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 THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2014	2013
Revenue (including tariff adjustment) *(HK$'million)*	**524**	38
Profit/(loss) attributable to owners of the Company *(HK$'million)*	**367**	(2,305)
Basic earnings/(loss) per share *(HK cents)*		
– From continuing operations	**15.15**	(131.24)
– From discontinued operation	**(6.18)**	(6.70)
	8.97	(137.94)

The board (the "**Board**") of directors (the "**Directors**") of United Photovoltaics Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 (the "**Year**") prepared under Hong Kong Financial Reporting Standards ("**HKFRS**").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000 (Restated) (Note 2.1)
Continuing operations			
Revenue	3	**202,523**	13,844
Tariff adjustment	3	**321,465**	23,879
		523,988	37,723
Cost of materials used		**(44,452)**	(276)
Depreciation of property, plant and equipment		**(182,236)**	(33,318)
Employee benefit expenses		**(67,215)**	(87,224)
Legal and professional fees		**(7,474)**	(10,616)
Maintenance costs		**(47,896)**	(6,898)
Reversal of impairment charge/(impairment charge) on other receivables		**10,587**	(23,311)
Other expenses		**(21,691)**	(22,235)
Bargain purchase on business combinations	12	**44,788**	–
Fair value gain on contingent consideration payables		**361,507**	43,278
Fair value gain/(loss) on the put option ("**Put Option**") issued in relation to acquisition of Fengxian Huize Photovoltaics Energy Limited* ("**Fengxian Huize**")		**93,044**	(163,782)
Fair value gain/(loss) on financial assets at fair value through profit or loss		**127,698**	(100,589)
Fair value gain on previously held interest in Changzhou Dinghui New Energy Limited* ("**Changzhou Dinghui**") as a result of business combination		**2,031**	–
Fair value gain on previously held interest in China Solar Power Group Limited ("**CSPG**") as a result of business combination		**–**	197,896
Impairment charge on concession rights		**–**	(819,145)
Impairment charge on goodwill		**–**	(1,205,018)
Operating profit/(loss)		**792,679**	(2,193,515)

	Note	2014 HK$'000	2013 HK$'000 (Restated) (Note 2.1)
Finance income		**205,201**	181,275
Finance costs		**(387,457)**	(349,239)
Finance costs, net	5	**(182,256)**	(167,964)
Share of profits of associates		**19,122**	–
Profit/(loss) before income tax		**629,545**	(2,361,479)
Income tax credit	7	**38**	168,000
Profit/(loss) for the year from continuing operations		**629,583**	(2,193,479)
Discontinued operation			
Loss from discontinued operation	6	**(252,489)**	(111,981)
Profit/(loss) for the year		**377,094**	(2,305,460)
Profit/(loss) attributable to			
– Owners of the Company		**366,616**	(2,304,986)
– Non-controlling interests		**10,478**	(474)
		377,094	(2,305,460)
Profit/(loss) attributable to owners of the Company arising from:			
– Continuing operations		**619,105**	(2,193,005)
– Discontinued operation		**(252,489)**	(111,981)
		366,616	(2,304,986)
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company			
Basic earnings/(loss) per share *(HK cents)*	8		
– From continuing operations		**15.15**	(131.24)
– From discontinued operation		**(6.18)**	(6.70)
		8.97	(137.94)
Diluted earnings/(loss) per share *(HK cents)*	8		
– From continuing operations		**3.66**	(131.24)
– From discontinued operation		**(4.90)**	(6.70)
		(1.24)	(137.94)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000*
Profit/(loss) for the year	**377,094**	(2,305,460)
Other comprehensive income:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of financial statements of subsidiaries and associates	**(6,802)**	32,736
Reclassification of exchange reserve upon step-up acquisition of Changzhou Dinghui *(Note 12)*	**(1,735)**	–
Reclassification of exchange reserve upon disposal of Fortune Arena Limited ("**Fortune Arena**") *(Note 6)*	**(47,347)**	–
Change in value of available-for-sale financial asset	**–**	(500)
Reclassification of available-for-sale financial asset revaluation reserve in relation to acquisition of CSPG	**–**	(197,896)
Items that will not be reclassified to profit or loss		
Revaluation surplus prior to transfer of property, plant and equipment to investment properties, net of tax	**–**	2,409
Total other comprehensive loss for the year, net of tax	**(55,884)**	(163,251)
Total comprehensive income/(loss) for the year	**321,210**	(2,468,711)
Total comprehensive income/(loss) for the year attributable to		
– Owners of the Company	**310,466**	(2,468,258)
– Non-controlling interests	**10,744**	(453)
	321,210	(2,468,711)
Total comprehensive income/(loss) for the year attributable to owners of the Company arising from:		
– Continuing operations	**610,302**	(2,370,485)
– Discontinued operation	**(299,836)**	(97,773)
	310,466	(2,468,258)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Land use rights		**571**	141,457
Property, plant and equipment		**5,807,766**	2,561,563
Investment properties		**–**	48,485
Intangible assets		**1,253,948**	1,647,995
Investments in associates		**367,959**	289,819
Other receivables, deposits and prepayments	9	**575,480**	562,518
		8,005,724	5,251,837
Current assets			
Inventories		**1,665**	8,771
Trade and other receivables, deposits and prepayments	9	**588,532**	324,850
Amount due from an associate		**23,250**	–
Financial assets at fair value through profit or loss		**96,792**	94,005
Pledged bank deposits		**77,326**	150,737
Restricted cash		**23,250**	23,250
Cash and cash equivalents		**269,591**	137,413
		1,080,406	739,026
Total assets		**9,086,130**	5,990,863
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**436,126**	346,878
Reserves		**1,383,741**	101,231
		1,819,867	448,109
Non-controlling interests		**56,091**	1,812
Total equity		**1,875,958**	449,921

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds		**1,047,309**	1,235,912
Contingent consideration payables		**882,954**	1,244,461
Cash-settled share-based payment		**20,375**	35,445
Deferred government grant		**5,273**	111,455
Deferred tax liabilities		**317,016**	334,334
Bank and other borrowings		**2,062,032**	839,449
		4,334,959	3,801,056
Current liabilities			
Trade and bills payable, other payables and accruals	*10*	**2,127,290**	1,154,697
Amounts due to shareholders		**–**	26,200
Amounts due to associates		**38,281**	18,442
Bank and other borrowings		**638,904**	376,727
Financial liability at fair value through profit or loss		**70,738**	163,782
Current income tax liabilities		**–**	38
		2,875,213	1,739,886
Total liabilities		**7,210,172**	5,540,942
Total equity and liabilities		**9,086,130**	5,990,863
Net current liabilities		**(1,794,807)**	(1,000,860)
Total assets less current liabilities		**6,210,917**	4,250,977

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

United Photovoltaics Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the 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 place of business in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2015. The Board of Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation 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 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 financial assets at fair value through profit or loss, contingent consideration payables, financial liabilities at fair value through profit or loss and cash-settled share-based payment, which were carried at fair values.

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

On 28 October 2014, the Company completed the disposal of 70% equity interest in Fortune Arena and its subsidiaries (the "Disposal Group") at a cash consideration of HK$217,000,000 (the "Disposal"). The Disposal Group represented a separate major line of business of the Group. For the presentation of the consolidated financial statements for the years ended 31 December 2014 and 2013, the Disposal Group was regarded as discontinued operation.

In addition, the Group previously presented the analysis of expenses recognised in the consolidated income statement and the consolidated statement of comprehensive income based on their function. With effect from 1 January 2014, the Group revised its accounting policy to present the analysis of expenses based on their nature. This change aligns the Group's accounting policy with industry practice and hence provide more relevant information to the users of the financial statements by enhancing the comparability of the Group's financial statements with those of its peers.

The change in presentation has been adopted retrospectively, and certain comparative figures have been restated.

2.1.1 *Going concern*

As at 31 December 2014, the Group's current liabilities exceeded its current assets by HK$1,795 million.

Furthermore, on 16 January 2015, the Group entered into a conditional sale and purchase agreement with ZNSHINE PV-Tech Co. Ltd* in relation to the proposed acquisition of a 90.9% equity interest in Minfeng County Angli Photovolatic Technology Company Limited* ("Minfeng") for a cash consideration of RMB136 million (equivalent to HK$172 million) (the "Minfeng Acquisition"). In February 2015, the Group has already paid RMB136 million (equivalent to HK$172 million) to the vendor as a deposit for the proposed acquisition (Note 13). Should the Minfeng Acquisition be completed, the Group would have to contribute additional capital of RMB42.6 million (equivalent to HK$54 million) to Minfeng to finance the settlement of its Engineering, Procurement and Construction ("EPC") payable.

In addition, on 23 January 2015, the Group and Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司) ("CM Yinke", a fellow subsidiary of a substantial shareholder of the Company) had entered into a conditional sale and purchase agreement to acquire 51% and 49% equity interest in Changzhou Guangyu New Energy Company Limited ("Changzhou Guangyu") for a cash consideration of RMB21.7 million (equivalent to HK$27.5 million) and RMB20.9 million (equivalent to HK$26.4 million) (the "Changzhou Guangyu Acquisition"), respectively. Should the Changzhou Guangyu Acquisition be completed, the Group and CM Yinke agree to contribute RMB364 million (equivalent to HK$462 million) and RMB350 million (equivalent to HK$444 million) to Changzhou Guangyu, respectively, as additional registered capital and to finance the settlement of Changzhou Guangyu's EPC payable and other payables. To finance the Changzhou Guangyu Acquisition, the Company and China Merchants Fund Management Limited ("CM Fund"), an associate of one of the Group's substantial shareholders, entered into a subscription agreement on 23 January 2015, pursuant to which the Company proposed to issue a 3-year convertible bond with a principal amount of HK$529 million (the "Convertible Bond") to CM Fund. The net proceeds from the issuance of the Convertible Bond is estimated to be HK$527 million and it will be used to finance the Group's capital and other contributions to Changzhou Guangyu as mentioned above. The Changzhou Guangyu Acquisition and issuance of the Convertible Bond were approved at the special general meeting of the Company on 17 March 2015. As at the date of approval of the consolidated financial statements, the Changzhou Guangyu Acquisition and issuance of the Convertible Bond have not yet been completed, and are subject to the completion of certain administrative procedures (Note 13).

In June 2013, the Group acquired certain concession rights to develop and operate various solar power plant projects, of which concession rights amounting to HK$275 million will expire in 2015 and the remaining will expire in 2017. The Group intends to exercise these concession rights and acquire the relevant solar power plant projects before the expiry of these rights. The Group would require additional financing for these acquisitions and the required amount is yet to be determined, as it is subject to the negotiation of final consideration with the relevant vendor, as well as negotiation of the amount of liabilities of the acquirees to be assumed by the Group upon completion of the acquisitions.

In October 2014, the Company and Power Solar Investments Limited, an independent third party, agreed to provide financial support to Fortune Arena, an associate of the Company, based on their respective shareholding in Fortune Arena of 30% and 70%, respectively, so as to enable Fortune Arena to meet its liabilities as and when they fall due and to carry on its business without significant curtailment of operations through to October 2015. As at 31 December 2014, the current liabilities of Fortune Arena exceeded its current assets by HK$257 million and it incurred a net loss of HK$383 million for the year then ended. Fortune Arena may require financing from the Company if it does not have sufficient working capital to meet its financial obligations through to October 2015.

On 27 December 2013, the Group completed the acquisition of a 50% equity interest in Fengxian Huize for a consideration of RMB225 million (equivalent to HK$286 million). As part of the acquisition, the Group granted a put option to Huabei Expressway Co. Ltd ("Huabei Expressway"), the shareholder of the remaining 50% equity interest in Fengxian Huize, under which Huabei Expressway has a right to request the Group to acquire the remaining 50% equity interest in Fengxian Huize for RMB225 million (equivalent to HK$286 million), to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway, for a three-year period up to December 2016 (the "Put Option"). In March 2014, Huabei Expressway had confirmed in writing to the Company that it would not request the Group to acquire the remaining 50% equity interest in Fengxian Huize by way of cash before 31 May 2015.

The above matters indicated that the Group needs to secure a substantial amount of funds in the foreseeable future to finance these capital expenditures under various contractual and other arrangements. These conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. The directors 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 31 December 2014:

(i) On 10 February 2015, the Company completed the placing of 380,000,000 shares of the Company at a price of HK$1.00 per share (the "Placement"). The net proceeds from the Placement amounted to HK$379 million.

(ii) During the year, the Group had obtained long-term loans totalling RMB1,260 million (equivalent to HK$1,597 million) from China Development Bank for its solar power plants in Qinghai Gonghe, the PRC. As at 31 December 2014, the Group had already drawn down RMB875 million (equivalent to HK$1,109 million) from these loans. Subsequent to the year end, the remaining loan principal amount of RMB385 million (equivalent to HK$488 million) has been drawn down.

(iii) With regard to the Put Option, in March 2015, Huabei Expressway had confirmed in writing to further extend its intention of not requesting the Group to acquire the 50% equity interest in Fengxian Huize by way of cash before 31 May 2016.

(iv) In August 2014, CM Yinke renewed its letter of conditional financial support to the Group to enable the Group to meet its liabilities and obligations (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to 31 December 2016. Such financial support is intended to be provided to the Group for its solar energy projects undertaken if these projects could generate an internal rate of 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. The directors are 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) On 4 March 2015, the Company and Golden Express Capital Limited ("Golden Express"), a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited, entered into a conditional subscription agreement, pursuant to which the Company proposed to issue a 3-year convertible bond with a principal amount of US$30 million (equivalent to HK$232.5 million) to Golden Express (the "Golden Express CB"). The issuance of the Golden Express CB is subject to regulatory approval and the net proceeds is estimated to be HK$232.0 million.

(vi) The Group is in the process of negotiating long-term financing from China Development Bank and other financial institutions to finance the settlement of the outstanding EPC payables amounting to RMB820 million (equivalent to HK$1,039 million) as at 31 December 2014. Based on the past experience of the Group, the directors are confident that they could obtain such long-term bank borrowings. In addition, the Group is actively seeking various forms of financing including bank borrowings, finance leases, placement of shares or issue of convertible bonds.

(vii) 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.

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 twelve months from the date of the consolidated 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 (iv) to (vii) 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 as needed, secure the long-term borrowings from China Development Bank or other financial institutions, obtain other types of short-term or long-term financing, successfully issue the Golden Express CB, generate adequate operating cash inflows from its existing solar power plants and other plants to be acquired, and to provide financial support to Fortune Arena, if required. 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.

2.1.2 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 2014.

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's financial statements.

Other standards, amendments and interpretations which were effective for the financial year beginning on 1 January 2014 do not have a material effect on the Group's financial statements.

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

(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 2014 and have not been adopted early by the Group:

Effective for accounting periods beginning on or after 1 July 2014

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

Effective for accounting periods beginning on or after 1 January 2016

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 Amendment	Equity Method in Separate Financial Statements

Effective for accounting periods beginning on or after 1 January 2017

HKFRS 15	Revenue from Contracts with Customers

Effective for accounting periods beginning on or after 1 January 2018

HKFRS 9	Financial Instruments

The Group has already commenced an assessment of the impact of adopting the above new standards 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

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
		(Note 2.1)
Sales of electricity	**157,685**	13,235
Sales of solar energy related products	**44,838**	609
Revenue	**202,523**	13,844
Tariff adjustment	**321,465**	23,879
	523,988	37,723

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 completed the disposal of 70% equity interests in Fortune Arena (the "Disposal") (Note 6), which was engaged in the solar cells business ("Solar Cells"). Subsequent to the Disposal, the Group retains one single reportable segment, which is principally engaged in the development, investment, operation and management of solar power plants ("Solar Power Plants"). Prior to the Disposal, the Group has two reportable segment: (a) Solar Power Plants and (b) Solar Cells.

For the year ended 31 December 2014, the major operating entities of the Group are domiciled in the People's Republic of China (the "PRC") and accordingly, all of the Group's revenue was derived in the PRC (2013: same).

The geographical analysis of the Group's non-current assets (excluding other receivables, deposits and prepayments) is as follows:

	2014	2013
	HK$'000	*HK$'000*
The PRC	**7,429,557**	4,688,366
Hong Kong	**687**	953
	7,430,244	4,689,319

For the year ended 31 December 2014, there were three customers (2013: two) which individually contributed over 10% of the Group's total revenue and tariff adjustment. During the year, the revenue and tariff adjustment contributed from each of these customers was as follows:

	2014	2013
	HK$'000	*HK$'000*
– Customer A	**197,796**	8,277
– Customer B	**176,880**	–
– Customer C	**101,999**	27,445
	476,675	35,722

5 FINANCE COSTS, NET

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
		(Note 2.1)
Finance income:		
Imputed interest income on pledged guarantee deposit	**30**	–
Interest income on bank balances and deposits	**890**	1
Interest income on loan to a shareholder	**–**	26,367
Subsequent fair value gain on derivatives in relation to US$120 million convertible bonds	**204,281**	154,907
	205,201	181,275
Finance costs:		
In relation to bank and other borrowings:		
– Amortisation of loan facilities fees	**(745)**	–
– Interest expenses:		
– wholly repayable within five years	**(78,173)**	(44,693)
– not wholly repayable within five years	**(40,530)**	(23,276)
In relation to convertible bonds:		
– Day 1 fair value loss on issue of US$120 million convertible bonds	**–**	(164,688)
– Amortisation of unrealised fair value loss of issue of US$120 million convertible bonds	**(80,188)**	(13,595)
– Imputed interest expense on convertible bonds	**(187,821)**	(102,987)
	(387,457)	(349,239)
Finance costs, net	**(182,256)**	(167,964)

6 DISCONTINUED OPERATION

On 28 October 2014, the Company completed the disposal of 70% equity interest in Disposal Group at a cash consideration of HK$217,000,000. Disposal Group represented a separate major line of business of the Group and the Disposal was presented as a discontinued operation. The Disposal Group was mainly engaged in the manufacturing, sale and provision of subcontracting services of solar energy related products. Upon completion, the equity interest of Fortune Arena held by the Group has been reduced from 100% to 30%. This has resulted in the Group losing control over Fortune Arena and Fortune Arena is accounted by the Group as an associate since 28 October 2014. For the presentation of the consolidated income statement for the years ended 31 December 2014 and 2013, the Disposal Group was recognised as a discontinued operation.

	2014	2013
	HK$'000	*HK$'000*
Loss after tax from discontinued operation *(Note (a))*	**(319,914)**	(111,981)
Gain on Disposal *(Note (b))*	**67,425**	–
	(252,489)	(111,981)

(a) Analysis of the results of the discontinued operation is set out below:

	2014	2013
	HK$'000	*HK$'000*
Revenue	**142,800**	299,855
Expenses		
– Depreciation	**(47,092)**	(49,668)
– Employee benefits expenses	**(6,612)**	(11,727)
– Fair value (loss)/gain on investment properties	**(404)**	37
– Impairment charge on property, plant and equipment	**(214,122)**	–
– Impairment charge on trade receivables	**–**	(12,803)
– Cost of materials used	**(169,366)**	(295,368)
– Share of loss of an associate	**(3,530)**	(1,019)
– Other expenses	**(15,840)**	(39,460)
Operating loss from discontinued operation	**(314,166)**	(110,153)
Finance costs, net	**(6,351)**	(5,543)
Loss before income tax from discontinued operation	**(320,517)**	(115,696)
Income tax credit	**603**	3,715
Loss after tax from discontinued operation attributable to the owners of the Company	**(319,914)**	(111,981)

(b) Analysis of gain on Disposal is as follows:

	HK$'000
Total consideration satisfied by:	
Cash consideration	217,000
Fair value of the 30% equity interest retained by the Group as an associate	65,400
Direct expenses	(1,851)
	280,549
Net assets disposed of:	
Land use rights	(137,050)
Property, plant and equipment	(679,736)
Investment properties	(47,696)
Prepayments for the purchase of plant and equipment	(29,841)
Inventories	(12,154)
Trade and bills receivable	(5,227)
Other receivables, deposits and prepayments	(148,281)
Pledged bank deposits	(129,318)
Cash and cash equivalents	(4,168)
Deferred tax liabilities	28,479
Deferred government grant	105,321
Trade and bills payable	371,188
Other payables and accruals	299,940
Amount due to an associate	18,296
Bank borrowings	90,849
Loan from a third party	18,927
Share of net assets disposed of	(260,471)
Reclassification of exchange reserve upon the Disposal	47,347
Gain on Disposal	67,425

7 INCOME TAX CREDIT

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 (2013: Nil).

The amount of tax credited to the consolidated income statement from continuing operations represents:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
		(Note 2.1)
Current income tax		
– Over-provision in prior years	**38**	–
Deferred income tax	**–**	168,000
	38	168,000

8 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2014	2013
		(Restated)
		(Note 2.1)
Profit/(loss) attributable to owners of the Company *(HK$'000)*		
– From continuing operations	**619,105**	(2,193,005)
– From discontinued operation	**(252,489)**	(111,981)
	366,616	(2,304,986)
Weighted average number of ordinary shares in issue (thousand shares)	**4,084,966**	1,671,027
Basic earnings/(loss) per share *(HK cents)*		
– From continuing operations	**15.15**	(131.24)
– From discontinued operation	**(6.18)**	(6.70)
	8.97	(137.94)

(b) Diluted

Diluted loss per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2014, the Group has four (2013: four) categories of dilutive potential ordinary shares: convertible bonds, shares held under employee incentive scheme ("EIS"), share option and Put Option (2013: same). The convertible bonds were assumed to have been converted into ordinary shares, and the net profit/(loss) has been adjusted to eliminate the interest expense, amortisation of unrealised fair value loss at issue date and fair value change less the tax effect. For the share option and EIS, a calculation has been 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 option 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 option and EIS.

The Put Option was assumed to have been exercised by the holder and to be settled by way of issue of the Company's shares and the net profit has been adjusted to eliminate the fair value change less the tax effect and to additionally share the results of Fengxian Huize.

Earnings	**2014** ***HK$'000***
Profit from continuing operations attributable to owners of the Company	**619,105**
Assumed exercise of contingent consideration payables, Put Option and EIS	
Adjustments for:	
Contingent consideration payables	
– Fair value gain	**(361,507)**
Put Option	
– Fair value gain	**(93,044)**
– Additional share of results of Fengxian Huize	**23,986**
Adjusted profit attributable to owners of the Company used to determine the diluted profit per share	**188,540**
Loss from discontinued operation attributable to owners of the Company	**(252,489)**
	(63,949)
Weighted average number of ordinary shares in issue	**4,084,966**
Adjustments for:	
– Assumed exercise of contingent consideration payables	**807,944**
– Assumed exercise of Put Option	**178,457**
– Assumed exercise of EIS	**84,223**
	5,155,590
Diluted earnings/(loss) per share attributable to the owners of the Company *(HK cents)*	
– From continuing operations	**3.66**
– From discontinued operation	**(4.90)**
	(1.24)

The convertible bonds issued on 25 October 2010, US$120 million convertible bonds, Series A convertible bonds, HK$233 million convertible bonds and share option were not assumed to be converted as they would have an anti-dilutive impact to the profit from continuing operations attributable to the owners of the Company per share, for the year ended 31 December 2014. For the year ended 31 December 2013, the diluted loss per share was the same as the basic loss per share as the conversion of potential ordinary shares in relation to the outstanding convertible bonds, EIS, share option and Put Option would have an anti-dilutive effect to the basic loss per share.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2014 *HK$'000*	2013 *HK$'000*
Current		
Trade receivables	**74,203**	32,864
Less: Provision for impairment of trade receivables	**(188)**	(21,831)
Trade receivables – net	**74,015**	11,033
Tariff adjustment receivable	**386,497**	23,879
Trade and tariff adjustment receivables	**460,512**	34,912
Amounts due from related companies	**7,679**	48,958
Prepayments for raw materials	**–**	165,490
Value-added tax recoverable	**93,066**	63,902
Other deposits and prepayments	**27,275**	11,588
	588,532	324,850
Non-current		
Prepayments for purchase of plant and equipment	**72,214**	368,610
Deposits for acquisitions	**11,088**	100,000
Pledged guarantee deposits relating to borrowings	**23,073**	–
Value-added tax recoverable	**469,105**	93,908
	575,480	562,518
Total	**1,164,012**	887,368

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

	2014 *HK$'000*	2013 *HK$'000*
Not yet due	**460,512**	33,434
1 – 30 days	**–**	1,291
31 – 60 days	**–**	–
Over 60 days	**–**	187
	460,512	34,912

10 TRADE AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUALS

	Group 2014 *HK$'000*	2013 *HK$'000*
Trade and bills payable	**236**	335,591
Customers' deposits	**–**	162,099
Amounts due to related companies	**14**	58,871
Construction costs payable	**1,952,561**	467,674
Other payables and accruals	**174,479**	130,462
	2,127,290	1,154,697

The average credit period from the Group's trade creditors was of 30 to 90 days (2013: 30 to 90 days). The ageing analysis of trade payable is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Not yet due	**–**	278,599
1 – 30 days	**–**	5,824
31 – 60 days	**23**	2,382
61 – 90 days	**213**	48,786
	236	335,591

11 COMMITMENTS

(a) Capital commitments

At 31 December 2014, the Group has the following capital commitments:

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for		
– Property, plant and equipment	**–**	254,314
– Land use rights	**–**	11,429
– Investment in an associate	**4,750**	–
	4,750	265,743

(b) Commitments under operating leases

At 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and warehouses as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,675**	3,103
After one year but within five years	**4,482**	3,751
Over five years	**779**	–
	7,936	6,854

12 BUSINESS COMBINATION

The Group is principally engaged in the development, investment, operation and management of solar power plants and the provision of solar energy products and solutions. It is the Group's strategy to identify suitable investment opportunity to acquire solar power plants with good prospects and potential for stable returns. During the Year, the Group has acquired several solar power plants.

(a) **Changzhou Dinghui**

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui (the "First Acquisition") for a cash consideration of RMB4,500,000 (equivalent to approximately HK$5,670,000) from an independent third party. Changzhou Dinghui became an associate of the Group. On 13 June 2014, the Group further completed the acquisition of the remaining 55% equity interest in Changzhou Dinghui (the "55% Acquisition") for a cash consideration of RMB5,500,000 (equivalent to approximately HK$6,911,000) from Renewable Energy (Hong Kong) Trade Board Limited ("EBODHK"), an affiliate of a substantial shareholder of the Company. As a result, Changzhou Dinghui became a wholly-owned subsidiary of the Group.

The principal activities of Changzhou Dinghui are the development and operation of three solar power plants located in Gonghe, Qinghai Province, the PRC with an aggregate installed capacity of approximately 180MW.

(b) **Guodian Companies**

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited* and 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* ("**Guodian Project Companies**") for cash consideration of RMB86,793,500 (equivalent to approximately HK$109,436,000) and RMB72,263,900 (equivalent to approximately HK$91,116,000) respectively from an independent third party.

The principal activities of Guodian Project Companies are the development and operation of solar power plants located in Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 90MW.

(c) **Forty-Eighth Research Institute Project Company**

On 4 April 2014, the Group completed the acquisition of 89.78% equity interest in Guodian Tuoketuo County Solar Power Company Limited* ("**Forty-Eighth Research Institute Project Company**") for a cash consideration of RMB79,009,810 (equivalent to approximately HK$99,621,000) from an independent third party.

The principal activities of Forty-Eighth Research Institute Project Company are the development and operation of a solar power plant located in Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40MW.

The following table summarises the provisional fair value of identifiable assets acquired, liabilities assumed and the non-controlling interest as at acquisition date:

	Changzhou Dinghui *HK$'000*	Guodian Project Companies *HK$'000*	Forty-Eighth Research Institute Project Company *HK$'000*	Total *HK$'000*
Consideration:				
Cash consideration	6,911	200,552	99,621	307,084
Redesignation of concession rights previously recognised				
– Intangible assets	215,013	–	–	215,013
– Deferred tax liabilities	(44,078)	–	–	(44,078)
Fair value of previously held interest in Changzhou Dinghui	145,511	–	–	145,511
Total consideration	323,357	200,552	99,621	623,530
Recognised amounts of identifiable assets acquired, liabilities assumed and non-controlling interests				
Property, plant and equipment	2,664,905	1,114,749	480,885	4,260,539
Value-added tax recoverable	223,849	139,822	57,509	421,180
Trade and other receivables and prepayments	31,992	50,432	21,856	104,280
Cash and cash equivalents	250	18,647	966	19,863
Trade and other payables	(1,761,806)	(1,050,073)	(437,092)	(3,248,971)
Borrowings	(753,977)	–	–	(753,977)
Deferred tax liabilities	(81,856)	(6,169)	(3,036)	(91,061)
Total identifiable net assets	323,357	267,408	121,088	711,853
Non-controlling interests	–	(31,165)	(12,370)	(43,535)
Bargain purchase recognised in the consolidated income statement	–	(35,691)	(9,097)	(44,788)
	323,357	200,552	99,621	623,530
Acquisition costs recognised in the consolidated income statement	2,773	163	82	3,018

13 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) Acquisition of an associate

On 5 January 2015, the Group completed the acquisition of a 9.37% equity interest in Guodian Kezuohouqi Photovolatics Company Limited* (the "**Target**") for a cash consideration of RMB7,494,260 (equivalent to approximately HK$9,500,000). The cash consideration has been fully paid in January 2015. The Group has also entered into a separate call option agreement with Huabei Expressway which held 84.31% equity interest in the Target.

Pursuant to the call option agreement, Huabei Expressway has granted a call option to the Group to acquire part of the equity interest in the Target held by Huabei Expressway. The call option may be exercised by the Group within three months from the end of the call option maturity period, which is the third anniversary of the completion of the registration of the transfer of the equity interest of the Target. The exercise of the call option is at the Group's discretion and thus there is no obligation on the Group to exercise this call option or to acquire any equity interest in the Target from Huabei Expressway, which can only be settled by issue of shares. The Group did not need to pay any premium for accepting the call option.

The principal activities of the Target are the development and operation of a solar power plant located in Inner Mongolia, the PRC, with an aggregate installed capacity of 40MW, which has achieved on-grid connection. The acquisition shall enable the Group to further expand its scale of business in the solar energy sector. The investment in the Target will be accounted as an associate as the management of the Group considered that significant influence could be exercised on the Target as a result of the board seat representation.

(b) Acquisition of subsidiaries

(i) On 16 January 2015, the Group entered into a conditional sale and purchase agreement with ZNSHINE PV-Tech Co. Ltd in relation to a proposed acquisition of 90.9% equity interest in Minfeng for a cash consideration of RMB136 million (equivalent to approximately HK$172 million). As at the date of approval of the consolidated financial statements, the Group already paid RMB136 million (equivalent to approximately HK$172 million) to the vendor as a deposit for the proposed acquisition. Minfeng currently owns (i) a ground-based on-grid connected solar power plant with an aggregate installed capacity of approximately 20MW; and (ii) a ground-based solar power plant with an aggregate designed capacity of approximately 30MW which is to be developed and constructed. These solar power plants are located at Minfeng County, Xinjiang, the PRC.

(ii) On 23 January 2015, the Group entered into a conditional sale and purchase agreement with CM Yinke and China Merchants Zhangzhou Development Zone Trenda Solar Limited ("CM Trenda") in relation to a proposed joint acquisition of Changzhou Guangyu New Energy Company Limited ("Guangyu"), pursuant to which CM Trenda conditionally agreed to sell, and the Group and CM Yinke conditionally agreed to purchase 51% and 49% of the equity interest ("Equity Interest") in Guangyu for cash considerations of RMB21,711,440 (equivalent to approximately HK$27,522,000) and RMB20,860,011 (equivalent to approximately HK$26,443,000) respectively. Subject to the completion of this acquisition taken place, the Group and CM Yinke have agreed to contribute RMB364,358,560 (equivalent to approximately HK$461,874,000) and RMB350,069,989 (equivalent approximately HK$443,761,000), respectively, as additional registered capital of Guangyu based on their respective shareholdings, to finance the settlement of its EPC payables and other payables.

On the same date, the Group and CM Yinke entered into options agreements, pursuant to which (i) the Company conditionally agreed to grant CM Yinke a put option under which CM Yinke could request the Company to acquire part or all of the 49% equity interest owned by CM Yinke in Guangyu, which can only be settled by issue of shares; and (ii) CM Yinke conditionally agreed to grant the Company a call option under which the Company could request CM Yinke to sell to the Company all the 49% equity interest owned by CM Yinke. To finance the capital expenditure and general working capital of Guangyu, the Company has also entered into a convertible bonds subscription agreement with CM Fund, a fellow subsidiary of a shareholder of the Company, pursuant to which the Company conditionally agreed to issue, and CM Fund conditionally agreed to subscribe for, the convertible bonds in the principal amount of up to HK$529 million.

The above transactions have been approved by independent shareholders of the Company on a special general meeting on 17 March 2015. Up to the date of this announcement, the Group is in the process of consummating the acquisition .

(c) Placing of new shares

On 10 February 2015, the Company issued 380,000,000 shares through placement at a price of HK$1.0 each. The net proceeds in aggregate from this placement were approximately HK$379,000,000.

(d) Proposed issue of convertible bonds

On 4 March 2015, the Company and Golden Express entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue, and Golden Express conditionally agreed to subscribe for, the convertible bonds in the principal amount of US$30,000,000 (equivalent to approximately HK$232,500,000). The proceeds from the convertible bonds will be used as general working capital for the development, construction, maintenance and operation of the solar power plant(s) to be acquired by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of the Group

In October 2014, the Group completed the disposal of 70% equity interest (the "**Disposal**") in Fortune Arena Limited ("**Fortune Arena**") to an independent third party. Upon completion of the Disposal, Fortune Arena ceased to be a subsidiary of the Group and its financial results would no longer be consolidated into the consolidated financial statements of the Group. The remaining 30% equity interest in Fortune Arena was accounted for as an associate using the equity method of accounting. Fortune Arena once represented the Group's separate major line of solar cells business and the Disposal was separately presented as a discontinued operation on the consolidated income statement, with prior year's figures re-presented. The continuing operations mainly represented the solar power plants business during the year.

The profit/(loss) attributable to the owners of the Company during the year ended 31 December 2014 (the "**Year**") was as follows:

	2014	2013
	HK$'million	*HK$'million*
Continuing operations	**619**	(2,193)
Discontinued operation	**(252)**	(112)
Profit/(loss) for the Year	**367**	(2,305)

The improvement in results in the continuing operations during the Year was mainly attributable to:

1. The increase in the generation volume of electricity of the solar power plants acquired in 2013: the Group recorded an increase in the generation volume of electricity by 262% from approximately 34,939 megawatt-hour for the year ended 31 December 2013 to approximately 126,320 megawatt-hour for the Year.

2. The contribution from electricity generation by solar power plants acquired during the Year: with the steady development of the solar power generation business, the Group has acquired 6 well-built and grid-connected solar power plants with an aggregate installed capacity of 310 megawatt during the Year. The generation volume of electricity of such solar power plants for the Year amounted to approximately 318,000 megawatt-hour.

3. The gain on revaluation of certain derivative financial instruments: the Group's derivative financial instruments require valuation exercises as at 31 December 2014. The Group recorded a gain of approximately HK$659 million on revaluation of these financial instruments.

4. A bargain purchase on business combinations of approximately HK$45 million was recorded as a result of business combinations.

5. The impairment charge on goodwill of approximately HK$1,205 million arising from the acquisition of China Solar Power Group Limited ("**CSPG**") in 2013 was no longer applicable for the Year.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: Nil).

Financial review

Segment information

Upon completion of the Disposal, the Group retained one single reportable segment which was principally engaged in the development, investment, operation and management of solar power plants.

Revenue

During the Year, the revenue of the Group mainly comprised sales of electricity and tariff adjustment amounting to approximately HK$479 million (2013: HK$37 million) for its continuing operations. The increase was mainly attributable to (i) the increase in the generation volume of electricity of the solar power plants acquired in 2013 by 262% from approximately 34,939 megawatt-hour for the year ended 31 December 2013 to approximately 126,320 megawatt-hour for the Year; and (ii) contribution from electricity generation by 6 solar power plants acquired during the Year with an aggregate installed capacity of 310 megawatt amounted to approximately 318,000 megawatt-hour.

The revenue and tariff adjustment from the sales of electricity recognised during the Year was analysed as below:

Location of solar power plants	**2014 Aggregate installed capacity**	**Electricity sales** *HK$'000*	2013 Aggregate installed capacity	Electricity sales *HK$'000*
Guangdong Province, China	**2.4MW**	**2,475**	2.1MW	1,392
Gansu Province, China	**100MW**	**101,999**	100MW	27,445
Qinghai Province, China	**200MW**	**197,796**	20MW	8,277
Inner Mongolia, China	**130MW**	**176,880**	–	–
	432.4MW	**479,150**	122.1MW	37,114

Bargain purchase on business combinations

During the Year, the Group secured a bargain purchase as a result of business combinations. As the consideration for the acquisition was based on the capital injected by the vendors, the main reason arising from the bargain purchase was that the estimated discounted cash flow for 25 years for these solar power plants exceeded the total consideration paid.

Fair value gain on contingent consideration payables

During the Year, the Group has recognised a fair value gain of approximately HK$362 million as a result of subsequent remeasurement of the fair value on the Group's contingent consideration payables based on a valuation report issued by an independent and professional qualified valuer. The contingent consideration payable represented the fair value of the Series B convertible bonds issued upon the acquisition of CSPG in 2013, in which the conversion period will commence on the expiry of the lock-up period in relation to the profit guarantee arrangement. According to the profit guarantee arrangement, if CSPG's cumulative profit before interest, tax, depreciation, amortisation and share-based payment expenses in relation to the employee incentive scheme is less than HK$495 million during the three years ending 31 December 2015, the principal amount of Series B convertible bonds will be adjusted by a pre-defined formula as specified in the sale and purchase agreement.

*Fair value gain on put option issued relating to acquisition of Fengxian Huize Photovoltaics Energy Limited ("**Fengxian Huize**")*

During the Year, the Group has recognised a fair value gain of approximately HK$93 million as a result of subsequent remeasurement of the fair value on the Put Option based on a valuation report issued by an independent and professional qualified valuer. The Put Option was granted together with the acquisition of 50% equity interest in Fengxian Huize in 2013.

Fair value gain on financial assets at fair value through profit or loss

The Group has recognised a fair value gain of approximately HK$128 million in respect of the guaranteed electricity income arrangement for two solar power plants in Gansu Province and Qinghai Province for the Year.

Depreciation of property, plant and equipment

The depreciation of property, plant and equipment was provided based on the assessment of their respective useful life. The useful lives of power-generating modules, which are the most significant components within the property, plant and equipment, were assessed to be 25 years. Increase in depreciation was mainly due to acquisition of 6 solar power plants during the Year.

Impairment charge on goodwill

The amount represented the impairment charge on goodwill arising from the acquisition of CSPG in prior year. Such amount was no longer applicable to the Year.

Impairment charge on concession rights

During the Year, there were no significant changes in the government policies on subsidising distributed and centralised photovoltaic solar power plants. No impairment was recognised during the Year.

The key assumptions used for the impairment testing as at 31 December 2014 and 2013 were as follows:

	2014	2013
Capacity *(Note (a))*	**2.0 GW**	2.2 GW
Insolation hours (Geographical)	**1,370MWh/MWp – 1,680MWh/MWp**	1,370MWh/MWp – 1,680MWh/MWp
Degradation factor	**0.8% per annum**	0.8% per annum
Electricity tariff	**RMB0.7/KWh – RMB3.7/KWh**	RMB0.7/KWh – RMB3.7/KWh
Discount rate	**8.5% – 10.0%**	8.5% – 10.0%
Construction costs *(Note (b))*		
– Rooftop projects	**RMB10/W**	RMB10.5/W
– Ground projects	**RMB9/W – RMB10.2/W**	RMB9.5/W – RMB10.9/W

Note:

(a) The capacity assumption used in the impairment testing of the concession rights dropped from 2.2GW in 2013 to 2.0GW in 2014. This was mainly because the Group acquired Changzhou Dinghui with an aggregate installed capacity of approximately 180MW during the year. The related concession right previously recognised was redesignated to property, plant and equipment.

(b) Except certain projects of which the acquired price will be based on internal rate of return.

Staff costs

Staff costs in continuing operations amounted to approximately HK$67 million for the Year, representing a decrease of 23% from approximately HK$87 million in corresponding period in 2013. The decrease was mainly due to the decrease in amortisation of share-based payment expenses during the Year. Share-based payment expenses represented approximately 47% to the total staff costs.

Loss on discontinued operation

In October 2014, the Group completed the Disposal at a cash consideration of HK$217 million. The consideration was determined after arm's length negotiations between the Company and the purchaser. The loss was mainly arising from the impairment of property, plant and equipment of approximately HK$214 million. The revenue from the discontinued operation also dropped from approximately HK$300 million in 2013 to approximately HK$143 million in 2014 which was mainly attributable to the slowdown of demand as a result of the economic downturn in the overseas market. Upon the Disposal, the cumulative exchange reserve of approximately HK$47 million was released to the consolidated income statement.

Liquidity, financial resources, gearing ratio and capital structure

The Group adopts a prudent treasury management policy to maintain sufficient working capital. As at 31 December 2014, the Group recorded total assets of approximately HK$9,086 million (31 December 2013: HK$5,991 million), current liabilities of approximately HK$2,875 million (31 December 2013: HK$1,740 million) and non-current liabilities of approximately HK$4,335 million (31 December 2013: HK$3,801 million). The net current liabilities position of the Group was approximately HK$1,795 million as at 31 December 2014 (31 December 2013: HK$1,001 million). In order to finance the working capital of the Group, certain financing measures have been undertaken by the Group as set out on pages 8 to 10 of this announcement.

The Group has established a treasury policy with the objective of achieving effective control of treasury operations and lowering cost of funds. Therefore, funding for all its operations has been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in interest rates on each solar power project, appropriate funding policies will be applied including the use of bank and other borrowings, issue of convertible bonds or new shares. The management will continue to negotiate with banks so as to obtain the most privileged rates.

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 and other borrowings, amounts due to shareholders, amounts due to associates, construction costs payables and convertible bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the condensed consolidated statement of financial position plus net debt.

The gearing ratio at 31 December 2014 and 2013 were as follows:

	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*
Amounts due to associates	**38,281**	18,442
Amounts due to shareholders	**–**	26,200
Bank and other borrowings	**2,700,936**	1,216,176
Construction costs payables	**1,952,561**	467,674
Convertible bonds	**1,047,309**	1,235,912
	5,739,087	2,964,404
Less: cash and cash equivalents	**(269,591)**	(137,413)
Net debts	**5,469,496**	2,826,991
Total equity	**1,875,958**	449,921
Total capital	**7,345,454**	3,276,912
Gearing ratio	**74.46%**	86.27%

The Group's bank borrowing were denominated in RMB while the cash and cash equivalents were denominated in HK$, RMB and US$. The convertible bonds were denominated in HK$ and US$.

Except for the US$120 million convertible bonds which were carried at fixed rate of 5%, the remaining borrowings of the Group bore floating interest rates.

As at 31 December 2014, the maturity and currency profile for the Group's bank and other borrowings and convertible bonds is set out as follows:

	2015 *HK$'000*	2016 *HK$'000*	2017-2019 *HK$'000*	2020-2024 *HK$'000*	2025-2029 *HK$'000*	Total *HK$'000*
RMB	638,904	247,911	791,663	915,124	107,334	2,700,936
US$	–	933,240	–	–	–	933,240
HK$	–	–	114,069	–	–	114,069
	638,904	1,181,151	905,732	915,124	107,334	3,748,245

During the Year, 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 (2013: Nil).

As at 31 December 2014, the Group had capital commitments in respect of investment in an associate of approximately HK$4.8 million. The capital commitment as at 31 December 2013 represented the purchase of property, plant and equipment of HK$266 million.

Material reliance on key customers

The major continuing operation of the Group during the Year was the solar power plants business. The key customers were Customer A, B and C for the Year. They are the subsidiaries of State Grid Corporation of China ("**State Grid**") and contributed over 91% of the total revenue and tariff adjustment from sales of electricity during the Year. State Grid is a state-owned enterprise with its core businesses of development and operation of power grids nationwide, whose funding is originated from the Ministry of Finance of the PRC. State Grid's subsidiaries are the sole operators of power grids in the regions in which the solar power plants of the Group are connected to. The Group has entered into business relationship with State Grid's subsidiaries since the commencement of its solar power plants business in June 2013.

The trade receivables from sales of electricity, excluding the government subsidies on renewable energy for ground projects, payable by, among others, Customer A, B and C are usually settled within one month. As at the date of the announcement, all balances outstanding at 31 December 2014 were subsequently settled.

For the tariff adjustment receivable from Customer A, B and C, it represented the government subsidies on renewable energy for ground projects to be received from the State Grid based on the existing government policies. Customer A, B and C have confirmed the volume of electricity generated during the Year. As at 31 December 2014, the aggregate outstanding balances due from Customer A, B and C were approximately HK$386.5 million, with approximately HK$2.9 million being subsequently settled up to the date of the announcement. Having considered the unique functions of State Grid and the unwavering support of the Chinese government that introduced several favorable policies during the Year with a view to promote the development of the photovoltaic industry in the PRC, the Directors considered that the risk of concentration of key customers was minimal and the unsettled balances of approximately HK$383.6 million would be recoverable in the foreseeable future and thus no provision for impairment was considered necessary for the Year.

Material acquisitions and disposals of subsidiaries and associated companies

On 27 March 2014, 28 March 2014 and 4 April 2014, the Group completed the acquisition of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Limited* (國電察哈爾右翼前旗光伏發電有限公司) ("**Guodian Chahaeryouyiqianqi**"), 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) ("**Guodian Wulatehouqi**") and 89.78% equity interest in Guodian Tuoketuo County Solar Power Group Limited* (國電托克托縣光伏發電有限公司) ("**Guodian Tuoketuo**") respectively with a total cash consideration of approximately RMB238 million (equivalent to approximately HK$300 million). They became the subsidiaries of the Group.

On 7 January 2014, the Group completed the acquisition of 45% equity interest in Changzhou Dinghui with a cash consideration of RMB4.5 million (equivalent to approximately HK$5.7 million). Changzhou Dinghui became an associate of the Group. On 13 June 2014, the Group completed the acquisition of the remaining 55% equity interest in Changzhou Dinghui with a cash consideration of RMB5.5 million (equivalent to approximately HK$6.9 million). Changzhou Dinghui then became a wholly-owned subsidiary of the Group.

On 28 October 2014, the Group completed the disposal of 70% equity interest of Fortune Arena at a cash consideration of HK$217 million. Since then, Fortune Arena has ceased to be the subsidiary of the Group and has been accounted for as an associate of the Group.

Except for the aforementioned transactions, there was no other acquisition or disposal of subsidiaries and associated companies completed during the Year.

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. However, management will monitor the Group's foreign currency exposure should the need arises.

Charge on Group assets

As at 31 December 2014, bank and other borrowings of approximately HK$2,662 million (31 December 2013: HK$1,089 million) of the Group were secured by the pledge of the fee collection right in relation to the sales of electricity and charge over certain power generators and equipment, pledged guarantee deposits, pledged bank deposits and share mortgage over the share of a subsidiary of the Group. Certain convertible bonds 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 2014, the Group had no significant contingent liability (31 December 2013: Nil).

Employees and remuneration policies

As at 31 December 2014, the Group had 31 (31 December 2013: 31) full-time employees in Hong Kong and 89 (2013: 260) full-time employees in the PRC. The total number of full-time employees of the Group was 120 (2013: 291). The sharp reduction in the number of full-time employees in the PRC was due to the disposal of Fortune Arena. Employees were 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 subsidised training programme as well as employee incentive scheme for the benefits of the directors and eligible employees of the members of the Group. Total staff cost (including directors' emoluments) for the Year amounted to approximately HK$67 million (2013: HK$87 million).

Business Review

Solar power plants

In 2014, the Company continued the main business model of mergers and acquisitions. The Group acquired 6 solar power plants that were already built and connected to grid with the stable development of solar power business. The 6 plants are located in Qinghai Province and Inner Mongolia, the PRC.

On 7 January 2014, the Group together with Renewable Energy (Hong Kong) Trade Board Limited ("**EBODHK**") acquired the equity interest in Changzhou Dinghui while the Group and EBODHK own 45% and 55% of the equity interest respectively. On 8 January 2014, EBODHK conditionally agreed to sell its 55% equity interest to the Group at a total cash consideration of RMB5,500,000 (equivalent to approximately HK$6,930,000). With the deal completed on 13 June 2014, the Group held 100% of the equity interest in Changzhou Dinghui, which owns three solar power plants with an aggregate installed capacity of 180MW located in Gonghe, Qinghai Province, the PRC. The three plants have been successfully connected to grid.

On 27 March 2014, the Group acquired 86.79% equity interest in Guodian Chahaeryouyiqianqi, which owned a grid-connected solar power plant with an aggregate installed capacity of approximately 50MW in Chahaeryouyiqianqi area, Inner Mongolia, the PRC.

On 28 March 2014, the Group acquired 90.33% equity interest in Guodian Wulatehouqi, which owned a grid-connected solar power plant with an aggregate installed capacity of approximately 40MW in Wulatehouqi, Inner Mongolia, the PRC.

On 4 April 2014, the Group acquired 89.78% equity interest in Guodian Tuoketuo, which owned a grid-connected solar power plant with an aggregate installed capacity of approximately 40MW in Tuoketuo county, Inner Mongolia, the PRC.

On 4 September 2014, the Group together with Huabei Expressway Co., Ltd signed a sale and purchase agreement with Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司), in which the Group conditionally agreed to acquire 9.37% equity interest for a total consideration of RMB7,494,260 (equivalent to approximately HK$9,500,000) and Huabei Expressway Co., Ltd conditionally agreed to acquire 84.31% equity interest for a total consideration of RMB67,448,340 (equivalent to approximately HK$85,500,000) of Guodian Kezuohouqi Photovoltaics Company Limited* (國電科左後旗光伏發電有限公司), which owns a solar power plant with a total aggregate capacity of approximately 40MW in Keerqinzuoyihouqi, Inner Mongolia. The acquisition has been completed on 5 January 2015.

During the Year, the Group and its associates beneficially owned 15 solar power plants with an aggregate installed capacity of 572MW.

Location	**Number of solar power plant**	**Approximate Aggregate Installed Capacity (MW)**(note 4)	**On-grid connection status**
Guangdong Province, China	2	2.4	Connected
Fujian Province, China(note 1)	1	10.8	Connected
Gansu Province, China	1	100.0	Connected
Qinghai Province, China	4	200.0	Connected
Jiangsu Province, China(note 2)	2	23.8	Connected
Inner Mongolia, China(note 3)	5	235.0	Connected
Total	15	572.0	

Notes:

(1) The company owning such plant is treated as an associate of the Group, the electricity generated by which is mainly used for the production and office purposes by that company in Quanzhou, with residual electricity connected to the State Grid.

(2) The project companies owning such plants are treated as associates of the Group.

(3) Among the five project companies owning solar power plants with the aggregate installed capacity of 235MW, the acquisition of a project company owning a solar power plant with the aggregate installed capacity of 65MW is subject to completion. One of the five project companies owning a 40MW solar power plant is accounted as an associate of the Group.

(4) The figures provided herein are subject to rounding adjustment.

Solar cells

Due to the continuing strong headwinds in the average selling price and weak market demand for solar cell from the end market overseas for years coupled with low utilisation rate of the solar cells production capacity, the poorly performed manufacturing and sales of solar cells business led to a negative growth in earning, and resulted in falling short of expectation.

The business was disposed of in October 2014 for cash consideration of HK$217 million, the proceeds from which was used for the operation of the Group's solar power plants and general working capital.

The disposal enabled the Group to devote its resources on investment and operation of solar power plants which generate stable electricity income, and brought immediate cash flow to the Group.

Prospects

With the introduction of favorable policies in China, the year of 2014 saw the recovery of photovoltaics industry, which had drawn unprecedented attention. The National Energy Administration ("**NEA**") and other departments launched various policies with the view to promote large-scale solar power bases, innovative photovoltaic-related financial products and services, and to regulate the organization and implementation of anti-poverty solar projects and the positioning of distributed solar power plants, application and management of rooftop resources.

If the year 2014 marks the recovery of the photovoltaics industry, the year 2015 would be the year of prosperity of the industry. On 16 March 2015, NEA issued《國家能源局關於下達2015年光伏發電建設實施方案的通知》(Notice regarding the Implementation Instruction of Photovoltaic Construction in 2015 issued by the National Energy Administration) (the "**Notice**"), which established the 2015 national target scale of newly constructed solar power plants at 17.8 gigawatts. The Notice intends to improve the planning of photovoltaic projects in order to rationalize the distribution of which in each region, and to establish dynamic management mechanism utilizing information technology to strengthen the monitoring and data analysis in relation to the construction and operation of photovoltaic projects.

In 2015, the revolutions in energy production and consumption will continue their momentum. With the upgrading of "Five Bases and One Belts" to "Five Bases and Two Belts" of the energy production strategy, the market share of renewable energy would be further increased. Being one of the most promising clean energy sources, solar power has the potential to become a mainstream energy source in world. Driven by these favorable factors, the Company believes that the newly installed capacity in China will continue its growth in 2015, and the scales of investment in the industry will continue to expand.

In the future, the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) to be held in Paris, France, marks the milestone of the beginning the new energy age. The Group expects the rapid development and increasingly fierce competition in the photovoltaic industry in the future. The Group believes the competition in the industry is not only about acquisitions of solar projects, but also about the comprehensive capacity. The series of cooperation with the Group and repeatedly increasing of shareholding in the Company by China Merchants Group Limited ("**China Merchants**") through its subsidiaries represent a strategic increase in its investment in the Company. With its extensive asset management experience, management systems and the strong financial base, the increasing participation of the China Merchants would facilitate the expansion of the new energy business of the Company with the operational and financial support from China Merchants, which includes (i) cooperation on the development of solar power plant projects by leveraging on the existing network and resources of certain associates of China Merchants; (ii) provision of rooftops for construction of distributed solar power plants; and (iii) provision of financing for the Group's expansion of its solar power business, which are cardinal to realising the Group's strategy to identify suitable investment opportunities to acquire solar power plants with good prospects and potential for stable returns.

With our strength in financing and the supports from our partners from various sectors, the Group would step up its effort in the acquisitions in the coming year in order to further its success and to increase its market share and reputation nationwide and worldwide.

AUDIT OPINION

The auditor of the Group will issue an opinion with an 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 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw your attention to Note 2.1.1 of the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by HK$1,795 million as at 31 December 2014, and that the Group has contractual and other arrangements to settle various capital expenditures. These matters, along with other matters as described in Note 2.1.1 to the consolidated financial statements, 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 ended 31 December 2014, 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 governance policies and standards to apply the principles of good governance to our everyday activities. Throughout the year ended 31 December 2014, 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. Mr. Li Alan, an executive Director, is the chief executive officer of the Company and the chairman of the Board. 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 judgement.

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 2014.

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 2014 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 of Hong Kong Limited (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.

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

Hong Kong, 23 March 2015

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 and Ms Qiu Ping, Maggie; and the independent non-executive directors of the Company are Mr Kwan Kai Cheong, Mr Yen Yuen Ho, Tony, Mr Shi Dinghuan and Mr Ma Kwong Wing.

* *For identification purpose only*