at fair value through profit or loss		**94,005**	—
Pledged bank deposits		**150,737**	81,419
Restricted cash		**23,250**	—
Cash and cash equivalents		**137,413**	32,297
		739,026	337,811
Total assets		**5,990,863**	1,605,427
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**346,878**	88,191
Reserves		**101,231**	135,781
		448,109	223,972
Non-controlling interests		**1,812**	—
Total equity		**449,921**	223,972

	Note	**2013**	2012
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Convertible notes		**1,235,912**	652,665
Contingent consideration payables	*15*	**1,244,461**	—
Deferred government grant		**111,455**	84,000
Deferred tax liabilities		**334,334**	31,339
Cash-settled share-based payment		**35,445**	—
Amounts due to shareholders		**—**	26,000
Long-term bank borrowings		**839,449**	—
		3,801,056	794,004
Current liabilities			
Trade and bills payable, other payables and accruals	*13*	**1,154,697**	488,686
Amounts due to shareholders		**26,200**	—
Amount due to an associate		**18,442**	—
Current portion of long-term bank borrowing		**63,595**	—
Short-term bank borrowings		**185,943**	98,765
Loan from a third party		**127,189**	—
Financial liability at fair value through profit or loss	*8*	**163,782**	—
Current income tax liabilities		**38**	—
		1,739,886	587,451
Total liabilities		**5,540,942**	1,381,455
Total equity and liabilities		**5,990,863**	1,605,427
Net current liabilities		**(1,000,860)**	(249,640)
Total assets less current liabilities		**4,250,977**	1,017,976

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sale of solar cells and development, investment, operation and management of solar power plants.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal business address in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Company has its primary listing on the Main Board of the Stock Exchange.

These consolidated financial statements are presented in HK$, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 28 March 2014.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial asset at fair value through profit or loss, available-for-sale financial assets, contingent consideration payables, financial liability at fair value through profit or loss and cash-settled share-based payment, which are carried at fair value.

2.1 *Going concern*

As at 31 December 2013, the Group's current liabilities exceeded its current assets by HK$1,000,860,000, and it had incurred a net loss of HK$2,305,460,000 for the year then ended.

On 7 January 2014, the Group acquired a 45% equity interest in Changzhou Dinghui New Energy Limited ("Changzhou Dinghui"), which operates three solar power plants located in Gonghe, Qinghai Province, the PRC with an aggregate installed capacity of approximately 180MW, for a cash consideration of RMB4.5 million (equivalent to approximately HK$5.7 million). Changzhou Dinghui has become an associated company of the Company since then. On 8 January 2014, the Group had entered into a conditional sale and purchase agreement to acquire the remaining 55% equity interest in Changzhou Dinghui for cash consideration of RMB5.5 million (equivalent to approximately HK$7.0 million) ("Changzhou Dinghui Acquisition"). The completion of the Changzhou Dinghui Acquisition is dependent on the fulfilment of a number of conditions, amongst others, the approval from independent shareholders of the Company. Should the Changzhou Dinghui Acquisition be completed, the Group would assume the liabilities of Changzhou Dinghui, which amounted to approximately RMB1.9 billion (equivalent to approximately HK$2.4 billion) as at 31 December 2013, and would need to obtain additional financing to fulfil these financial obligations of Changzhou Dinghui.

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of a 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited and a 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited ("Guodian Project Companies") respectively. The Guodian Project Companies operate two solar power plants in Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 90MW ("Guodian Project Companies Acquisition"). They have achieved on-grid connection successfully on 31 December 2013. The total consideration approximated RMB159 million (equivalent to approximately HK$202 million). Up to 31 December 2013, the Group has paid HK$100 million to the vendor as deposit for the acquisition. The Group assumed the liabilities of the Guodian Project Companies upon completion, which aggregated to approximately RMB909,800,000 (equivalent to approximately HK$1,155,450,000).

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have reviewed the Group's cash flow projections, which cover a period of twelve months from the balance sheet date. They are of the opinion that, taking into account the following, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the balance sheet date:

(i) On 29 January 2014, the Company completed the placing of 480,000,000 shares of the Company at a price of HK$1.72 per share (the "Placement"). The net proceeds from the Placement approximated HK$809 million.

(ii) During the year, the Group had obtained a 13-year loan facility of RMB800 million (equivalent to approximately HK$1,018 million) from China Development Bank. As at 31 December 2013, the Group had already drawn down RMB710 million (equivalent to approximately HK$903 million) from this loan facility. Subsequent to year end, another RMB40 million (equivalent to approximately HK$51 million) was drawn down. The directors of the Company estimate to draw down the remaining unutilised loan amount of RMB50 million in the coming year.

(iii) The solar power plants currently held by the Group have already achieved on-grid connection. These solar power plants are expected to bring in operating cash inflows to the Group.

(iv) In October 2013, Shenzhen China Merchants Yinke Investment Management Limited ("CM Yinke"), a fellow subsidiary of a shareholder of the Company, has issued a letter of conditional financial support to the Group to enable it to meet its liabilities and obligation (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to a period ending 30 June 2015. Such financial support is intended to be provided to the Group for its solar energy projects undertaken if these projects could generate a return of not less than 8% per annum; and if they are in compliance with the relevant laws and regulations in the PRC. Such assessment has to be made on a project by project basis. Management is confident that the Group could obtain financial support from CM Yinke as all solar energy projects to be undertaken by the Group are expected to generate an internal rate of return of not less than 8% per annum.

(v) Changzhou Dinghui is currently in the process of negotiating another 13-year long-term loan with a bank for a principal loan amount of approximately RMB1.3 billion, which will be secured by Changzhou Dinghui's property, plant and equipment with a carrying value of RMB1.8 billion as at 31 December 2013. In addition, the Group and Changzhou Dinghui are also currently in the process of obtaining other forms of short-term or long-term financing. Therefore, the directors expect that the Group will have sufficient cash flows to fulfil the financial obligations of Changzhou Dinghui should the acquisition be completed.

(vi) Based on the past experience of the Group, the directors are confident that they could obtain financing from short-term or long-term bank borrowings, placement of shares or issuance of convertible notes to fulfil the financial obligations of Guodian Project Companies as and when they fall due.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from the date of the financial statements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group can achieve the plans and measures described in (iii) to (vi) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to obtain the project financing from CM Yinke, secure the RMB1.3 billion long-term bank loan, obtain other short-term or long-term financings and generate adequate operating cash inflows from its existing plants, Changzhou Dinghui and Guodian Project Companies. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.2 *Changes in accounting policy and disclosures*

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to HKAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendment to HKFRS 7, "Financial instruments: Disclosures", on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and generally accepted accounting principles in the United States of America ("US GAAP"), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Amendments to HKAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGUs") which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

There are no other amended standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

(b) *New standards, amendments to standards and interpretation that have been issued but were not yet effective*

The following new/revised standards, amendments and interpretations have been issued but were not effective for the financial year beginning on 1 January 2013 and have not been adopted early by the Group:

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

The Group has already commenced an assessment of the related impact of adopting the above new standard and interpretations, amendments and revision to existing standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

3 REVENUE AND TARIFF ADJUSTMENT

The Group is principally engaged in manufacturing, sale of solar energy related products and development, investment, operation and management of solar power plants. Revenue consists of the following:

	2013	2012
	HK$'000	*HK$'000*
Sales of solar cells	**298,049**	213,269
Sales of electricity	**15,650**	—
Trademark licensing income	**—**	10,000
Total revenue	**313,699**	223,269
Tariff adjustment	**23,879**	—
	337,578	223,269

4 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

During the year, the Group acquired CSPG, which is principally engaged in the provision of solar energy related products and solutions and development, investment, operation and management of solar power plants. Subsequent to the acquisition, the Group has two reportable segments: (a) Solar Power Plants; and (b) Solar Cells.

As at 31 December 2013 and 2012, all of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China.

For the year ended 31 December 2013, there were three customers (2012: two customers) who individually contributed over 10% of the total revenue. The total revenue contributed by these customers approximated to HK$294,462,000 (2012: HK$68,879,000). Two customers belong to the Solar Cells segment and one customer belongs to the Solar Power Plants segment.

	For the year ended 31 December 2013			
	Solar Power Plants	**Solar Cells**	**Corporate function**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	15,650	298,049	—	313,699
Tariff adjustment	23,879	—	—	23,879
	39,529	298,049	—	337,578
Operating (loss)/profit	(2,355,300)	(109,134)	161,785	(2,302,649)
Finance costs — net	(41,604)	(16,729)	(115,174)	(173,507)
Share of loss of an associate	—	(1,019)	—	(1,019)
Income tax credit	168,000	3,715	—	171,715
(Loss)/profit for the year	(2,228,904)	(123,167)	46,611	(2,305,460)
Other information:				
Depreciation and amortisation	(33,318)	(52,970)	—	(86,288)
Impairment charge on goodwill	(1,205,018)	—	—	(1,205,018)
Impairment charge on concession rights	(819,145)	—	—	(819,145)
Fair value loss on put option issued relating to acquisition of an associate	(163,782)	—	—	(163,782)
Fair value gain on previously held interests in CSPG as a result of business combination	—	—	197,896	197,896
Capital expenditure	(7,978)	(76,388)	—	(84,366)

	For the year ended 31 December 2012		
		Corporate	
	Solar Cells	function	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	213,269	10,000	223,269
Operating loss	(728,396)	(19,340)	(747,736)
Finance costs — net	(6,350)	(58,606)	(64,956)
Share of loss of an associate	(667)	—	(667)
Income tax expense	(1,442)	—	(1,442)
Loss for the year	(736,855)	(77,946)	(814,801)
Other information:			
Depreciation and amortisation	(41,770)	(46)	(41,816)
Impairment charge on goodwill	(612,788)	—	(612,788)
Capital expenditure	(220,242)	—	(220,242)

	As at 31 December 2013			
			Corporate	
	Solar Power Plants	**Solar Cells**	**function**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Total assets	4,488,340	1,472,821	29,702	5,990,863
Total liabilities	(3,626,888)	(872,392)	(1,041,662)	(5,540,942)

	As at 31 December 2012		
		Corporate	
	Solar Cells	function	Total
	HK$'000	*HK$'000*	*HK$'000*
Total assets	1,369,986	235,441	1,605,427
Total liabilities	(927,054)	(454,401)	(1,381,455)

5 OTHER INCOME AND OTHER LOSS, NET

	2013	2012
	HK$'000	*HK$'000*
Other income		
Rental income	**1,762**	558
Government subsidies	**10,162**	4,155
Others	**512**	1,566
	12,436	6,279
Other loss, net		
Fair value gain/(loss) on investment properties	**37**	(469)
Fair value gain on contingent consideration payables	**43,278**	—
Fair value loss on financial assets at fair value through profit or loss	**(100,589)**	—
Exchange losses	**(2,478)**	(228)
Revaluation loss of buildings prior to transfer to investment properties	**(7,194)**	—
	(66,946)	(697)

6 EXPENSES BY NATURE

	2013	2012
	HK$'000	*HK$'000*
Raw materials used and changes in inventories of finished goods and work in progress	**295,644**	188,297
Provision for inventories obsolescence	**1,698**	11,490
Provision for doubtful debt	**12,803**	9,028
Amortisation of land use rights	**3,302**	3,173
Depreciation of property, plant and equipment	**82,986**	38,643
Staff costs (including Directors' emoluments)	**122,262**	34,303
Auditor's remuneration	**2,906**	1,562
Loss on disposal of property, plant and equipment	**188**	4
Operating leases rentals in respect of land and buildings		
— Minimum lease payments under operating leases	**1,625**	3,935
Legal and professional fees	**16,582**	12,115
Rental and building management fee	**5,453**	4,777
Utilities	**15,271**	25,569
Insurance	**623**	877
Transportation	**2,922**	2,260
Repair and maintenance	**10,034**	1,118
Other expenses	**21,369**	26,648
Total cost of sales, distribution costs and administrative expenses	**595,668**	363,799

7 FINANCE COSTS, NET

	2013	2012
	HK$'000	*HK$'000*
Finance income:		
Interest income on bank balances and deposits	**1,826**	1,629
Interest income from a shareholder	**26,367**	—
Subsequent fair value gain on derivatives of US$120 million convertible notes	**154,907**	—
	183,100	1,629
Finance costs:		
Interest expense on bank borrowings — wholly repayable within five years	**(31,967)**	(7,979)
Interest expense on bank borrowings — not wholly repayable within five years	**(43,370)**	—
Imputed interest expense on convertible notes	**(102,987)**	(58,606)
Day 1 fair value loss on issuance of US$120 million convertible notes	**(164,688)**	—
Amortisation of unrealised fair value loss of issuance of US$120 million convertible notes	**(13,595)**	—
	(356,607)	(66,585)
Finance costs, net	**(173,507)**	(64,956)

8 FAIR VALUE LOSS ON PUT OPTION ISSUED RELATING TO ACQUISITION OF AN ASSOCIATE

On 27 December 2013, the Group completed the acquisition of a 50% equity interest in Fengxian Huize at a consideration of RMB225,000,000 (equivalent to approximately HK$286,176,000).

Pursuant to this acquisition, the Company granted a put option to Huabei Expressway Co., Ltd. ("Huabei Expressway"), the shareholder of the remaining 50% equity interest in Fengxian Huize ("Huabei Sales Interest"), to request the Group to acquire the Huabei Sales Interest at RMB225,000,000 (equivalent to approximately HK$286,176,000) with a return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway during a three-year period till December 2016 (the "Put Option"). The Put Option was recognised as a financial liability at fair value through profit or loss. The fair value loss of the Put Option was estimated to be approximately HK$163,782,000. On 13 March 2014, Huabei Expressway had confirmed in writing to the Company that it would not request the Group to acquire Huabei sales interest by way of cash before 31 May 2015.

9 INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for the year (2012: Nil).

The Group's operations in Mainland China are subject to PRC corporate income tax law ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. During the year, two of the subsidiaries of the Group, namely Zhongli (Jiayuguan) Photovoltaic Power Co., Ltd. and Zhongli Gonghe Photovoltaic Power Co. Ltd. have obtained the relevant preferential tax concession, which fully exempted from the PRC corporate income tax for three years, followed by a 50% tax exemption for the next three years.

The amount of tax (credited)/charged to the consolidated income statement represents:

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
— Corporate income tax in the PRC	**—**	—
— Under-provision in prior year	**—**	1,796
Deferred income tax	**(171,715)**	(354)
	(171,715)	1,442

10 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Loss attributable to owners of the Company (HK$'000)	**2,304,986**	814,801
Weighted average number of ordinary shares in issue (thousand shares)	**1,671,027**	872,821
Basic loss per share (HK cents)	**137.94**	93.35

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: convertible notes, share options and EIS. The convertible notes are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense, fair value change less the tax effect. For share options and EIS, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and EIS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and EIS.

Diluted loss per share for the year ended 31 December 2013 is the same as the basic loss per share as the conversion of potential ordinary shares in relation to the outstanding convertible notes, share options and EIS would have anti-dilutive effects to the basic loss per share (2012: same).

11 INTANGIBLE ASSETS

	Goodwill *HK$'000*	Concession rights *HK$'000*	Unfinished sales contracts *HK$'000*	Total *HK$'000*
At 1 January 2012				
Cost	612,788	—	10,227	623,015
Accumulated amortisation and impairment	—	—	(10,227)	(10,227)
Net book amount	612,788	—	—	612,788
Year ended 31 December 2012				
Opening net book amount	612,788	—	—	612,788
Impairment charge *(Note (iii))*	(612,788)	—	—	(612,788)
Closing net book amount	—	—	—	—
At 31 December 2012				
Cost	—	—	10,227	10,227
Accumulated amortisation and impairment	—	—	(10,227)	(10,227)
Net book amount	—	—	—	—
Year ended 31 December 2013				
Opening net book amount	—	—	—	—
Acquisition of subsidiaries *(Note 15)*	1,205,018	2,447,995	—	3,653,013
Impairment charge *(Note (i) & (ii))*	(1,205,018)	(819,145)	—	(2,024,163)
Exchange difference	—	19,145	—	19,145
Closing net book amount	—	1,647,995	—	1,647,995
At 31 December 2013				
Cost	—	2,467,140	10,227	2,477,367
Accumulated amortisation and impairment	—	(819,145)	(10,227)	(829,372)
Net book amount	—	1,647,995	—	1,647,995

Goodwill is allocated to the Group's CGU identified according to operating segment. During the year, goodwill of HK$1,205,018,000 and full impairment was recognised in relation to the acquisition of CSPG (Note 15). The recoverable amount of a CGU is determined based on the higher of the fair value less costs to sell and value-in-use calculation.

Notes:

(i) For the purposes of purchase price allocation, the recoverable amount calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering the useful lives of the underlying assets. The key assumptions used in calculating the recoverable amount of the CGU on completion of the acquisition in 2013, using the discounted cash flow method, were as follows:

Capacity	2.2GW
Insolation hours (Geographical)	1,370MWh/MWp–1,800MWh/MWp
Degradation factor	0.8% per annum
Electricity tariff	RMB0.7/KWh–RMB3.7/KWh
Discount rate	8.5%–10.0%

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired. On the date of completion, the fair value of the shares and convertible notes transferred of approximately HK$3,409,436,000 was based on the closing price of the Company's shares of HK$1.52 per share on 10 June 2013 (Note 15). The fair value of the net identifiable assets recognised, which also represents the recoverable amount of the underlying business, was estimated to be approximately HK$2,206,683,000, with reference to a separate valuation report prepared by an independent valuer. Goodwill recognised of approximately HK$1,205,018,000 was considered to be immediately impaired by management.

(ii) The Group recognised concession rights of approximately HK$2,447,995,000 upon the acquisition of CSPG in June 2013 (Note 15). In the second half of 2013, there have been policy changes as to the subsidy and on-grid price for the solar power plants in China. On 30 August 2013, the National Development and Reform Commission of China released the New Tariff Notice to launch a new subsidising policy for distributed solar photovoltaics ("PV") power plants and adjust benchmark on-grid price for electricity generated by centralised solar PV power plants. In particular, among other things, according to the New Tariff Notice, (i) for the distributed solar PV stations, the standard subsidy for electricity generated will be RMB0.42/KWh; (ii) for the centralised solar PV plants, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zone I, II and III respectively which are categorised based on local solar energy resources and generating plant construction costs; and (iii) the new standards will apply to the PV power stations registered after 1 September 2013 and those registered before 1 September 2013 but which will not start generating electricity until after 1 January 2014. As at 31 December 2013, the Group revised its cash flow forecasts of cash-generating unit accordingly, based on the revision of government policy and the progress on the financing and acquisition status, and an impairment of approximately HK$819,145,000 on concession rights was recognised during the year ended 31 December 2013.

The key assumptions used for the calculation are as follows:

Capacity	2.2GW
Insolation hours (Geographical)	1,370MWh/MWp–1,680MWh/MWp
Degradation factor	0.8% per annum
Electricity tariff	RMB0.7/KWh–RMB3.7/KWh
Discount rate	8.5%–10%

(iii) During the year ended 31 December 2012, an impairment charge on goodwill allocated to the Solar Cells segment of approximately HK$612,788,000 was recognised in the consolidated income statement as a result of the poor market conditions in the solar energy market. In particular, the market price of solar photovoltaic cells dropped significantly during the year and the Group decided to further postpone its expansion plan.

12 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the trade and other receivables, deposits and prepayments are trade and tariff receivables of approximately HK$34,912,000 (2012: HK$43,083,000).

Credit period ranging from one to three months is granted to some of the Group's customers.

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**32,864**	52,111
Less: Provision for impairment of trade receivables	**(21,831)**	(9,028)
Trade receivables — net	**11,033**	43,083
Tariff adjustment receivable	**23,879**	—
Trade and tariff adjustment receivables	**34,912**	43,083

The ageing analysis of trade and tariff adjustment receivables is as follows:

	2013	2012
	HK$'000	*HK$'000*
Not yet due	**33,434**	18,663
1–30 days	**1,291**	3,468
31–60 days	**—**	—
Over 60 days	**187**	20,952
	34,912	43,083

13 TRADE AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUALS

Included in the trade and bills payable, other payables and accruals are trade and bills payable of approximately HK$335,591,000 (2012: HK$378,497,000).

The average credit period from the Group's trade creditors is of 30 to 90 days. The ageing analysis of trade payable is as follows:

	2013	2012
	HK$'000	*HK$'000*
Not yet due	**278,599**	288,106
1–30 days	**5,824**	6,304
31–60 days	**2,382**	1,828
61–90 days	**48,786**	82,259
	335,591	378,497

14 COMMITMENTS

(a) Capital commitments

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for		
— Property, plant and equipment	**254,314**	196,314
— Land use rights	**11,429**	11,093
	265,743	207,407

(b) Commitments under operating leases

At 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and warehouses as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**3,103**	334
After one year but within five years	**3,751**	263
	6,854	597

(c) Future operating lease receivables

At 31 December 2013, the Group had future aggregate lease receivables under non-cancellable operating leases for investment property as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**2,980**	1,143
After one year but within five years	**3,970**	692
	6,950	1,835

15 BUSINESS COMBINATION

On 10 June 2013, the Group completed the acquisition of a 92.17% of the issued share capital of CSPG, which was satisfied by (i) the allotment and issue of 959,462,250 shares of the Company ("Consideration Shares") and (ii) the issue of convertible notes in the principal amount of approximately HK$1,160 million, which comprise of series A convertible notes in the principal amount of approximately HK$312 million and series B convertible notes in the principal amount of approximately HK$848 million.

CSPG is mainly engaged in the provision of solar energy products and development, investment, operation and management of solar power plants. It also possesses the rights to develop, acquire and operate various solar power plant projects (the "Concession Right"). The acquisition enables the Group to achieve a vertical integration of its solar energy business.

The following table summarises the consideration paid for CSPG, the provisional fair value of assets acquired, liabilities assumed and the non-controlling interest as at 10 June 2013.

	HK$'000
Consideration:	
— Consideration Shares — 939,452,250 ordinary shares *(Note (a))*	1,427,968
— Series A convertible notes — equity component *(Note (b)(i))*	288,661
— Series A convertible notes — liability component *(Note (b)(i))*	135,463
— Series B convertible notes — contingent consideration payables *(Note (b)(ii))*	1,287,739
Total consideration transferred	3,139,831
Fair value of previously held interest in CSPG *(Note (c))*	218,740
Fair value of shares issued by CSPG for pre-combination services	50,865
Total consideration	3,409,436

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Land use rights	645
Property, plant and equipment	1,665,791
Intangible assets	2,447,995
Inventories	11,598
Financial asset at fair value through profit or loss	188,312
Trade and other receivables and prepayments	963,298
Cash and cash equivalents	112,099
Trade and other payables	(824,828)
Current income tax liabilities	(38)
Bank borrowings	(1,886,819)
Deferred government grant	(1,883)
Deferred tax liabilities	(469,487)
Total identifiable net assets	2,206,683
Non-controlling interest	(2,265)
Goodwill *(Note 11)*	1,205,018
	3,409,436
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2013)	9,688

(a) Consideration shares

The fair value of the 939,452,250 ordinary shares issued was based on the market price of the Company on 10 June 2013.

(b) Convertible notes

The convertible notes are of zero coupon and will mature on the date falling on the fifth anniversary of the completion date, i.e. 9 June 2018. The holders have the right to convert the whole or part of the principal amount of convertible notes to ordinary shares of the Company at a consideration of HK$1 per share during the conversion period. The conversion period for Series A convertible notes commence on the first anniversary after its issuance date and ending on its maturity date. The conversion period for series B convertible notes commence on the expiry of the lock-up period in relation to the profit guarantee arrangement, as disclosed below, and ending on its maturity date. The Company is entitled to redeem the convertible notes after the first anniversary after its issuance and after the expiry of the lock-up period in relation to the profit guarantee arrangement for series A and B convertible notes, respectively.

The following table summarises the consideration paid for acquisition of CSPG, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the 10 June 2013.

(i) *Series A convertible notes:*

The fair value of the liability component of series A convertible notes is determined by using the discounted cash flow method, with the following key assumptions.

Time to maturity	5 years
Discount rate	15%
Probability of early redemption	0% (due to zero coupon)

The fair value of the equity component of series A convertible notes is determined by using the binomial model, with the following key assumptions:

Fair value of shares of the Company	HK$1.52 each
Conversion price	$1.00 per share
Risk free interest rate	0.7891%
Time to maturity	5 years
Expected volatility	59%
Expected dividend yield	0%
Bond yield	15%
Conversion period	After 1 year up to maturity date
Early redemption period	After 1 year up to maturity date

(ii) *Series B convertible notes — contingent consideration payable*

If CSPG's cumulative profit before interest, tax, depreciation, amortisation and share-based payment expenses in relation to the EIS was less than HK$495,000,000 during the three years ending 31 December 2015 (the "Lock-up period"), the principal amount of Series B convertible notes will be adjusted by a pre-defined formula as specified in the sale and purchase agreement. However, in the event that the Group was able to meet the above profit guarantee requirement during the two years ending 31 December 2014, the Group shall be entitled to shorten the lock-up period to 31 December 2014.

The potential undiscounted amount of all principal repayments of Series B convertible notes that the Group could be required to make under this arrangement range from zero to HK$847,964,000.

Since the Directors are of the opinion that the profit guarantee arrangement could be met, the fair valuation of Series B convertible notes of approximately HK$1,287,739,000 is estimated using a similar approach as Series A convertible notes, as disclosed above, with similar assumptions being applied except for the conversion period and early redemption period where they are expected to be three years after the issuance date up to maturity date.

As at 31 December 2013, the fair value of the contingent consideration payables was estimated to be HK$1,244,461,000. There was a decrease of HK$43,278,000 and a gain was recognised in the consolidated income statement, mainly as a result of the increase in risk free rate of interest to 1.1961% and reduction of expected volatility to 50%.

The fair value of the Company's shares used to compute the fair value of the contingent consideration payables is HK$1.52 per share. If the change in fair value of the Company's shares shifted by 5%, the impact on the profit or loss would be approximately HK$60,000,000. The higher the fair value of the Company's shares, the higher the fair value of the contingent consideration payables.

(c) Previously held interest in CSPG

As at 31 December 2012, the Group held an approximately 8% of the issued share capital of CSGP as available-for-sale financial asset. This transaction is accounted for as a business combination achieved in stages. The Group remeasured its previously held interest on 10 June 2013, and recognise a loss in the profit and loss. The difference between the fair value of the Group's previously held interest in CSPG of HK$218,740,000 on 10 June 2013 and its original investment cost of HK$20,844,000 is recognised as a gain on deemed disposal of this available-for-sale financial assets, in which part of the fair value gain of HK$197,896,000 in 2012 was previously recognised as a reserve under equity of the Group.

(d) Goodwill impairment

None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group had recognised an impairment of goodwill of approximately HK$1,205,018,000. Please refer to Note 11 for more details.

(e) Acquired receivables

Included in the fair value of trade and other receivables and prepayments was trade receivables of approximately HK$292,000. The gross contractual amount for trade receivables due was approximately HK$292,000, and none is expected to be uncollectible.

(f) Financing arrangements

In conjunction with the acquisition mentioned above, a short-term bank loan of RMB800 million (equivalent to HK$1,004 million) was obtained by CSPG to finance the construction of a 100MW solar power plant in Jiayuguan, the PRC, during the year ended 31 December 2012. The borrowing was guaranteed by the vendor, the original shareholder of the solar power plant (the "Vendor"). The interest rate of this loan is 12.05% per annum. The loan is repayable by 2 instalments and the final instalment was due in December 2013. In accordance with the terms of the sale and purchase agreement, CSPG shall only bear the loan interest at 6.55% per annum and the Vendor shall bear the interests and related charges above 6.55% per annum.

(g) Guaranteed electricity income arrangement with the Vendor

According to the sale and purchase agreement entered into between CSPG and the Vendor in respect of the acquisition of a 100MW solar power plant in Jiayuguan, the PRC, and a 20MW solar power plant in Gonghe, the PRC, the Vendor undertook that the solar power plants shall be fully and officially connected to the State Grid from 1 January 2013 onwards. The number of aggregate grid hours of these two solar power plants are guaranteed to no less than 1,800 hours per annum for the initial 10 years of operations. In case the grid electricity output in any year is lower than the minimum threshold as specified, the shortfall of electricity tariffs would be payable by the Vendor to CSPG. In addition, if CSPG are able to obtain VAT tax benefits from its operations, the guaranteed hours would be reduced to 1,700 hours per annum. As at 31 December 2013, a financial asset at fair value through profit or loss of approximately HK$94,005,000 in relation to this arrangement was recognised in the consolidated statement of financial position based on the shortfall of electricity output in 2013.

(h) Provisional fair values of acquired identifiable assets

The fair value of the acquired identifiable assets is provisional pending receipt of the final valuations for those assets. Deferred tax of HK$469,487,000 has been provided in relation to these fair value adjustments.

16 EVENTS AFTER THE BALANCE SHEET DATE

(1) Acquisition of an associate

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui for a cash consideration of RMB4,500,000 (equivalent to approximately HK$5,724,000). The principal activities of Changzhou Dinghui are the development of three solar power plants located in Gonghe, Qinghai Province, the PRC with an aggregate installed capacity of approximately 180MW. The acquisition shall enable the Group to further expand its scale of business in the solar energy sector.

On 8 January 2014, the Group had entered into a conditional sale and purchase agreement in respect of the Changzhou Dinghui Acquisition for cash consideration of RMB5,500,000 (equivalent to approximately HK$6,996,000. The completion of the Changzhou Dinghui Acquisition is dependent on the fulfilment of a number of conditions, amongst others, the approval from shareholders of the Company.

(2) Placing of new shares

On 29 January 2014, the Company issued 480,000,000 shares through placement with a price of HK$1.72 each. The net proceeds from the placement was approximately HK$808,697,000.

(3) Acquisition of subsidiaries

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of 86.79% equity interest of Guodian Chahaeryouyiqianqi Solar Power Company Limited and 90.33% equity interest of Guodian Wulatehouqi Solar Power Company Limited respectively. The Guodian Project Companies are principally engaged in the development, investment, operation and management of solar power plants in Inner Mongolia, PRC, with an aggregate installed capacity of approximately 90MW. They have achieved on-grid connection successfully.

The total cash consideration is RMB159,057,400 (equivalent to approximately HK$202,304,000. Up to 31 December 2013, the Group has paid HK$100,000,000 as deposit for acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of the Group

In 2013, the Group recognised total revenue of approximately HK$338 million (2012: HK$223 million), which included the revenue from the sales of electricity of approximately HK$40 million (2012: Nil), the sales of solar cells of approximately HK$298 million (2012: HK$213 million), representing an increase of 51.57% as compared to that of the year ended 31 December 2012. The increase in revenue was mainly due to (i) the acquisition of CSPG which provided the Group with a new source of income derived from the sales of electricity generated by the solar power plants; (ii) increase in the overseas sales of polysilicon solar cells; and (iii) the appreciation of RMB during the year.

In 2013, the loss attributable to the owners of the Company amounted to approximately HK$2,305 million (2012: HK$815 million), representing an increase of 182.82% as compared to that of the year ended 31 December 2012. The increase in loss was mainly due to (i) immediate impairment of goodwill of approximately HK$1,205 million arising from the acquisition of CSPG; (ii) fair value loss on put option of approximately HK$164 million arising from acquisition of 50% equity interests in Fengxian Huize; (iii) the impairment of concession rights of approximately HK$819 million; and (iv) the finance costs, net of approximately HK$174 million in relation to convertible notes and bank borrowings.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

Financial review

Segment information

Following the completion of the acquisition of CSPG in June 2013, the Group has two operating segments, namely (i) Solar Power Plants segment; and (ii) Solar Cells segment. The following table sets forth the Group's operating results by operating segments:

	Solar Power Plants	**Solar Cells**	**Corporate function**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	39,529	298,049	—	337,578
Gross loss	(6,166)	(67,897)	—	(74,063)
Segment (loss)/profit	(2,228,904)	(123,167)	46,611	(2,305,460)

Revenue

In 2013, the revenue of the Group was approximately HK$338 million (2012: HK$223 million), which included the revenue from sales of solar cells of approximately HK$298 million (2012: HK$213 million) and sales of electricity of approximately HK$40 million (2012: Nil).

Revenue derived from Solar Cells segment increased from HK$213 million for the year ended 31 December 2012, to HK$298 million for the year ended 31 December 2013. The increase was mainly due to (i) increase in the overseas sales and the selling prices of the products sold overseas were generally higher than those sold domestically; (ii) new customers were introduced, sales to such new customers accounted for 37% of the segment revenue for the year; and (iii) the appreciation of RMB during the year.

For the revenue from Solar Power Plants segment, it mainly represented the revenue generated from the four solar power plants, as below:

Location	**On-grid connection since**	**Approximate aggregate installed capacity**	**Electricity sales HK$'000**
Shenzhen, Guangdong Province, China	Oct 2012	2.1MW	1,392
Quanzhou, Fujian Province China	Jun 2013	10.8MW	2,415
Jiayuguan, Gansu Province, China	Jun 2013	100MW	27,445
Gonghe, Qinghai Province, China	Sep 2013	20MW	8,277
		132.9MW	39,529

Except for the solar power plant located in Quanzhou, Fujian Province, China, the remaining solar power plants were acquired upon the acquisition of CSPG in June 2013.

Gross loss

Gross loss arising from Solar Cells segment was approximately HK$68 million (2012: HK$77 million). Such loss was mainly due to the low utilisation of the production capacity. The gross loss margin has improved from 35.9% in 2012 to 22.78% in 2013 and this was mainly due to (i) increase in the overseas sales which generally raise higher gross profit margin; and (ii) the implementation of stringent cost control measures.

Gross loss arising from Solar Power Plants segment amounted to approximately HK$6 million which was mainly due to the depreciation charge of solar power plants exceeding the electricity income generated for the year ended 31 December 2013.

Other income

Other income mainly represented the government subsidies recognised during the year.

Other loss, net

The balance was arrived at after netting off some major items, including fair value gain on contingent consideration payables of approximately HK$43 million and the fair value loss on financial asset at fair value through profit or loss of approximately HK$101 million.

The financial asset at fair value through profit or loss was related to the guaranteed electricity income arrangement as disclosed in note 15(g). The fair value loss of approximately HK$101 million mainly represented the difference between the expected guaranteed electricity fee income receivable from the Vendor, which was calculated based on sales and purchase agreement between CSPG and the Vendor, and the actual amount confirmed by the Vendor.

Administrative expenses

Administrative expenses amounted to approximately HK$183 million in 2013, representing an increase of 173% from approximately HK$67 million in 2012. The increase was mainly due to the increase in staff cost as well as the professional fees incurred as a result of the acquisition of CSPG.

Impairment of goodwill

On 10 June 2013, the Group completed the acquisition of 92.17% of the issued share capital of CSPG, which was satisfied by (i) allotment and issue of 959,462,250 shares of the Company ("Consideration Shares"); and (ii) issuance of convertible notes in the total principal amount of approximately HK$1,160 million. Since the fair value of the total consideration transferred at the completion date of approximately HK$3,409 million was significantly higher than the recoverable amount of the underlying business, goodwill recognised of HK$1,205 million was considered to be immediately impaired by the management.

Impairment of concession rights

The Group recognised concession rights of approximately HK$2,448 million upon the completion of the acquisition of CSPG in June 2013. In the second half of 2013, there have been policy changes as to the subsidy and on-grid price for the solar power plants in China. On 30 August 2013, the National Development and Reform Commission of China released the New Tariff Notice to launch a new subsidizing policy for distributed solar PV power plants and adjust benchmark on-grid price for electricity generated by centralised solar PV power plants. In particular, among other things, according to the New Tariff Notice, (i) for the distributed solar PV stations, the standard subsidy for electricity generated will be RMB0.42/KWh; (ii) for the centralised solar PV plants, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zones I, II and III respectively which are categorised based on local solar energy resources and generating plant construction costs; and (iii) the new standards will apply to the PV power stations registered after 1

September 2013 and those registered before 1 September 2013 but which will not start generating electricity until after 1 January 2014. As at 31 December 2013, the Group revised its cash flow forecasts of CGU accordingly, based on the revision of government policy and the progress on the financing and acquisition status, and an impairment of approximately HK$819 million on concession rights was recognised during the year ended 31 December 2013.

Finance costs, net

Finance costs, net amounted to approximately HK$174 million in 2013, representing an increase of 168% from approximately HK$65 million in 2012. The increase was mainly due to (i) the imputed interest arising from the convertible notes; (ii) the interests incurred for the loan facilities in relation to the solar power plants since the acquisition of CSPG; and (iii) Day 1 fair value loss, offset by subsequent fair value gain on convertible notes.

Share of loss of an associate

The Group's share of loss of an associate for the year ended 31 December 2013 was approximately HK$1 million, which was derived from the Solar Cells segment.

Liquidity, financial resources, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings, loans from shareholders, proceeds from issuance of convertible notes and placing of shares. The Group adopts a prudent treasury management policy to maintain sufficient working capital. As at 31 December 2013, the Group recorded total assets of approximately HK$5,991 million (2012: HK$1,605 million), current liabilities of approximately HK$1,740 million (2012: HK$587 million), non-current liabilities of approximately HK$3,801 million (2012: HK$794 million) and shareholders' equity of approximately HK$450 million (2012: HK$224 million). The net current liabilities position of the Group was approximately HK$1,001 million (2012: HK$250 million) as at 31 December 2013. In order to finance the working capital of the Group, certain financing measures have been undertaken by the Directors as set out in going concern note on pages 6–8 to this announcement.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank borrowings, loan from a third party, amounts due to shareholders and convertible notes as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013	2012
	HK$'000	*HK$'000*
Bank borrowings	**1,088,987**	98,765
Loan from a third party	**127,189**	—
Amounts due to shareholders	**26,200**	26,000
Convertible notes	**1,235,912**	652,665
	2,478,288	777,430
Less: Cash and cash equivalents	**(137,413)**	(32,297)
Net debt	**2,340,875**	745,133
Total equity	**449,921**	223,972
Total capital	**2,790,796**	969,105
Gearing ratio	**83.88%**	76.89%

The increase in gearing ratio as at 31 December 2013 was mainly due to issuance of convertible notes during the year and the borrowings assumed as part of the acquisition of CSPG.

The Group's bank borrowing were denominated in RMB while the cash and cash equivalents were denominated in HK$, RMB and US$. The convertible notes were denominated in HK$ and US$. The shareholders' loans were denominated in HK$. None of the bank borrowings were at fixed interest rate.

During the year ended 31 December 2013, the Group did not enter into any financial instruments for hedging purposes nor did the Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks (2012: Nil).

As at 31 December 2013, the Group had capital expenditure commitments for purchase of property, plant and equipment and land use rights amounted to approximately HK$266 million (2012: HK$207 million).

Material acquisitions and disposals of subsidiaries and associated companies

On 10 June 2013, the Group completed the acquisition of 92.17% of the issued share capital of CSPG, which was satisfied by the allotment and issue of 959,462,250 shares of the Company and the issue of convertible notes in the principal amount of approximately HK$1,160 million. CSPG became a subsidiary of the Company.

On 27 December 2013, the Group completed the acquisition of 50% equity interest in Fengxian Huize with a total cash consideration of RMB225 million (equivalent to approximately HK$286 million). Fengxian Huize became an associate of the Company.

During the year, there was no disposal of subsidiaries and associated companies.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. The exchange rate of US$ against HK$ is relatively stable and related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. The Group did not resort to any currency hedging facility for the year ended 31 December 2013. The management expected that the appreciation of RMB in the long run would have a favourable impact to the Group. However, management will monitor the Group's foreign currency exposure should the need arises.

Charge on Group assets

As at 31 December 2013, bank borrowings of approximately RMB856 million (equivalent to approximately HK$1,089 million) of the Group were secured by certain land use rights, buildings, investment properties and pledged bank deposits of the Group. Certain convertible notes are secured by share mortgages over shares of certain subsidiaries, charge over assets of certain subsidiaries and a charge over a restricted bank account for interest reserve purpose.

Contingent liabilities

As at 31 December 2013, the Group had no significant contingent liability (2012: Nil).

Employees and remuneration policies

As at 31 December 2013, the Group had 31 (2012: 14) full-time employees in Hong Kong and 260 (2012: 261) full-time employees in the PRC. The total number of full-time employees of the Group was 291 (2012: 275). Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Group offers competitive remuneration packages to different levels of staff, including subsidized training programme as well as share option scheme, employee incentive scheme for the benefits of the directors and eligible employees of the members of the Group. Upon the completion of the acquisition of CSPG, the Company replaced the then EIS by issuing 20,010,000 shares of the Company and convertible notes in the principal amount of HK$80,040,000 to the Trustee in exchange for the shares of CSPG held by the Trustee. Total staff cost (including directors' emoluments) for the year ended 31 December 2013 amounted to approximately HK$122.3 million (2012: HK$34.3 million).

Business Review

Development, investment, operation and management of solar power plants

On 10 June 2013, the Group completed the acquisition of a 92.17% of the issued share capital of CSPG, which marks as a milestone of the Group's expansion into business downstream by focusing on development, investment, operation and management of solar power plants.

In June 2013, a solar power plant with installed capacity of 100MW located in Gansu Province, the PRC and a PV demonstration project with installed capacity of 10.8MW located in Fujian Province, the PRC achieved on-grid connection respectively. Both of the projects are owned by indirect wholly owned subsidiaries of the Company. In September 2013, a solar power plant with installed capacity of 20MW located in Qinghai Province, China, owned by an indirect wholly owned subsidiary of the Company, achieved on-grid connection successfully. Taking into account one roof-top PV demonstration project with installed capacity of 2.1MW located in Shenzhen, China, which was developed by an indirect wholly owned subsidiary of the Company and has been in operation since October 2012, the Group had four solar power plants with aggregate installed capacity of approximately 132.9MW in operation as of 31 December 2013.

On 27 December 2013, the Group completed the acquisition of 50% equity interest in Fengxian Huize, together with its subsidiaries, is principally engaged in operating two roof-top solar power projects with an aggregate installed capacity of approximately 23.8MW and ecology agriculture and farming related business in Jiangsu Province, China. Fengxian Huize is accounted for as an associate of the Group after the completion of acquisition. Accordingly, as of 31 December 2013, two solar power plants with aggregate installed capacity of approximately 23.8MW in operation were owned by Fengxian Huize.

During the year, the Group consolidated the results of the following four solar power plants into its financial statements:

Location	On-grid connection since	Approximate aggregate installed capacity	Electricity generated during the year	On-grid tariff (before tax) RMB/KWh
Shenzhen, Guangdong Province, China	Oct 2012	2.1MW	1,555,170 KWh	0.7579
Quanzhou, Fujian Province China	Jun 2013	10.8MW	4,705,724 KWh	0.4304
Jiayuguan, Gansu Province, China	Jun 2013	100MW	25,649,141 KWh	1.00
Gonghe, Qinghai Province, China	Sep 2013	20MW	7,734,852 KWh	1.00
		132.9MW		

For the year ended 31 December 2013, revenue derived from the sales of electricity amounted to approximately HK$40 million (2012: Nil). A net loss of HK$2,229 million was recorded, mainly because of the impairment charge on goodwill relating to acquisition of CSPG.

Manufacturing and sales of solar cells

With its production facilities located in Fujian Province, the PRC, the Group supplies polysilicon solar cells to customers worldwide.

For the year ended 31 December 2013, the sales to new customers accounted for 37% of the segment revenue and more revenue was attributed to overseas sales in which higher selling price were charged than the domestic sales. Combining with the effect of appreciation of Renminbi during the year ended 31 December 2013, the sales of solar products recorded an increase of revenue as a result. The implementation of stringent cost control measures made certain contribution to the decrease in gross loss, however, low factory utilization has undermined our manufacturing cost reduction effort.

The table below sets out the production capacity, production volume, sales volume and utilization rate of the solar cells production facilities of the Group during the year ended 31 December 2013:

	Production capacity *MW*	Production volume *MW*	Sales volume *MW*	Utilization ratio *%*
Solar cells	200	75	83	37.5

For the year ended 31 December 2013, revenue generated from our manufacturing and sale of solar cells amounted to approximately HK$298 million, representing an increase of 40% from HK$213 million for the year ended 31 December 2012. Gross loss was approximately HK$68 million, representing a decrease of 12% from approximately HK$77 million for the year ended 31 December 2012. The net loss of manufacturing and sale of solar cells was mainly due to low utilisation of production capacity.

Recent development

On 19 December 2013, UP (Changzhou), an indirect wholly-owned subsidiary of the Company, entered into two sale and purchase agreements with Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司) regarding acquisition of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited* (國電察哈爾右翼前旗光伏發電有限公司) and 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司) respectively (altogether, the "90MW Equity Interest"). On the same date, UP (Changzhou) entered into two sale and purchase agreements with Forty-eighth Research Institute of China Electronics Technology Group Corporation* (中國電子科技集團公司第四十八研究所) regarding acquisition of 89.7839% equity interest in Guodian Tuoketuo County Solar Power Company Limited* (國電托克托縣光伏發電有限公司) and 55% equity interest in Guodian Nailuntumotezuoqi Solar Power Company Limited (國電奈倫土默特左旗光伏發電有限公司) respectively (altogether, the "105MW Equity Interest"). These four target companies own four solar power plants located in Inner Mongolia, China with aggregate installed capacity of approximately 195MW. As at the date hereof, the acquisition of 90MW Equity Interests is completed. Whereas certain conditions precedent to the acquisition of 105MW Equity Interest as stated in the sales and purchase agreements have not yet been satisfied. The Company is cooperating with all the relevant parties closely to consummate the acquisition of the 105MW Equity Interest.

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui for a total cash consideration of RMB4,500,000 (equivalent to approximately HK$5,670,000). Changzhou Dinghui and its subsidiaries are principally engaged in investment, construction, operation, maintenance and management of solar power plants located in Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 180MW.

On 8 January 2014, in furtherance to the acquisition of 45% equity interest in Changzhou Dinghui, UP (Changzhou) entered into a sale and purchase agreement with EBODHK regarding the Changzhou Dinghui Acquisition. As the Changzhou Dinghui Acquisition constitutes a major connected transaction under the Listing Rules, a special general meeting will be held to seek the approval by the Company's Shareholders. Upon completion of the Changzhou Dinghui Acquisition, Changzhou Dinghui will become a wholly-owned subsidiary of the Company.

Upon completion of all the aforesaid acquisitions, the Group and its associates will beneficially own thirteen solar power plants with aggregate installed capacity of approximately 531.7MW.

Details of the abovementioned solar power plants are summarised below:

Location	**Number of Solar Power Plant**	**Approximate Aggregate Installed Capacity**	**On-grid Connection Status**
Shenzhen, Guangdong Province, China	1	2.1MW	Connected
Quanzhou, Fujian Province, China	1	10.8MW	Connected
Jiayuguan, Gansu Province, China	1	100MW	Connected
Gonghe, Qinghai Province, China	4	200MW	Connected
Fengxian, Jiangsu Province, China	2	23.8MW	Connected
Inner Mongolia, China	4	195MW	Connected
TOTAL	**13**	**531.7MW**	

In order to finance its investment in and acquisition of solar power projects, the Company allotted and issued 480,000,000 ordinary shares to not fewer than six independent third parties at placing price of HK$1.72 per share on 29 January 2014. The net proceeds of approximately HK$809 million will be used to finance any possible acquisitions of solar power plants as and when opportunities arise (including but not limited to the possible acquisitions contemplated under the framework agreement and cooperation agreement entered into by the Group as set out in the Company's announcements on 21 January 2014 and 9 January 2014, respectively).

Prospect

In response to various stringent environmental regulations in the recent years, countries worldwide are more and more interested in developing renewable energy for electricity generation. A major growth area in the renewable sector is solar energy.

According to the European Photovoltaic Industry Association (EPIA), a worldwide industry association for the solar photovoltaic electricity market, with 37GW of newly-added capacity in 2013, the global cumulative installed PV capacity reached 136.7GW at the end of 2013, representing an increase by 35% compared to 2012.

As per media reports, the average cost of a completed PV system dropped by 16% during the third quarter 2013 on a year-over-year basis, and the average price of a solar module has dropped by 60% since the beginning of 2011. These price drops will encourage more PV installations in the market.

Per EPIA, China installed around 11GW of solar modules in 2013, making it the world's largest solar market in 2013. With around 6.9GW, Japan was the second global biggest market in 2013, while the United States ranked number three with 4.8GW. Such trend is expected to continue.

As a policy-driven market, the pulse of solar energy industry is tied to the swings in the macro-economy and government policies. For the outlook of the global market, China is expected to experience a robust and sustained growth and lead the world in total electricity generation from renewable sources. It would be followed closely by the United States with its gradually improving economy.

Looking forward in 2014, uncertainties in global economy will continue to affect the liquidity of the capital markets and commercial lending, which would be challenging for the solar project plants developers and investors to obtain the necessary funding. However, as an industrial player in China, we anticipate to be able to benefit from the financing support by China Development Bank which was stressed again in "the Notice" jointly announced by it and the National Energy Administration of China in October 2013. Furthermore, a number of alternative financing approaches, such as finance lease, internet funding and specific solar PV funds, are being explored recently for developing and investing in the solar power plants in China, which would greatly help in the growth of the Chinese solar industry. The various supporting state and local policies by Chinese government for solar energy industry makes us optimistic about the outlook for the market. The Chinese government has set a solar installation target of 35GW by 2015 under its Five- Year Plan and the National Energy Administration of China has earmarked 14GW of installations nationwide in 2014. In addition, the declining costs for photovoltaic products have led to lower installation costs and a better return for solar power plant operators.

Based on the above observations and understanding, the Company is confident that solar power plant business will be the growth driver of the Group's business in the future. We will continue with the strategy to identify suitable projects with good prospects and potential for stable returns and will devote more resource in the solar power plants business. We'll focus on the domestic market and also explore the overseas markets, if any appropriate opportunity arises.

AUDIT OPINION

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to the basis of preparation of the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by HK$1,001 million as at 31 December 2013, and it had incurred a net loss of HK$2,305 million for the year then ended. In addition, the Group had entered into a conditional sale and purchase agreement on 8 January 2014 to acquire a subsidiary and in that connection the Group will upon closing of the acquisition need to assume the then liabilities of the subsidiary, which amounted to approximately HK$2.4 billion as at 31 December 2013. On 27 March 2014 and 28 March 2014, the Group completed the acquisition of two subsidiaries and assumed the then liabilities of these subsidiaries, which amounted to approximately HK$1.16 billion. These conditions, along with other matters as described in the basis of preparation, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance. The Board has adopted a number of corporate policies and standards to apply the principles of good governance to our everyday activities. Throughout the year ended 31 December 2013, the Company has applied the principles and complied with all the code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviation.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2013 to 10 June 2013, the Company did not have a chief executive officer and the executive board members collectively performed the responsibilities of the chief executive. During that period, Mr. Lam Ho Fai was an executive director of the Company, one of the executive board members taking the role as a chief executive, as well as the acting chairman heading the Board (the "Chairman"). The Board believed that such an arrangement would not impair the balance of power and authority between the chairman and chief executive as the function of chief executive was collectively performed by all the executive board members and not only by the Chairman. On 11 June 2013, Mr. Li Alan, an executive director of the Company, was appointed as the chief executive officer of the Company and the executive board members ceased to take the role as chief executive. The responsibilities of the chairman and chief executive were divided, and the roles were separated and performed by different individuals. However, as a result of Mr. Lam Ho Fai's resignation as an executive director of the Company on 20 December 2013 and the subsequent appointment of Mr. Li Alan as Chairman on 7 January 2014, the roles of chairman and chief executive were combined again. The Board is of the view that the current structure will enable the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. The Board believes that the balance of power and authority between chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgments.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions by directors on terms no less exacting than the required standard of the model code as set out in Appendix 10 to the Listing Rules (the "Model Code").

Having made specific enquiry of all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code and the Company's relevant code throughout the year ended 31 December 2013.

THE AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the annual report and annual results for the year ended 31 December 2013 before the results were submitted to the Board for approval.

PUBLICATION OF RESULTS ANNOUNCEMENT

This announcement is required to be published on the website of the Stock Exchange and at the website of the Company at http://www.unitedpvgroup.com. The annual report containing all the information required under Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below.

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Chairman"	the chairman of the Board
"Changzhou Dinghui"	Changzhou Dinghui New Energy Limited * (常州鼎暉新能源有限公司), a company established in China with limited liability
"Changzhou Dinghui Acquisition"	the acquisition by UP (Changzhou) of the remaining 55% equity interest in Changzhou Dinghui owned by EBODHK
"CM Yinke"	Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司), a fellow subsidiary of a shareholder of the Company
"Company"	United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"CSPG"	China Solar Power Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Directors"	the director(s) of the Company
"EBODHK"	Renewable Energy (Hong Kong) Trade Board Limited, a company incorporated in Hong Kong with limited liability
"EIS"	the employee incentive scheme adopted by CSPG
"Fengxian Huize"	Fengxian Huize Photovoltaic Energy Limited* (豐縣暉澤光伏能源有限公司), a company established in China with limited liability

"Group"	the Company and its subsidiaries
"Guodian Project Companies"	Guodian Chahaeryouyiqianqi Solar Power Company Limited* (國電察哈爾右翼前旗光伏發電有限公司) and Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司), both of which are companies established in China with limited liability
"GW"	gigawatts, which equals to 1,000MW or 1,000,000,000 watts
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of China
"KWh"	kilo-watt hour
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	megawatt(s), which equals 1,000,000 watts
"MWh"	mega-watt hour
"New Tariff Notice"	the "Notice on Leveraging the Price for the Development of the Solar Energy Industry" released by the National Development and Reform Commission of China on 30 August 2013
"PRC" or "China"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of China
"PV"	photovoltaic(s)
"RMB"	Renminbi, the lawful currency of China
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Solar Cells"	manufacturing and sales of solar cells
"Solar Power Plants"	development, investment, operation and management of solar power plants
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary"	has the meaning assigned to it by section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), save that any reference therein to a company shall be deemed to include a reference to a body corporate incorporated or established outside Hong Kong or under any other ordinances of the Laws of Hong Kong and to any unincorporated body of persons
"Trustee"	Sino Arena Investments Limited, a company incorporated in the British Virgin Islands with limited liability, holding the shares for and on behalf of eligible persons who are granted the shares under the EIS
"UP (Changzhou)"	United Photovoltaics (Changzhou) Investment Co., Ltd.* (聯合光伏(常州)投資有限公司), formerly known as Zhongli Photovoltaic Changzhou Co., Ltd.* (中利騰暉光伏常州有限公司), a company established in China with limited liability and an indirect wholly-owned subsidiary of the Company
"US$"	United States Dollar, the lawful currency of the United States of America
"%"	per cent.

For and on behalf of
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

Hong Kong, 28 March 2014

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei; the non-executive directors of the Company are Academician Yao Jiannian, Mr. Yang Baiqian, Ms. Qiu Ping, Maggie and Mr. Wu Zhenmian; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing.

* *For identification purpose only*