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 2014

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2014	**2013**	**Change**
	HK$' million	*HK$' million*	
Revenue	2,410.0	1,967.5	+22.5%
Profit attributable to equity holders of the Company	493.0	303.8	+62.3%
Earnings per share - Basic	8.42 HK cents	7.33 HK cents	+14.9%
Proposed final dividend per share	2.40 HK cents	1.80 HK cents	

LATEST BUSINESS DEVELOPMENT

- Two new 900-tonne PV Raw Glass production lines have commenced operation, significantly increased the Group's production capacity.
- Two ground-mounted solar farm projects with an aggregate capacity of 250MW completed construction and on-grid connection in 2014.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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**" or "**Xinyi Solar**") for the financial year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:-

CONSOLIDATED INCOME STATEMENT

	Note	2014 *HK$'000*	2013 *HK$'000*
Revenue	3	2,410,004	1,967,507
Cost of sales	6	(1,649,067)	(1,375,161)
Gross profit		760,937	592,346
Other income	4	87,413	62,679
Other (losses)/gains, net	5	(13,038)	187
Selling and marketing expenses	6	(98,459)	(124,331)
Administrative expenses	6	(160,125)	(162,172)
Operating profit		576,728	368,709
Finance income	7	2,361	1,749
Finance costs	7	(7,441)	—
Profit before income tax		571,648	370,458
Income tax expense	8	(78,676)	(66,659)
Profit for the year attributable to equity holders of the Company		492,972	303,799
Dividends	9	145,920	102,600
Earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)			
– Basic and diluted	10	8.42	7.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 *HK$'000*	2013 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		3,685,227	1,367,987
Land use rights		180,186	188,888
Prepayments for property, plant and equipment, land use rights and operating leases	11	294,989	54,176
Deferred income tax assets		1,244	1,244
Total non-current assets		4,161,646	1,612,295
Current assets			
Inventories		299,198	91,031
Trade and other receivables	11	732,529	498,681
Bills receivables	11	27,868	205,866
Cash and cash equivalents		542,726	279,122
Total current assets		1,602,321	1,074,700
Total assets		5,763,967	2,686,995
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		608,000	570,000
Share premium			
– Proposed final dividend		145,920	102,600
– Others		1,633,156	1,136,205
		2,387,076	1,808,805
Other reserves		72,774	98,838
Retained earnings		846,038	402,792
Total equity		3,305,888	2,310,435

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		1,157,143	—
Deferred income tax liabilities		9,619	9,619
Total non-current liabilities		1,166,762	9,619
Current liabilities			
Bank borrowings		142,857	—
Trade payables, accruals and other payables	12	1,120,819	350,158
Current income tax liabilities		27,641	16,783
Total current liabilities		1,291,317	366,941
Total liabilities		2,458,079	376,560
Total equity and liabilities		5,763,967	2,686,995
Net current assets		311,004	707,759
Total assets less current liabilities		4,472,650	2,320,054

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

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

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

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

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

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

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

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

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

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

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2014 is as follows:

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

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 and other glass**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	561,857	1,405,650	1,967,507
Cost of sales	(458,208)	(916,953)	(1,375,161)
Gross profit	103,649	488,697	592,346

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

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

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

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

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

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

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

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:

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

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

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

4 Other income

	2014	2013
	HK$'000	*HK$'000*
Rental income	1,163	391
Government grants (Note (a))	71,019	60,281
Others (Note (b))	15,231	2,007
	87,413	62,679

Note:

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

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

5 Other (losses)/gains, net

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

6 Expenses by nature

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

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

7 Finance income and costs

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

8 Income tax expense

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

Notes:

(a) 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.

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

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

9 Dividends

An interim dividend of 1.6 HK cents per share (2013: Nil) was paid to shareholders whose names appeared on the Register of Members of the Company on 12 August 2014.

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

Subject to the approval by the Shareholders at the forthcoming annual general meeting, the final dividend of 2.40 HK cents per Share will be payable on or before Tuesday, 7 July 2015 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 Earnings per share

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

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

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

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

11 Trade and other receivables

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

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

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

The maturity of the bills receivables is within 6 months.

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:

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

12 Trade payables, accruals and other payables

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

Notes:

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

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

The carrying amounts of trade and bills 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:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVEREVIEW

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

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

FINANCIAL REVIEW

Revenue

In 2014, the revenue of the Group was mainly derived from: (i) sales of solar glass products, including ultra-clear photovoltaic raw glass ("**PV Raw Glass**") and ultra-clear photovoltaic processed glass and other glass ("**PV Processed Glass**") and (ii) solar power electricity generation.

	Year Ended 31 December					
	2014		2013		Increase/(Decrease)	
	HK$'million	*% of revenue*	*HK$'million*	*% of revenue*	*HK$'million*	*%*
Revenue – By products						
Solar glass						
PV Raw Glass	**237.2**	**9.8**	561.9	28.6	(324.7)	(57.8)
PV Processed Glass	**2,142.2**	**88.9**	1,405.6	71.4	736.6	52.4
	2,379.4	**98.7**	1,967.5	100.0	411.9	20.9
Solar farm						
Solar power electricity generation	**30.6**	**1.3**	—	—	30.6	—
Total external revenue	**2,410.0**	**100.0**	1,967.5	100.0	442.5	22.5

	Year Ended 31 December					
	2014		2013		Increase/(Decrease)	
	HK$'million	*% of revenue*	*HK$'million*	*% of revenue*	*HK$'million*	*%*
Revenue – By geographical markets						
Mainland China	**1,945.7**	**80.7**	1,673.4	85.1	272.3	16.3
Other countries	**464.3**	**19.3**	294.1	14.9	170.2	57.9
Total external revenue	**2,410.0**	**100.0**	1,967.5	100.0	442.5	22.5

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

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

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

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

Gross profit

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

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

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

Other income

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

Other (losses)/gains, net

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

Selling and marketing expenses

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

Administrative expenses

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

Income tax expense

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

EBITDA and net profit

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

CAPITAL EXPENDITURES AND COMMITMENTS

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

PLEDGE OF ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

FINAL DIVIDEND

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

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

BUSINESS REVIEW

CONTINUED AND ROBUST DEMAND GROWTH WITH NEW MOMENTUM FROM ASIA

Because of project delay and difficulties encountered in implementing distributed solar farm projects, China's PV demand was slower than the generally expected levels during the first three quarters of 2014. The year-end surge of PV installation, however, drove up the demand in the fourth quarter of 2014. According to the National Energy Administration ("**NEA**") in the PRC, new PV capacity of 10.5 gigawatt ("**GW**") was commissioned in 2014. The target of 14 GW could not be achieved. Nonetheless, PV installation remained strong and was very close to the record-high level of 11.3 GW in 2013. This, together with the high demands from North America, Japan and other Asian countries, primarily drove the growth in the global PV demand during the year. The demand from European countries, even though it was improved during the second half of 2014, remained relatively weak amid declining government support and incentive programmes. In 2014, the Group's sales to the European countries represented less than 1% of the Group's total revenue. Rapid development of PV installations in Asian countries has occurred and is expected to continue in the coming years as the use of solar energy (as an alternative energy) is generally at a low level in the region. The Board expects that the growth in the developing PV markets will outpace the slowdown in the well-established markets and is optimistic about the outlook and the prospects of the global PV market.

CAPACITY EXPANSION AND EFFICIENCY IMPROVEMENT

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

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

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

PRODUCT ENHANCEMENT AND PRODUCT MIX OPTIMISATION

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

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

DIVERSIFIED PRODUCTION BASES FOR FUTURE EXPANSION

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

DOWNSTREAM SOLAR FARM BUSINESS – NEW EARNINGS DRIVER

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

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

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

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

BUSINESS OUTLOOK

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

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

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

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

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, 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") for the year ended 31 December 2014.

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 audited consolidated financial statements of the Group in 2014.

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 2014.

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this 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 2014 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 2014 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 30 June 2015. 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 30 April 2015.

On behalf of the Board
Xinyi Solar Holdings Limited
LEE Yin Yee, M.H.
Chairman

Hong Kong, 1 March 2015

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.