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

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

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- The Company has successfully listed on the main board of the Stock Exchange since 12 December 2013.
- The sales of the Group in 2013 reached HK$1,967.5 million, representing an increase of 28.3% as compared with the sales in 2012.
- The net profit attributable to the equity holders of the Company for 2013 amounted to HK$303.8 million, representing an increase of 153.5% as compared with the net profit in 2012.
- Basic earnings per Share for 2013 was 7.33 HK cents.
- The Directors propose a final cash dividend of 1.8 HK cents per share for 2013.

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the"**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:-

CONSOLIDATED INCOME STATEMENT

		2013	**2012**
	Note	*HK$'000*	*HK$'000*
Revenue	3	1,967,507	1,533,130
Cost of sales	6	(1,375,161)	(1,268,910)
Gross profit		592,346	264,220
Other income	4	62,679	40,345
Other gains, net	5	187	2,367
Selling and marketing expenses	6	(124,331)	(71,602)
Administrative expenses	6	(162,172)	(92,516)
Operating profit		368,709	142,814
Finance income		1,749	929
Profit before income tax		370,458	143,743
Income tax expense	7	(66,659)	(23,894)
Profit for the year attributable to equity holders of the Company		303,799	119,849
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
- Basic	8	7.33	3.43
- Diluted	8	7.33	3.43
Dividends	9	102,600	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	2013 *HK$'000*	2012 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		1,367,987	1,654,825
Land use rights		188,888	188,146
Prepayments for property, plant and equipment and land use rights		54,176	20,833
Deferred income tax assets		1,244	928
Total non-current assets		1,612,295	1,864,732
Current assets			
Inventories		91,031	217,416
Bills receivables	10	205,866	119,784
Trade and other receivables	10	498,681	521,227
Amounts due from related parties		—	16,816
Current income tax recoverable		—	1,531
Cash and cash equivalents		279,122	54,176
Total current assets		1,074,700	930,950
Total assets		2,686,995	2,795,682
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium		1,808,805	899,850
Other reserves	11	98,838	20,886
Retained earnings			
- Proposed final dividend		102,600	—
- Others	11	300,192	144,382
Total equity		2,310,435	1,065,118
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		9,619	4,122
Deferred government grants		—	25,061
Total non-current liabilities		9,619	29,183

	Note	2013 HK$'000	2012 HK$'000
Current liabilities			
Trade payables, accruals and other payables	12	350,158	189,675
Amounts due to related parties		—	1,510,971
Current income tax liabilities		16,783	735
Total current liabilities		366,941	1,701,381
Total liabilities		376,560	1,730,564
Total equity and liabilities		2,686,995	2,795,682
Net current assets/(liabilities)		707,759	(770,431)
Total assets less current liabilities		2,320,054	1,094,301

NOTES:

1 **Summary of significant accounting policies**

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

2 **Basis of preparation**

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards and interpretations are effective for the financial year beginning on 1 January 2013. The adoption of these new and amended standards and interpretations does not have any significant impact to the results and financial position of the Group:

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

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment entities	1 January 2014
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKIFRIC 21	Levies	1 January 2014

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

3 Segment information

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

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

Among these operating segments, they are aggregated into three segments based on the products sold: (1) ultra-clear photovoltaic raw glass; (2) ultra-clear photovoltaic processed glass; (3) other glass.

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

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

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2013 is as follows:

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

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2012 is as follows:

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

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

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

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

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

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

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

4 Other income

	2013	**2012**
	HK$'000	*HK$'000*
Rental income	391	—
Government grants (Note (a))	60,281	38,132
Others	2,007	2,213
	62,679	40,345

Note:

(a) Government grants mainly represent grants received from the PRC government for the subsidy of the Group's general operations and certain tax payments.

5 Other gains, net

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

6 **Expenses by nature**

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

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

7 **Income tax expense**

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

Notes:

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

(ii) Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

(iii) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. Certain PRC subsidiaries enjoyed tax holiday and the profits are fully exempted from CIT for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in CIT in next three years.

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

8 Earnings per share

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

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

The basic and diluted earnings per share for the year ended 31 December 2013 and 2012 were the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

* The basic and diluted earnings per share as presented on the consolidated income statement have taken into account the capitalisation of related company balances prior to the Spin-off of the Group from Xinyi Glass Holdings Limited on 12 December 2013.

9 Dividends

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

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

10 Trade and other receivables

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

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

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

The maturity of the bills receivables is within 6 months.

The carrying amounts of trade and other receivables approximate their fair values.

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

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

11 **Repurchase and cancellation of warrants**

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

12 **Trade payables, accruals and other payables**

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

Notes:

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

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

The carrying amounts of trade payables are denominated in RMB.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

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

OVEREVIEW

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

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

OPERATIONAL REVIEW

Revenue

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

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

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

* Amount insignificant.

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

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

Cost of sales

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

Gross profit

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

Other income

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

Selling and marketing expenses

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

Administrative expenses

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

Income tax expense

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

EBITDA and net profit

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

Net profit attributable to equity holders of the Company in 2013 was HK$303.8 million, representing an increase of 153.6%, as compared with HK$119.8 million in 2012. The increase in the net profit margin to 15.4% in 2013 from 7.8% in 2012 was principally due to: (i) the recovery in the solar industry which result in favourable market conditions for the solar glass products and (ii) the improvement in the production and operation efficiency of the Group.

Net current assets and current ratio

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

FINANCIAL RESOURCES AND LIQUIDITY

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

The Group was at a net cash position as at 31 December 2013 and 2012. The net debt gearing ratio, which is calculated as total borrowings less cash and bank balances divided by total equity of the Group, is thus not applicable.

PLEDGE OF ASSETS

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

EMPOLYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had about 1,600 full-time employees and most of them are based in the Mainland China. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee.

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

As of the date of this announcement, the Company has not adopted share option scheme of its own. Prior to the listing of the Company on the Stock Exchange, members of the Group were wholly-owned subsidiaries of Xinyi Glass and some of the employees of the Group have been granted share options under the share option scheme adopted by Xinyi Glass.

FINAL DIVIDEND

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

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

BUSINESS REVIEW

RECOVERY IN SOLAR INDUSTY AND NEW CAPACTIY TO MEET DEMAND

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

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

FLEXIBLE AND PROACTIVE MARKETING STRATEGIES TO ENHANCE AND DIVERSIFY CUSTOMER BASE

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

PRODUCT ENHANCEMENT

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

HIGHER PRODUCTION AND COST EFFICIENCY

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

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

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

STRATEGIC EXPANSION INTO SOLAR FARM BUSINESS

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

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

BUSINESS OUTLOOK

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

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has been listed on the Stock Exchange since 12 December 2013. The Directors confirm that the Company has complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the "**Code**") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in the period from 12 December 2013 to 31 December 2013.

AUDIT COMMITTEE OF THE BOARD

The Company has established an audit committee, comprising three independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and advice to the Board. The audit committee has reviewed the consolidated financial statements of the Group in 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code in 2013.

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

For the period from the Listing Date to 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the financial year ended 31 December 2013 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

FIGURES IN PRELIMINARY ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong ("**PwC HK**"), to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held on or before Monday, 30 June 2014. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or about Wednesday, 30 April 2014.

On behalf of the Board
Xinyi Solar Holdings Limited
LEE Yau Ching
Executive Director and Chief Executive Officer

Hong Kong, 26 February 2014

As of the date of this announcement, the Board comprises four executive Directors, namely Mr. TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Mr. LEE Yin Yee, M.H. (Chairman of the Board) and Mr. LEE Shing Put, and three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.