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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS	Six Months Ended 30 June		Change
	2015	2014	
	HK\$' million	HK\$' million	
Revenue	2,053.7	994.4	+106.5%
Profit attributable to equity holders of the Company	601.0	200.3	+200.1%
Earnings per share - Basic	9.43 HK cents	3.51 HK cents	+168.7%
Interim dividend per share	4.20 HK cents	1.60 HK cents	+162.5%

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Solar Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015, together with the comparative figures for the six months ended 30 June 2014, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2015	2014
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	2,053,681	994,367
Cost of sales	6	<u>(1,299,389)</u>	<u>(659,194)</u>
Gross profit		754,292	335,173
Other income	4	78,376	25,561
Other losses, net	5	(810)	(9,171)
Gain on dilution of equity interest in a subsidiary	11	62,500	—
Selling and marketing expenses	6	(78,748)	(43,686)
Administrative expenses	6	<u>(128,639)</u>	<u>(70,794)</u>
Operating profit		686,971	237,083
Finance income	7	7,890	2,869
Finance costs	7	<u>(4,734)</u>	<u>(580)</u>
Profit before income tax		690,127	239,372
Income tax expense	8	<u>(89,122)</u>	<u>(39,106)</u>
Profit for the period attributable to equity holders of the Company		<u>601,005</u>	<u>200,266</u>
Interim dividends	10	<u>276,360</u>	<u>97,280</u>
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
- Basic	9	<u>9.43</u>	<u>3.51</u>
- Diluted	9	<u>9.43</u>	<u>3.51</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	601,005	200,266
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	<u>(5,383)</u>	<u>(47,751)</u>
Total comprehensive income for the period		
attributable to equity holders of the Company	<u>595,622</u>	<u>152,515</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 June	31 December
		2015	2014
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	12	4,857,330	3,685,227
Land use rights	12	193,792	180,186
Prepayments for property, plant and equipment, land use rights and operating leases	13	329,433	294,989
Deferred income tax assets		<u>1,244</u>	<u>1,244</u>
Total non-current assets		<u>5,381,799</u>	<u>4,161,646</u>
Current assets			
Inventories		423,479	299,198
Trade and other receivables	13	1,529,436	732,529
Bills receivables	13	132,250	27,868
Cash and cash equivalents		<u>1,068,147</u>	<u>542,726</u>
Total current assets		<u>3,153,312</u>	<u>1,602,321</u>
Total assets		<u>8,535,111</u>	<u>5,763,967</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	658,000	608,000
Share premium	15		
- Dividend		276,360	145,920
- Others		<u>2,431,771</u>	<u>1,633,156</u>
		3,366,131	2,387,076
Other reserves		65,696	72,774
Retained earnings		<u>1,449,116</u>	<u>846,038</u>
Total equity		<u>4,880,943</u>	<u>3,305,888</u>

		As at	
		30 June	31 December
		2015	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	1,485,714	1,157,143
Deferred income tax liabilities		<u>9,619</u>	<u>9,619</u>
Total non-current liabilities		<u>1,495,333</u>	<u>1,166,762</u>
Current liabilities			
Bank borrowings	17	314,286	142,857
Trade and bills payables, accruals and other payables	14	1,621,424	1,120,819
Dividend payable		157,920	—
Current income tax liabilities		<u>65,205</u>	<u>27,641</u>
Total current liabilities		<u>2,158,835</u>	<u>1,291,317</u>
Total liabilities		<u>3,654,168</u>	<u>2,458,079</u>
Total equity and liabilities		<u>8,535,111</u>	<u>5,763,967</u>
Net current assets		<u>994,477</u>	<u>311,004</u>
Total assets less current liabilities		<u>6,376,276</u>	<u>4,472,650</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company (Unaudited)				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2015	<u>608,000</u>	<u>1,779,076</u>	<u>72,774</u>	<u>846,038</u>	<u>3,305,888</u>
Comprehensive income					
Profit for the period	—	—	—	601,005	601,005
Other comprehensive income					
Currency translation differences	<u>—</u>	<u>—</u>	<u>(5,383)</u>	<u>—</u>	<u>(5,383)</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(5,383)</u>	<u>601,005</u>	<u>595,622</u>
Transactions with owners					
Issuance of shares	50,000	1,086,975	—	—	1,136,975
Employee's share option scheme					
— value of employee services	—	—	378	—	378
— release of share option reserve upon exercise and lapse of share options	—	—	(2,073)	2,073	—
Dividend relating to 2014	<u>—</u>	<u>(157,920)</u>	<u>—</u>	<u>—</u>	<u>(157,920)</u>
Balance at 30 June 2015	<u><u>658,000</u></u>	<u><u>2,708,131</u></u>	<u><u>65,696</u></u>	<u><u>1,449,116</u></u>	<u><u>4,880,943</u></u>

	Attributable to equity holders of the Company (Unaudited)				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2014	<u>570,000</u>	<u>1,238,805</u>	<u>98,838</u>	<u>402,792</u>	<u>2,310,435</u>
Comprehensive income					
Profit for the period	—	—	—	200,266	200,266
Other comprehensive income					
Currency translation differences	<u>—</u>	<u>—</u>	<u>(47,751)</u>	<u>—</u>	<u>(47,751)</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(47,751)</u>	<u>200,266</u>	<u>152,515</u>
Transactions with owners					
Dividend relating to 2013	<u>—</u>	<u>(102,600)</u>	<u>—</u>	<u>—</u>	<u>(102,600)</u>
Balance at 30 June 2014	<u><u>570,000</u></u>	<u><u>1,136,205</u></u>	<u><u>51,087</u></u>	<u><u>603,058</u></u>	<u><u>2,360,350</u></u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash flows from operating activities		
Operating profit before working capital changes	705,898	237,965
Changes in working capital:		
Inventories	(109,414)	(113,971)
Trade and other receivables	(898,339)	72,493
Trade and bills payables, accruals and other payables	<u>419,658</u>	<u>153,320</u>
Cash flows from operating activities - net	<u>117,803</u>	<u>349,807</u>
Cash flows from investing activities		
Prepayments of land use rights and operating leases	(104,599)	—
Purchases of property, plant and equipment	(1,132,648)	(638,074)
Other investing activities	<u>7,890</u>	<u>12,882</u>
Cash flows from investing activities - net	<u>(1,229,357)</u>	<u>(625,192)</u>
Cash flows from financing activities		
Net proceeds from issuance of ordinary shares	1,136,975	—
Proceeds from bank borrowings	<u>500,000</u>	<u>400,000</u>
Cash flows from financing activities — net	<u>1,636,975</u>	<u>400,000</u>
Net increase in cash and cash equivalents	525,421	124,615
Cash and cash equivalents at beginning of the period	542,726	279,122
Effect of foreign exchange rate changes	<u>—</u>	<u>(1,630)</u>
Cash and cash equivalents at end of the period	<u><u>1,068,147</u></u>	<u><u>402,107</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Xinyi Solar Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are principally engaged in the production and sale of solar glass products through the production complexes located in the People’s Republic of China (the “**PRC**”). In addition, the Group is also engaged in the development and operation of solar farms.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 28 July 2015.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2014, as described in 2014 annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards adopted by the Group

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2015. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group. The Group has not applied any new standards and interpretations that are not effective for current accounting period.

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Solar glass		
Sales of ultra-clear photovoltaic raw glass	62,482	140,909
Sales of ultra-clear photovoltaic processed glass and other glass	<u>1,538,061</u>	<u>853,458</u>
	<u>1,600,543</u>	<u>994,367</u>
Solar farm		
Sales of electricity	57,264	—
Tariff adjustment	<u>79,526</u>	<u>—</u>
	<u>136,790</u>	<u>—</u>
Engineering, procurement and construction (“EPC”) service income	<u>316,348</u>	<u>—</u>
Total revenue	<u>2,053,681</u>	<u>994,367</u>

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 four segments based on product type: (1) ultra-clear photovoltaic raw glass; (2) ultra-clear photovoltaic processed glass and other glass; (3) solar power electricity generation; and (4) EPC service.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate other 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 interim consolidated income statement.

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2015 and 2014 respectively.

Six months ended 30 June 2015					
(Unaudited)					
	Ultra-clear photovoltaic raw glass HK\$'000	Ultra-clear photovoltaic processed glass HK\$'000	Solar power electricity generation HK\$'000	EPC service HK\$'000	Total HK\$'000
Segment revenue	62,530	1,538,643	136,790	316,348	2,054,311
Inter-segment revenue	<u>(48)</u>	<u>(582)</u>	<u>—</u>	<u>—</u>	<u>(630)</u>
Revenue from external customers	62,482	1,538,061	136,790	316,348	2,053,681
Cost of sales	<u>(60,291)</u>	<u>(971,317)</u>	<u>(39,405)</u>	<u>(228,376)</u>	<u>(1,299,389)</u>
Gross profit	<u>2,191</u>	<u>566,744</u>	<u>97,385</u>	<u>87,972</u>	<u>754,292</u>

Six months ended 30 June 2014			
(Unaudited)			
	Ultra-clear photovoltaic raw glass HK\$'000	Ultra-clear photovoltaic processed glass HK\$'000	Total HK\$'000
Revenue from external customers	140,909	853,458	994,367
Cost of sales	<u>(112,511)</u>	<u>(546,683)</u>	<u>(659,194)</u>
Gross profit	<u>28,398</u>	<u>306,775</u>	<u>335,173</u>

Other segment information

As no discrete financial information is available for ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2015 (Unaudited)			
Depreciation charge of property, plant and equipment	57,264	35,358	92,622
Amortisation charge of land use rights	1,979	—	1,979
Additions to non-current assets (other than deferred tax income tax assets)	<u>193,598</u>	<u>1,128,222</u>	<u>1,321,820</u>
Six months ended 30 June 2014 (Unaudited)			
Depreciation charge of property, plant and equipment	44,428	—	44,428
Amortisation charge of land use rights	1,202	—	1,202
Additions to non-current assets (other than deferred tax income tax assets)	<u>690,415</u>	<u>—</u>	<u>690,415</u>

Assets and liabilities					
	Solar glass	Solar power electricity generation	EPC service	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2015 (Unaudited)					
Total assets	4,776,239	3,451,677	306,785	410	8,535,111
Total liabilities	<u>1,074,527</u>	<u>766,854</u>	<u>243,944</u>	<u>1,568,843</u>	<u>3,654,168</u>
At 31 December 2014 (Audited)					
Total assets	3,966,064	1,787,044	—	10,859	5,763,967
Total liabilities	<u>1,128,493</u>	<u>18,662</u>	<u>—</u>	<u>1,310,924</u>	<u>2,458,079</u>

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

	Assets as at		Liabilities as at	
	31	31	31	31
	30 June	December	30 June	December
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets/(liabilities)	8,534,701	5,753,108	(2,085,325)	(1,147,155)
Unallocated:				
Prepayments	288	3,144	—	—
Cash and cash equivalents	122	7,576	—	—
Other receivables	—	139	—	—
Other payables	—	—	(1,304)	(1,305)
Dividend payables	—	—	(157,920)	—
Bank borrowings	—	—	(1,400,000)	(1,300,000)
Deferred tax liabilities	—	—	(9,619)	(9,619)
Total assets/(liabilities)	<u>8,535,111</u>	<u>5,763,967</u>	<u>(3,654,168)</u>	<u>(2,458,079)</u>

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment gross profit	754,292	335,173
Unallocated:		
Other income	78,376	25,561
Other losses, net	(810)	(9,171)
Gain on dilution of equity interest in a subsidiary	62,500	—
Selling and marketing expenses	(78,748)	(43,686)
Administrative expenses	(128,639)	(70,794)
Finance income	7,890	2,869
Finance costs	(4,734)	(580)
Profit before income tax	<u>690,127</u>	<u>239,372</u>

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from sales of solar glass		
- Mainland China	1,261,225	808,129
- Other countries	<u>339,318</u>	<u>186,238</u>
	1,600,543	994,367
Revenue from sales of electricity		
- Mainland China	136,790	—
EPC service income		
- Mainland China	<u>316,348</u>	<u>—</u>
	<u>2,053,681</u>	<u>994,367</u>

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:

	As at	
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current assets other than deferred income tax assets		
- Mainland China	5,339,950	4,144,976
- Other countries	<u>40,605</u>	<u>15,426</u>
	<u>5,380,555</u>	<u>4,160,402</u>

4 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income	575	581
Government grants (Note (a))	68,682	23,487
Others	<u>9,119</u>	<u>1,493</u>
	<u>78,376</u>	<u>25,561</u>

Note:

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

5 OTHER LOSSES, NET

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Foreign exchange losses, net	(522)	(9,141)
Loss on disposal of property, plant and equipment	<u>(288)</u>	<u>(30)</u>
	<u>(810)</u>	<u>(9,171)</u>

6 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation charge of property, plant and equipment	92,622	44,428
Amortisation charge of land use rights	1,979	1,202
Employee benefit expenses (including directors' emoluments)	82,515	57,855
Cost of inventories sold	1,029,539	522,112
Operating lease payments in respect of land and buildings	6,030	2,746
Reversal of provision for impairment of trade receivables	—	(292)
Other selling expenses (including transportation and advertising costs)	63,387	34,091
Research and development expenditures	75,877	37,215
Other expenses	154,827	74,317
	<u>1,506,776</u>	<u>773,674</u>

7 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	<u>7,890</u>	<u>2,869</u>
Finance costs		
Interest on bank borrowings	21,947	467
Less: Interest expense capitalised on qualifying assets	(17,213)	—
Others	<u>—</u>	<u>113</u>
	<u>4,734</u>	<u>580</u>

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong profits tax (Note (a))	913	677
PRC corporate income tax ("CIT") (Note (b))	88,209	33,329
Deferred income tax		
- Origination of temporary differences	—	5,100
Income tax expense	<u>89,122</u>	<u>39,106</u>

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period.
- (b) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the period, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2014: 15%) for the period as it enjoyed high-tech enterprise income tax benefit. The Group's subsidiaries operating solar farms in the PRC are fully exempted from CIT in respect of its solar power electricity generation income for three years starting from their first year of profitable operations, followed by 50% reduction in CIT in next three years.

9 EARNINGS PER SHARE

(a) Basic

The 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 period.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	601,005	200,266
Weighted average number of ordinary shares in issue (thousands)	6,370,055	5,700,000
Basic earnings per share (HK cents)	<u>9.43</u>	<u>3.51</u>

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>601,005</u>	<u>200,266</u>
Weighted average number of ordinary shares in issue (thousands)	6,370,055	5,700,000
Adjustments for share options (thousands)	<u>46</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>6,370,101</u>	<u>5,700,000</u>
Diluted earnings per share (HK cents)	<u>9.43</u>	<u>3.51</u>

10 DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for 2014 of 2.4 HK cents (2013: 1.8 HK cents) per Share	157,920	102,600
Proposed interim dividend of 4.2 HK cents (2014: 1.6 HK cents) per Share	<u>276,360</u>	<u>97,280</u>

At a meeting of the Board held on 28 July 2015, the Directors resolved to declare an interim dividend of 4.2 HK cents per Share for the six months ended 30 June 2015. The amount of 2015 proposed interim dividend is based on shares in issue as at 30 June 2015.

This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be deducted from the share premium of the Company after the Board's approval.

11 GAIN ON DILUTION OF EQUITY INTEREST IN A SUBSIDIARY

With the introduction of Shenzhen Ruihe Hengxing Technology Development Company Limited (深圳市瑞和恒星科技发展有限公司) (“**Shenzhen Hengxing**”) as a shareholder of Xinyi Solar (LuiAn) Company Limited (信義光能(六安)有限公司) (“**Xinyi Solar (LuiAn)**”) in June 2015, Xinyi Solar (LuiAn) ceased to be a subsidiary of the Group. As a result, a gain on dilution of equity interest in Xinyi Solar (LuiAn), amounting to HK\$62.5 million, was recognised by the Group for the six months ended 30 June 2015.

Xinyi Solar (LuiAn) is a limited liability company established in the PRC for the purpose of operating a 100 megawatt solar farm in Jinzhai, Anhui province. As at 30 June 2015, Xinyi Solar (LuiAn) was jointly owned by the Group and Shenzhen Hengxing, with 50% equity interest each. Xinyi Solar (LuiAn) had no material assets or liabilities at 30 June 2015 and derived no revenue and profit/loss for the six months then ended. Except disclosed above, the cessation of Xinyi Solar (LuiAn) as a subsidiary of the Group did not have any significant impact on the results and cash flows of the Group during the period.

For further details of Xinyi Solar (LuiAn) and the joint venture arrangements, please refer to the Company’s announcement dated 25 May 2015.

12 CAPITAL EXPENDITURE

	Land use rights HK\$’000	Property, plant and equipment HK\$’000
Six months ended 30 June 2015 (Unaudited)		
Opening net book amount at 1 January 2015	180,186	3,685,227
Additions	15,662	1,271,714
Disposals	—	(288)
Amortisation/depreciation	(2,112)	(104,064)
Exchange differences	56	4,741
Closing net book amount at 30 June 2015	<u>193,792</u>	<u>4,857,330</u>
Six months ended 30 June 2014 (Unaudited)		
Opening net book amount at 1 January 2014	188,888	1,367,987
Additions	—	550,761
Disposals	—	(43)
Amortisation/depreciation	(2,002)	(45,721)
Exchange differences	<u>(4,710)</u>	<u>(37,524)</u>
Closing net book amount at 30 June 2014	<u>182,176</u>	<u>1,835,460</u>

13 TRADE AND BILLS AND OTHER RECEIVABLES

	As at	
	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
Trade receivables	1,023,829	350,777
Bills receivables	<u>132,250</u>	<u>27,868</u>
Trade and bills receivables	1,156,079	378,645
Prepayments	390,403	340,210
Deposits and other receivables	443,199	329,329
Other tax receivables	<u>1,438</u>	<u>7,202</u>
	1,991,119	1,055,386
Less: Non-current portion: Prepayments for property, plant and equipment, land use rights and operating leases	<u>(329,433)</u>	<u>(294,989)</u>
	<u><u>1,661,686</u></u>	<u><u>760,397</u></u>

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:

	As at	
	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
0 to 90 days	841,000	349,247
91 days to 180 days	169,844	1,240
Over 180 days	<u>12,985</u>	<u>290</u>
	<u><u>1,023,829</u></u>	<u><u>350,777</u></u>

The maturity of the bills receivables is within 6 months.

14 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at	
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	386,065	171,020
Bills payable	<u>530,986</u>	<u>344,815</u>
Trade and bills payables	917,051	515,835
Accruals and other payables	<u>704,373</u>	<u>604,984</u>
	<u>1,621,424</u>	<u>1,120,819</u>

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

	As at	
	30 June	31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 90 days	371,994	163,502
91 days to 180 days	3,252	4,061
Over 180 days	<u>10,819</u>	<u>3,457</u>
	<u>386,065</u>	<u>171,020</u>

The maturity of the bills payables is within 6 months.

15 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (‘000)	Ordinary shares of HK\$ 0.1 each HK\$’000	Share premium HK\$’000	Total HK\$’000
Authorised:				
At 31 December 2014 and 30 June 2015	<u>80,000,000</u>	<u>8,000,000</u>	<u>—</u>	<u>8,000,000</u>
Issued:				
At 1 January 2014	5,700,000	570,000	1,238,805	1,808,805
Issuance of shares	380,000	38,000	740,151	778,151
Less: Dividend paid to shareholders	<u>—</u>	<u>—</u>	<u>(199,880)</u>	<u>(199,880)</u>
At 31 December 2014 and 1 January 2015	6,080,000	608,000	1,779,076	2,387,076
Issuance of shares (Note (a))	500,000	50,000	1,086,975	1,136,975
Less: Dividend payable to shareholders	<u>—</u>	<u>—</u>	<u>(157,920)</u>	<u>(157,920)</u>
At 30 June 2015	<u>6,580,000</u>	<u>658,000</u>	<u>2,708,131</u>	<u>3,366,131</u>

Note:

- (a) In March 2015, the Company allotted and issued 500,000,000 shares by way of placing at HK\$2.30 each. Proceeds of approximately HK\$1,150,000,000 were received and the related transaction costs of approximately HK\$13,025,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

16 SHARE OPTIONS

A share option scheme (the “**Share Option Scheme**”) was adopted by the shareholders of the Company at the annual general meeting held on 6 June 2014 and would remain in force for a period of ten years from that date. Pursuant to the Share Option Scheme, the Company granted 4,039,500 share options in July 2014 and 5,087,500 share options in May 2015 to eligible persons.

Movements in the number of share options granted by the Company and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollars per share	Options (‘000)
At 1 January 2015	2.29	4,040
Granted (Note (a))	2.86	5,087
Exercised	—	—
Lapsed	<u>2.38</u>	<u>(96)</u>
At 30 June 2015 (Note (b))	<u>2.61</u>	<u>9,031</u>

Note:

- (a) In May 2015, a total of 5,087,500 share options were granted to a director of the Company and employees of the Group. The validity period of the options is from 12 May 2015 to 31 March 2019. One third of the Options will vest on each of the year-end date of 2015, 2016 and 2017 if each grantee has met the conditions of vesting as stated in the letter of grant.

The fair value of the options was determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK\$0.83 per option. The significant inputs into the model are as follows:

Share price, at the grant date (HK\$)	2.86
Exercise price (HK\$)	2.86
Volatility (%)	44.302
Dividend yield (%)	1.73
Expected share option life (years)	3.39
Annual risk-free interest rate (%)	0.94

The volatility applied was estimated by the historical daily volatility of comparable companies' shares prices as at the valuation date.

- (b) Share options outstanding at 30 June 2015 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollars per share	Options (‘000)
23 July 2018	2.29	3,959
31 March 2019	2.86	<u>5,072</u>
		<u>9,031</u>

17 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2015	31 December 2014
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
Within 1 year	314,286	142,857
Between 1 and 2 years	1,107,143	555,714
Between 2 and 5 years	<u>378,571</u>	<u>601,429</u>
	1,800,000	1,300,000
Less: Non-current portion	<u>(1,485,714)</u>	<u>(1,157,143)</u>
Current portion	<u>314,286</u>	<u>142,857</u>

As at 30 June 2015, all bank borrowings bore floating interest rates. These bank borrowings are repayable by installments up to 2018. The carrying amounts of the Group’s bank borrowings are denominated in HK\$ and approximate their fair values as at 30 June 2015. The effective interest rates at reporting date were as follows:

	As at	
	30 June 2015	31 December 2014
	HK\$’000	HK\$’000
	(Unaudited)	(Audited)
Bank borrowings	<u>2.51%</u>	<u>2.39%</u>

The bank borrowings were guaranteed by corporate guarantee provided by the Company.

18 COMMITMENTS

(a) Operating lease commitments

As at 30 June 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2015	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Not later than one year	14,063	7,725
Later than 1 year and not later than 5 years	35,417	16,983
More than 5 years	<u>163,523</u>	<u>170,819</u>
	<u>213,003</u>	<u>195,527</u>

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

	As at	
	30 June 2015	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Not later than one year	1,155	1,170
Later than 1 year and not later than 5 years	<u>193</u>	<u>780</u>
	<u>1,348</u>	<u>1,950</u>

(b) **Capital commitments**

As at 30 June 2015, capital expenditures not yet incurred are as follows:

	As at	
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment and land use rights:		
- Authorised but not contracted for	3,504,415	4,837,840
- Contracted but not provided for	<u>1,290,785</u>	<u>733,035</u>
	<u>4,795,200</u>	<u>5,570,875</u>

19 RELATED PARTY TRANSACTIONS

No balances are due from/to related parties as at 30 June 2015 and 31 December 2014.

Material related party transactions during the period are as follows:

		Six months ended 30 June	
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Rental expenses paid to:			
- Xinyi EnergySmart (Wuhu) Company Limited	i	575	576
- Xinyi Glass (Tianjin) Company Limited	i	<u>2,142</u>	<u>2,165</u>
		<u>2,717</u>	<u>2,741</u>
Rental income received from:			
- Xinyi EnergySmart (Wuhu) Company Limited	i	<u>575</u>	<u>581</u>

		Six months ended 30 June	
		2015	2014
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Purchases of glass products from:	ii		
- Xinyi EnergySmart (Wuhu) Company Limited		98	184
- Xinyi Automobile Parts (Wuhu) Company Limited		268	392
- Xinyi Electronic Glass (Wuhu) Company Limited		16,745	3
- Xinyi Glass (Tianjin) Company Limited		<u>1,626</u>	<u>—</u>
		<u>18,737</u>	<u>579</u>
Consultancy fee paid to:			
- Xinyi Glass Japan Company Limited	iii	<u>—</u>	<u>37</u>
Purchase of machinery from:			
- Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company	iii	<u>—</u>	<u>235</u>

Notes:

- (i) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. Details of transactions were disclosed under the section headed “Continuing Connected Transactions” in the Company’s listing document dated 22 November 2013.
- (ii) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. Details of transactions were disclosed in the Company’s announcement dated 17 April 2015.
- (iii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms, and exempted from all reporting, announcement and independent shareholders’ approval requirements by virtue of rule 14A.76 of the Listing Rules.

Key management compensation amounted to HK\$5,395,000 for the six month ended 30 June 2015 (2014: HK\$4,792,000).

MANAGEMENT’S DISCUSSION AND ANALYSIS

OVERVIEW

Leveraging its large scale of business operation, established customer base and experience and expertise in PV glass production, the Group continued to benefit from the steady growth of the global PV market during the six months ended 30 June 2015. Driven by significant sales volume growth and margin improvement as a result of enhanced cost efficiency, the Group’s solar glass business reported a satisfactory performance during the period under review. For the downstream business, the Group’s solar farm business starts to contributing net profit. This business segment, together with engineering, procurement and construction (“EPC”) service, has grown to become an important revenue and profit contributor of the Group.

During the six months ended 30 June 2015, the Group posted consolidated revenue of HK\$2,053.7 million, an increase of 106.5% over the same period of 2014. Profit attributable to shareholders increased by 200.1%, to HK\$601.0 million. Basic earnings per share were 9.43 HK cents for the first half of 2015, as compared to 3.51 HK cents for the same period in 2014.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2015, revenue was mainly derived from: (i) sales of solar glass products, including ultra-clear photovoltaic raw glass (“**PV Raw Glass**”), ultra-clear photovoltaic processed glass, back glass and other glass (“**PV Processed Glass**”); (ii) solar power electricity generation; and (iii) EPC service.

	Six Months Ended 30 June		2014		Increase/(Decrease)	
	2015		2014			
	HK\$'million	% of revenue	HK\$'million	% of revenue	HK\$'million	%
Revenue — By products						
Solar glass						
PV Raw Glass	62.5	3.0	140.9	14.2	(78.4)	(55.7)
PV Processed Glass	<u>1,538.0</u>	<u>74.9</u>	<u>853.5</u>	<u>85.8</u>	<u>684.5</u>	<u>80.2</u>
	<u>1,600.5</u>	<u>77.9</u>	<u>994.4</u>	<u>100.0</u>	<u>606.1</u>	<u>61.0</u>
Solar farm						
Solar power electricity generation	136.8	6.7	—	—	136.8	—
EPC service	<u>316.3</u>	<u>15.4</u>	<u>—</u>	<u>—</u>	<u>316.3</u>	<u>—</u>
Total external revenue *	<u>2,053.7</u>	<u>100.0</u>	<u>994.4</u>	<u>100.0</u>	<u>1,059.3</u>	<u>106.5</u>

* Because of rounding differences, aggregate of individual amounts may not tie up with the total amounts.

	Six Months Ended 30 June		2014		Increase/(Decrease)	
	2015		2014			
	HK\$'million	% of revenue	HK\$'million	% of revenue	HK\$'million	%
Revenue — By geographical markets						
Solar glass						
Mainland China	1,261.2	78.8	808.1	81.3	453.1	56.1
Other countries	<u>339.3</u>	<u>21.2</u>	<u>186.3</u>	<u>18.7</u>	<u>153.0</u>	<u>82.1</u>
	<u>1,600.5</u>	<u>100.0</u>	<u>994.4</u>	<u>100.0</u>	<u>606.1</u>	<u>61.0</u>

Note: The Group’s revenues from solar power electricity generation and EPC service are derived from Mainland China.

Due to the growth of the Asian and American markets, the global PV installation continued to increase during the six months ended 30 June 2015. China installed 5.04 GW in the first quarter of 2015. Traditional low seasonality in the industry was generally mitigated by the postponed PV installation resulting from 2014. The demand from Japan was still strong, despite the government's reduction of certain PV subsidies. In the US, the local market also showed high growth momentum. The demand for solar panels, and hence solar glass, was thus mainly driven by the US and Japan markets during the period.

For the six months ended 30 June 2015, the Group recorded consolidated revenue of HK\$2,053.7 million, representing an increase of 106.5% as compared with the same period of 2014. Despite the decreases in average selling prices, the revenue from solar glass sales grew substantially, mainly due to: (i) sales volume increase of approximately 63.6% when compared to the first half of 2014; and (ii) shift in product mix towards PV Processed Glass which commands higher average selling price than that of PV Raw Glass.

For the revenue from solar power electricity generation, it was contributed by three ground-mounted solar farms as follows:

Location	Approved capacity (MW)	Period with electricity generation for the six months ended 30 June 2015
Luian, Anhui province	150	6 months
Wuhu, Anhui province	100	6 months
Nanping, Fujian province	30	3 months

During the period under review, the Group recorded EPC service income of HK\$316.3 million, most of which was attributable to the installation of distributed generation solar farms on the individual household roof-top in Anhui province. The provision of EPC service benefits the Group by providing an additional source of income without further increasing the Group's long-term capital requirements.

Gross profit

The Group's gross profit increased by HK\$419.1 million, or 125.0%, from HK\$335.2 million in the first half of 2014 to HK\$754.3 million in the first half of 2015. The significant increase in gross profit was mainly due to the rise in sales volume of solar glass and contributions from the Group's new growth drivers — solar power

electricity generation and EPC service. The overall gross margin increased to 36.7% (2014: 33.7%) which was mainly due to: (i) cost efficiency improvement in the solar glass business and (ii) higher gross margin of the solar power electricity generation business.

Despite the decline in the average selling prices of solar glass products for the six months ended 30 June 2015, gross margin of the Group's solar glass segment still recorded an increase of 1.8% to 35.5% (2014: 33.7%), primarily due to cost efficiency improvement as a result of economies of scale brought by the two new 900-tonne/day PV Raw Glass production lines that were added in the third and fourth quarters of last year.

With the installed capacity successively increasing and additional solar farms commencing operation, contributions from solar power electricity generation became more significant, with gross profit of HK\$97.4 million and gross margin of 71.2% recorded for the six months ended 30 June 2015. This helped to boost the overall gross margin of the Group.

Other income

During the six months ended 30 June 2015, the Group's other income increased by HK\$52.8 million to HK\$78.4 million, as compared with other income of HK\$25.6 million recorded for the same period last year. The increase was principally due to additional government grants received by the Group as a reward for its commitment to solar energy development and product innovation.

Other losses, net

Other losses, net decreased by HK\$8.4 million to HK\$0.8 million for the six months ended 30 June 2015 from HK\$9.2 million for the six months ended 30 June 2014. The decrease was mainly due to exchange rate fluctuations between the Renminbi (“RMB”) and Hong Kong dollar (“HKD”) were less volatile during the period than the last corresponding period.

Gain on dilution of equity interest in a subsidiary

In respect of a joint venture project for a 100 megawatt solar farm in Jinzhai, Anhui province, the Group recognised a gain on dilution of equity interest in Xinyi Solar (LuiAn), amounting to HK\$62.5 million, upon the cessation of Xinyi Solar (LuiAn) as a subsidiary of the Group in June 2015.

Selling and marketing expenses

The Group's selling and marketing expenses increased from HK\$43.7 million for the six months ended 30 June 2014 to HK\$78.7 million for the six months ended 30 June 2015. The increase was primarily due to a rise in sales volume and more export sales of solar glass. The selling and marketing expenses decreased as a percentage of revenue from 4.4% to 3.8% in the relevant periods, respectively because solar power electricity generation and EPC service incurred fewer selling and marketing expenses than the solar glass business.

Administrative expenses

The Group's administrative expenses increased by HK\$57.8 million, or 81.7% from HK\$70.8 million for the six months ended 30 June 2014 to HK\$128.6 million for the six months ended 30 June 2015. The increase was mainly attributable to: (i) rise in research and development expenditures of approximately HK\$33.3 million; (ii) increase in land use tax, property levy and business tax of approximately HK\$14.7 million; and (iii) increase in staff cost and benefits of approximately HK\$5.7 million as a result of business expansion. However, because of economies of scale and the fixed nature of certain expenses, the Group managed to reduce its administrative expenses to revenue ratio from 7.1% for the six months ended 30 June 2014 to 6.3% for the six months ended 30 June 2015.

Finance costs

The Group's finance costs increased from HK\$0.6 million (or HK\$0.6 million before capitalisation) for the six months ended 30 June 2014 to HK\$4.7 million (or HK\$21.9 million before capitalisation) for the six months ended 30 June 2015. The increase was mainly due to new bank borrowings made by the Group to finance the capital expenditures for its solar farm projects in China and solar glass production plant in Malaysia. During the period, interest expenses of HK\$17.2 million were capitalised into the construction in progress of different solar farms and it will be depreciated together with related assets when the solar farms commence electricity generation.

Income tax expense

The Group's income tax expense increased from HK\$39.1 million for the six months ended 30 June 2014 to HK\$89.1 million for the six months ended 30 June 2015. The percentage increase was much lower than the percentage increase in profit before income tax because the Group's profits from solar power electricity generation are fully exempt from corporate income tax in respect of its solar power electricity

generation income for three years starting from the solar farm's first year of profitable operations, followed by a 50% reduction in corporate income tax in the next three years. The effective tax rates were 12.9% and 16.3% for the six months ended 30 June 2015 and 2014 respectively.

EBITDA and net profit

For the six months ended 30 June 2015, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK\$789.5 million, representing an increase of 176.4% as compared with HK\$285.6 million for the six months ended 30 June 2014. The Company's EBITDA margin (calculated based on total revenue for the period) was 38.4% for the six months ended 30 June 2015 as compared with 28.7% for the six months ended 30 June 2014.

Net profit attributable to equity holders of the Company for the six months ended 30 June 2015 was HK\$601.0 million, representing an increase of 200.1%, as compared with HK\$200.3 million for the six months ended 30 June 2014. Net profit margin increased to 29.3% for the six months ended 30 June 2015 from 20.1% for the six months ended 30 June 2014, mainly due to: (i) higher margin of the solar power electricity generation business and (ii) continued improvement in the production and operation efficiency of the Group's solar glass business.

FINANCIAL RESOURCES AND LIQUIDITY

The Group continued to benefit from high liquidity and remained in a strong financial position for the six months ended 30 June 2015. During the period, the total assets of the Group increased by 48.1% to HK\$8,535.1 million and shareholders' equity increased by 47.6% to HK\$4,880.9 million. The Group's current ratio as at 30 June 2015 was 1.5, as compared with 1.2 as at 31 December 2014.

For the six months ended 30 June 2015, the Group's primary source of funding included cash generated from its operating activities, share issuance and credit facilities provided by the banks. Net cash inflow from operating activities amounted to HK\$117.8 million (2014: HK\$349.8 million). The decrease was primarily attributable to the increase in trade and other receivables and inventories as a result of the expansion of the solar glass business and initial working capital for the solar farm business. Net cash used for investing activities amounted to HK\$1,229.4 million (2014: HK\$625.2 million). The significant increase was primarily due to capital expenditures incurred for the solar farm projects. Net cash generated from financing activities amounted to HK\$1,637.0 million (2014: HK\$400.0 million). During the period under review, the Group secured bank borrowings of HK\$500.0 million and

raised net proceeds of HK\$1,137.0 million by way of new issue of shares. Net proceeds from the new issue of shares were used in full for the capital expenditure of solar farm projects and solar glass production plant in Malaysia and general working capital of the Group.

The Group's net debt gearing ratio as at 30 June 2015 was 15.0% (31 December 2014: 22.9%). This ratio is based on total bank borrowings less cash and bank balances divided by the total equity of the Group. The gearing level of the Group decreased during the review period primarily due to equity financing through the placement of shares made in March 2015, which raised net proceeds of HK\$1,137.0 million.

BUSINESS REVIEW

Steady Growth Continued in Major PV Markets

According to SolarPower Europe (formerly the European Photovoltaic Industry Association), the global installation of photovoltaic (“PV”) systems was more than 40 gigawatt (“GW”) in 2014, up from 37 GW in 2013, and was a new record for the sector. In 2014, the largest global PV markets were China and Japan, which together accounted for half of the total demand. The United States, the United Kingdom, and Germany together accounted for another quarter of total demand.

With China, Japan and the United States remaining growth drivers, the global PV market continued to expand steadily during the period under review. Significant levels of installation were also noted in various emerging PV markets.

For the solar glass market, the supply-demand situation remained relatively balanced in 2015, after a shakeout of uncompetitive capacities and steady growth in the global demand in previous years. Nevertheless, certain suspended production capacity has re-commenced for production in last year and the seasonal fluctuations in the level of demand have caused temporary supply gluts and resulted in downward pressure on the product prices.

High Growth in China PV Market

To tackle the pollution, China is confirmed to increase the share of renewable energy in its energy mix. The solar industry in China has consequently experienced rapid growth in recent years. Despite the economic slowdown and uncertain outlook, various supportive policies and measures have been undertaken by the Chinese government to encourage the use of solar energy.

The PV installation target of China for 2015 was set at 17.8 GW, representing a year-on-year increase of almost 70%. There is no stipulation on any specific target for either utility scale (ground-mounted) or distributed generation (ground-mounted up to 20MW in certain areas and rooftops). Such flexibility therefore allows the local governments and companies to develop projects that are not subject to the administrative, operational and financial complexity associated with distributed generation. As most construction plans in 2015 were only approved in the last couple of months, the potential of the overall PV installation in China for 2015 remains unclear. Nevertheless, PV installation in the country is bound to accelerate quickly during the second half year.

Product Development and Change in Product Mix

The Group has continued collaborating with its customers to promote the use of double glass module. By replacing the traditional polymer backsheet with a back glass, the double glass module is more reliable and durable. Furthermore, given that the double glass module uses a thinner solar glass front cover and no metal frame, its durability is improved and loss of efficiency during its lifetime is reduced. With double glass module gaining popularity, sales of the Group's back glass grew rapidly in the first half of 2015 and showed strong future growth potential. The Group will continue to exploit business opportunities arising therefrom.

Given the higher average selling price and profit margin of PV Processed Glass over PV Raw Glass, the Group has continued to adjust its marketing strategy, focusing on PV Processed Glass. For the six months ended 30 June 2015, the sales of PV processed glass contributed approximately 96% of the total revenue of the Group's solar glass business as compared with approximately 86% for the same period last year.

Capacity Expansion and Efficiency Improvement

As a leading manufacturer in the solar glass industry, the Group has strengthened its market leading position and maintained its competitive advantages through timely expansion of production capacity. With two 900-tonne/day PV Raw Glass production lines added in the third and fourth quarters of last year, the Group's solar glass business has achieved spectacular growth in both scale and profitability in the first half of 2015. The Group's market share has also increased.

The Group has continued to upgrade its production facilities so as to further improve its overall operational efficiency. A 500-tonne/day PV Raw Glass production line — ceased operation since February 2015 for modification and upgrade — is expected to resume operation in the third quarter of 2015. Leveraging the production know-how

and technical experience gained from the implementation of the 900-tonne PV Raw Glass production line, the daily melting capacity of this 500-tonne/day PV Raw Glass production line can be increased to more than 600 tonnes per day after modification.

Diversified Production Base for Future Expansion

Regarding the construction of a solar glass production plant in Malaysia, land leveling and infrastructure works remain in progress. A 900-tonne/day PV Raw Glass production line and corresponding processing facilities will be integrated into this production plant. The plant is expected to commence operation in mid-2016. The strategic move to Malaysia can help the Group to diversify its production base and strengthen its overseas sales.

Expansion of Solar Farm Business with Efficiency and Contribution Continuing to Increase

With an increasing number of solar farms commencing operation, contributions from this business segment has gradually risen. After the completion of two ground-mounted solar farms with aggregate installed capacity of 250MW in 2014, the Group has stepped up its efforts to explore similar investment opportunities. In March 2015, the Group completed a 30MW ground-mounted solar farm in Fujian province. Furthermore, ground-mounted solar farm projects with an aggregate capacity of 754MW are presently under construction. These projects are located in regions with high electricity demand, including 480MW at Anhui, 174MW at Tianjin and 100MW at Hubei. Therefore, the risks of curtailment and transmission congestion can be reduced.

Declining installation costs and continuous improvements in conversion efficiency have enhanced the investment return of solar farms in recent years. The Group, with its own EPC team, can further improve its competitiveness in solar farm development. Since 2012, the Group has developed and operated different types of solar farms, including both distributed generation and ground-mounted projects. Over the years, Xinyi Solar has adopted different technologies and designs to enhance the electricity generation capabilities and economic benefits of its solar farms. The use of double glass module can improve the durability and reduce the efficiency loss during the lifetime of the panel system. Solar powered greenhouses and floating solar farms on fish ponds can meet different environmental needs and can ensure more efficient and better use of land.

BUSINESS OUTLOOK

According to the National Energy Administration in China, a total of 5.04GW of new solar capacity was grid connected in the first three months of 2015. Part of this impressive addition was contributed by installations that began in 2014, somewhat offsetting the seasonality effect. Given the growing concerns about the environmental and social benefits of using green energy as well as the increasing competitiveness of PV power as compared to other sources of energy, the Board expects China's PV market will continue to enjoy robust development in the future.

Positive developments were noted in different emerging PV markets as well, including South Africa, Latin America and Southeast Asia. Though challenges may be encountered in some countries, overall development in these markets is poised to grow strongly amid falling PV system costs and supportive policies and incentives from different governments. The take-off in emerging markets ensures more diversified global PV development.

The Group will step up effort to develop its solar farm business. Going downstream not only provides a long-term and stable revenue stream for the Group, but also creates new business opportunities for its solar glass business. The Group's ample experience in the development and operation of solar farms, combined with competitive funding costs, can enhance the return on its solar farm projects.

The Group completed the installation of a 30MW solar farm in March 2015 and currently has projects with aggregate capacity of approximately 754MW under development and construction. With strong project pipelines and favorable government policies, the Group targets to add 1GW installed capacity for 2015. Implementation of these solar farm projects is subject to the grant of quotas, funding arrangement and approvals by the relevant government authorities.

To expand and optimise its financing channels, the Group has mandated The Hongkong and Shanghai Banking Corporation Limited for a syndicated loan facility up to HK\$2,000 million for the solar farm projects undertaken by the Group. The project is in process and is expected to complete in the third quarter of 2015.

Regarding the solar glass market, with certain suspended PV raw glass capacity restarted in last year, selling prices of solar glass products declined amid increased competition. The Board expects that this declining trend may continue in the second half of 2015. However, the Group will strive to further enhance its overall production and operation efficiency and promote the use of double glass modules for PV installation so as to maintain its competitiveness and improve its profit margin.

Capital Expenditures and Commitments

The Group incurred capital expenditures of approximately HK\$1,237.2 million for six months ended 30 June 2015 which was mainly related to the construction of solar farms and a new production complex in Malaysia.

The Group's capital commitments as of 30 June 2015 amounted to approximately HK\$4,795.2 million, which were mainly related to the development of solar farm projects and a new production complex in Malaysia.

Pledge of Assets

No assets were pledged by the Group as security for bank borrowings as of 30 June 2015.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group mainly operates in China with most of the transactions denominated and settled in RMB and US Dollar (“USD”). Given the pegged exchange rate between 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 fluctuations 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. During the six months ended 30 June 2015, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 30 June 2015, the Group had about 2,520 full-time employees, with the majority based in China. The total staff costs, including the emoluments of the Directors, amounted to approximately HK\$82.5 million for the six months ended 30 June 2015.

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 generally consistent with the prevailing levels and are reviewed on a regular basis. Discretionary bonuses may be provided to selected employees taking into consideration 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 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.

Share Option Scheme

Pursuant to the share option scheme adopted by the Company in June 2014, 5,087,500 share options were granted to selected employees and an executive director in May 2015. The validity period of the options is from 12 May 2015 to 31 March 2019. One third of the options will vest on each of the year-end date of 2015, 2016 and 2017 if each grantee has met the conditions of vesting as stated in the letter of grant.

Interim Dividend and Closure of Register of Members

The Board has resolved to declare an interim dividend of 4.20 HK cents per Share for the six months ended 30 June 2015 (2014: 1.60 HK cents) to be paid to all shareholders (the “**Shareholders**”) of the Company with their names recorded on the register of members of the Company at the close of business on Friday, 14 August 2015. The interim dividend will be payable on or before Tuesday, 8 September 2015.

The Company's register of members will be closed from Wednesday, 12 August 2015 to Friday, 14 August 2015 (both days inclusive), and during such period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 11 August 2015.

Purchase, Sale or Redemption of the Company's Listed Shares

For the six months ended 30 June 2015, 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 Practices

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Corporate Governance Code (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**”) during the six months ended 30 June 2015.

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 during the six months ended 30 June 2015.

Review of the Interim Results

The Company’s interim results for the six months ended 30 June 2015 have not been audited but have been reviewed by the Company’s audit committee, comprising the three independent non-executive Directors.

Publication of Interim Report

The interim report of the Company for the six months ended 30 June 2015 containing all the relevant 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.

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

Hong Kong, 28 July 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.