



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 Report **2014**



A Green Life With
XINYI SOLAR

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Financial Highlights

	Six months ended 30 June		Year ended 31 December
	2014 (Unaudited)	2013 (Audited)	2013 (Audited)
<i>(in HK\$'000)</i>			
Revenue	994,367	859,781	1,967,507
Profit before income tax	239,372	95,864	370,458
Profit attributable to Company's equity holders	200,266	80,213	303,799
Dividends	91,200	—	102,600
<i>(Number of ordinary shares ("Shares") in '000)</i>			
Weighted average number of shares in issue	5,700,000	3,500,361	4,142,264
<i>(in Hong Kong cents)</i>			
Earnings per Share – basic and diluted	3.51	2.29	7.33
Dividends per Share	1.60	—	1.80

	At 30 June		At 31 December
	2014 (Unaudited)	2013 (Audited)	2013 (Audited)
<i>(in HK\$'000)</i>			
Equity attributable to Company's equity holders	2,360,350	1,638,807	2,310,435

Dear Shareholders

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Solar Holdings Limited (the “**Company**”), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014.

INTERIM RESULTS

During the period under review, the Group recorded satisfactory results in its solar glass business and achieved remarkable progress in expanding the downstream solar farm business. As compared with the same period in 2013, revenue of the Group increased by 15.7% to HK\$994.4 million and profit attributable to equity holders of the Company increased by 149.7% to approximately HK\$200.3 million for the six months ended 30 June 2014. Basic earnings per Share was 3.51 HK cents for the six months ended 30 June 2014, as compared with 2.29 HK cents for the same period last year. The Board has resolved to declare an interim dividend of 1.6 HK cents per Share (2013: Nil).

GROWTH MOMENTUM SHIFTED TO ASIA PACIFIC REGION

Following the solar photovoltaic (“**PV**”) installation boom in the fourth quarter of 2013, the demand for solar module and solar glass remained relatively sluggish in China in the first few months of 2014 because of seasonal reason. In the second quarter, the solar glass shipments started to increase. The increase in demand is expected to continue in the second half of the year amid more solar farm projects entering the key construction stage in China. The demand growth also happens in Japan and other Asian countries. Solar glass prices have thus remained relatively stable notwithstanding the addition of new capacity during the first half of the year.

Declining incentives from governments for solar PV installations have led to reduced demand in several European countries. For the first half of 2014, the Group's export sales to European countries accounted for less than 1% of its total revenue. Currently, growth mainly came from the Asian countries, in particular China and Japan. In terms of newly-installed PV capacity, China has become the top PV market in the world and Japan took the second place in 2013. To cope with this change in the high-growth markets, the Group has adjusted its marketing strategies and efforts to tap the enormous growth potential in these two markets.

Chairman's Statement

PRODUCT ENHANCEMENT AND PRODUCT MIX OPTIMISATION

To further enhance its product quality and attractiveness, the Group continues to collaborate with its customers to improve the solar transmittance level and reduce the defect rate of its solar glass. In addition, the Group also places strong emphasis on product development and new product application. An example of this initiative is the use of a double-glass-layer in solar modules (using thinner solar glass as the front cover and semi-tempered glass as the back cover), which can help to enhance the transmittance efficiency, durability and protection of solar module.

Continuing the trend from last year, the product mix of the Group has shifted from ultra-clear PV raw glass ("**PV Raw Glass**") to ultra-clear PV processed glass ("**PV Processed Glass**"), with an increased percentage of PV Processed Glass products featuring anti-reflective coating. Going forward, the Group intends to boost the production and sales of PV Processed Glass as it commands a higher selling price and profit margin as compared with PV Raw Glass.

CAPACITY EXPANSION AND EFFICIENCY IMPROVEMENT

The global PV market has experienced a remarkable growth in the previous year - even though there were difficult times of industry consolidation and economic downturns. As solar energy is one of the most important renewable energy sources, the Directors expect that there is great potential for significant growth in the coming years, particularly in those emerging markets.

In response to the rapid PV development and aiming to further improve economies of scale, the Group has accelerated the construction of two PV raw glass production lines (each with daily melting capacity of 900 tonnes) in Wuhu, Anhui province, the PRC. The Group intends to increase its daily melting capacity from 2,000 tonnes at present to 3,800 tonnes by the end of 2014. The trial-run of the furnace for the first of these production lines have started as of the date of this announcement. Commercial production of the second production line is expected to commence in the fourth quarter of 2014.

Other than capacity expansion, the Group has also adopted measures to enhance its production process so as to improve the utilisation rate and production yield and to reduce energy consumption and other production costs.

CONSTRUCTION OF SOLAR FARM AS THE NEW GROWTH DRIVER

Leveraging the experience in constructing a 35 megawatt ("MW") roof-top solar power generation system, the Group has proactively developed its downstream solar farm business, which includes ground-mounted solar farm and distributed solar power generation.

For ground-mounted solar farm, construction of the 250MW facility in Anhui province (150MW in Liuan City and 100MW in Wuhu City) is ahead of schedule. The projects in Liuan (150MW) and Wuhu (100MW) are expected to complete in the third and fourth quarter of 2014, respectively. Preparation works have also started for the 100 MW project in Nanping City of Fujian Province, with installation targets of 30MW in 2014 and 70MW in 2015. Electricity generated from these two projects will be sold to the national grid. The Group may either sell the solar farms to outsiders or to hold them for recurring electricity income.

Regarding distributed PV power generation, the Group is planning to install 13.1MW and 10MW roof-top solar panel system at its Wuhu and Tianjin production plants, respectively, in the second half of 2014. Electricity generated from these panel systems is intended for self-use.

BUSINESS OUTLOOK AND LATEST DEVELOPMENT

Becoming the world's top PV market in terms of the PV module installation in 2013, China has continued to promote the use of solar energy. With more incentives and comprehensive supporting policies introduced, strong development of the PV industry is expected to take place in the second half of the year. On the global side, although solar power installation in Europe has dropped, substantial growth has taken place in Asia, the Americas, Australia and Africa. According to NPD Solarbuzz, global PV module installation is projected to reach around 45-55 gigawatt ("GW") in 2014, representing an increase of 23-50% over the module installation of 36.7GW in 2013.

Chairman's Statement

Given the strong development of PV technology and increasing competitiveness of PV in the electricity sector, the Board is optimistic on the prospects of the PV market in the coming years. The continuous decrease in the installation costs and the improvement in electricity generation efficiency has substantially reduced the investment costs and enhanced the return on investment of solar farms. Therefore, in many countries, solar projects which were not financially feasible in the past have become more attractive and can operate even with less support from the government. Increased PV competitiveness will benefit the Group's business in two ways — better investment return for its solar farm projects and increased demand for its solar glass products.

Regarding the solar glass market, certain new PV Raw Glass capacity has entered the market in the first half of 2014. However, no significant increment of new capacity is foreseen in the coming one to two years. After the industry consolidation and elimination of less competitive manufacturers during the past few years, the demand and supply situation has improved significantly. Therefore, the average selling prices of solar glass products has been relatively stable in the first half of 2014 and this trend is expected to continue in the second half of the year.

The Group will strive to seek other similar investment opportunities to expand its downstream business in the value chain. In addition to the 250MW solar farm project in Anhui and 100MW solar farm project in Fujian, the Group is engaged in four ground-mounted solar farm projects in the central and eastern region of the PRC with an estimated solar electricity generation capacity of 450MW. In such connection, the Group entered into cooperation agreements with the respective local governments in respect of these solar farm projects, which only sets forth the overall arrangements for the relevant solar farm projects. Implementation of these solar farm projects are subject to the grant of quotas and further approvals by the relevant government authorities. The Group will further discuss with the relevant local governments for the purpose of full implementation of the relevant solar farm projects.

CONCLUSION

Over the years, the Group has successfully demonstrated its ability to maintain the market leadership and has gained greater market share by seizing the market opportunities in China and overseas. It will continue to make parallel advancements in both solar glass and solar farm businesses. Looking forward, the Group will focus on carrying out cost control and efficiency improvement measures, carefully expand its client base and develop potential markets, and strengthen its financial position to pave the way for sustainable growth in its solar glass and solar farm businesses.

I would like to extend my sincere thanks and appreciations to fellow Board members, shareholders, customers, suppliers, business partners and all the employees of the Group for their continuous supports and contributions to the Group during the period.

LEE Yin Yee, M.H.

Chairman

Hong Kong, 23 July 2014

Management's Discussion and Analysis

OVERVIEW

Enjoying the benefit from the rapid development of the PV market in Asia and the steady growth in the United States, the Group reported satisfactory results in the first half of 2014 even though the first half of a year is traditionally low season and the lower-than-expected installation of distributed generation solar projects in China. In this six-month period, the prices of solar glass products remained generally at the same level as that towards the end of 2013, but have notably increased as compared with the first half of 2013. With the higher average selling prices, the continued improvement in cost efficiency and its optimised product mix, the Group's overall profitability improved significantly as compared with the last corresponding period.

For the six months ended 30 June 2014, the Group recorded a consolidated revenue of HK\$994.4 million, representing an increase of 15.7% over the same period in 2013. Profit attributable to shareholders also increased, by 149.7%, to approximately HK\$200.3 million. Basic earnings per share were 3.51 HK cents for the first half of 2014, as compared to 2.29 HK cents for the same period in 2013.

FINANCIAL REVIEW

REVENUE

	Six Months Ended 30 June					
	2014		2013		Increase/(Decrease)	
	HK\$' million	% of revenue	HK\$' million	% of revenue	HK\$' million	%
PV Raw Glass	140.9	14.2	267.1	31.1	(126.2)	(47.2)
PV Processed Glass	853.5	85.8	592.7	68.9	260.8	44.0
Total	994.4	100.0	859.8	100.0	134.6	15.7

Management's Discussion and Analysis

Stimulated by the PV installation boom in China to meet the year-end policy incentive deadline, the PV market peaked in the fourth quarter of 2013. Entering 2014, notwithstanding the lower demand as a result of the traditional low season in China (due to reduced installation in winter), a steady pick-up has been observed afterwards. This, together with the robust demand from Japan, North America and other emerging markets in Asia, became the major drivers of the solar glass market in the first half of 2014.

For the six months ended 30 June 2014, the Group reported a consolidated revenue of HK\$994.4 million, representing an increase of 15.7% as compared with the same period last year. Solar glass shipments showed a slight decrease during the period because of the decrease in sales volume of PV Raw Glass. Revenue growth was mainly driven by the increase in the average selling price of the products in the first half of 2014, as compared with that in the first half of 2013 and the shift of product mix to high-price product, PV Processed Glass.

GROSS PROFIT

The Group's gross profit increased by HK\$112.9 million, or 50.8%, from HK\$222.3 million in the first half of 2013 to HK\$335.2 million in the first half of 2014. Overall gross margin increased to 33.7% (2013: 25.9%), mainly due to the increase in average selling prices and improved cost efficiency as well as a change in product mix.

To minimise the impact of rising production costs — mainly energy and certain raw materials, the Group has implemented stringent cost control and production technology improvement measures to reduce energy consumption costs and increase the output rates.

During the six months ended 30 June 2014, PV Raw Glass and PV Processed Glass accounted for 14.2% (2013: 31.1%) and 85.8% (2013: 68.9%) of the Group's total revenue, respectively. As PV Processed Glass commanded a higher selling price and thus, higher margins compared with PV Raw Glass, the shift in product mix enhanced the Group's overall gross margin.

Management's Discussion and Analysis

OTHER INCOME

During the six months ended 30 June 2014, the Group's other income increased by HK\$19.7 million to HK\$25.6 million, as compared with the other income of HK\$5.9 million for the same period last year. The increase was principally due to the additional government grants received by the Group during the period.

OTHER LOSSES, NET

Other losses, net increased by HK\$8.8 million to HK\$9.2 million for the six months ended 30 June 2014 from HK\$0.4 million for the six months ended 30 June 2013. The increase was mainly due to the currency translation differences as a result of Renminbi ("RMB") depreciation against the Hong Kong dollars ("HKD") during the period.

SELLING AND MARKETING EXPENSES

The Group's selling and marketing expenses amounted to HK\$43.7 million for the six months ended 30 June 2014 compared to HK\$64.8 million for the six months ended 30 June 2013, representing 4.4% and 7.5% of the Group's revenue in the respective periods. The decrease was primarily due to the decline in transportation cost as a result of: (i) a change in market mix — a higher percentage of total sales was derived from Asian countries and a lower percentage from western countries; (ii) fewer internal transfers of goods between the production plants in Wuhu and Tianjin.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by HK\$2.8 million, or 4.1% from HK\$68.0 million for the six months ended 30 June 2013 to HK\$70.8 million for the six months ended 30 June 2014. This increase was mainly attributable to the increase in research and development expenses as well as rises in certain land use taxes and business taxes as a result of the increase in business activities. The administrative expenses to revenue ratio fell from 7.9% for the six months ended 30 June 2013 to 7.1% for the six months ended 30 June 2014.

Management's Discussion and Analysis

INCOME TAX EXPENSE

The Group's income tax expense increased from HK\$15.7 million for the six months ended 30 June 2013 to HK\$39.1 million for the six months ended 30 June 2014. The increase was in line with the increase in profit before income tax. The effective tax rates were 16.3% and 16.3% for the six months ended 30 June 2014 and 2013, respectively. In early July 2014, Xinyi PV Products (Anhui) Holdings Limited, a wholly-owned subsidiary in China, was granted "high-technology enterprise" status and could enjoy preferential corporate income tax rates of 15% for three years starting from 2014.

EBITDA AND NET PROFIT

For the six months ended 30 June 2014, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK\$285.6 million, representing an increase of 94.8% as compared with HK\$146.6 million for the six months ended 30 June 2013. The Company's EBITDA margin (calculated based on turnover) was 28.7% for the six months ended 30 June 2014 as compared with 17.1% for the six months ended 30 June 2013.

Net profit attributable to equity holders of the Company for the six months ended 30 June 2014 was approximately HK\$200.3 million, representing an increase of 149.7%, as compared with HK\$80.2 million for the six months ended 30 June 2013. Net profit margin increased to 20.1% for the six months ended 30 June 2014 from 9.3% for the six months ended 30 June 2013, mainly due to: (i) prices of solar glass products remained relatively stable after the rebound in the second half of 2013 giving rise to an improved operating environment for the solar industry; and (ii) continued improvement in production and operation efficiency of the Group.

Management's Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

The Group remained in a strong liquidity and financial position throughout the six months period ended 30 June 2014. During the period, total assets increased by 28.7% to HK\$3,458.9 million and shareholders' equity increased by 2.2% to HK\$2,360.4 million. The Group's current ratio as of 30 June 2014 was 1.8, as compared with 2.9 as at 31 December 2013.

During the six months ended 30 June 2014, the Group's primary source of funding included cash generated from the Group's operating activities and the credit facilities provided by banks. Net cash inflow from operating activities amounted to HK\$349.8 million (2013: HK\$364.1 million). The decrease was primarily attributable to the increase in inventories as a result of drop in solar glass demand after the installation boom towards the end of 2013. Net cash used in investing activities amounted to HK\$625.2 million (2013: HK\$90.9 million). The increase was mainly due to the capital expenditures incurred for solar farm projects and new solar glass production lines. Net cash generated from financing activities amounted to HK\$400.0 million (2013: net cash used HK\$286.9 million), representing new bank borrowings drawn by the Group during the period.

The Group was at net cash positions as at 30 June 2014 and 31 December 2013. The net debt gearing ratio, which is calculated as total borrowings less cash and bank balances divided by total equity of the Group, is thus not applicable.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK\$638.1 million for six months ended 30 June 2014, which was mainly related to the construction of solar farms and new solar glass production lines.

The Group's capital commitments as of 30 June 2014 amounted to HK\$5,502.6 million, which were mainly related to the development of solar farm projects.

The amount of capital commitment includes 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 by the Group. These solar farm projects are subject to the approval of the relevant government authorities in the PRC.

Management's Discussion and Analysis

PLEDGE OF ASSETS

No assets were pledged by the Group as security for bank borrowings as of 30 June 2014.

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 2014, the Group did not use any financial instrument for hedging purpose.

CONTINGENT LIABILITIES

As of 30 June 2014, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2014.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2014, the Group had about 1,750 full-time employees, the majority of them are based in China. The total staff costs, including the emoluments of the Directors, amounted to approximately HK\$57.9 million for the six months ended 30 June 2014.

Management's Discussion and Analysis

The Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are consistent with the prevailing market 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 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 set forth under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are duly implemented.

SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the shareholders of the Company at the annual general meeting held on 6 June 2014 and will be valid for a period of ten years from the date of adoption of the Scheme. The maximum number of unexercised share options currently permitted to be granted under the Scheme is 570,000,000 shares, representing 10% of the issued share capital of the Company as at 30 June 2014. For further details of the Scheme, please refer to the circular issued by the Company on 30 April 2014. No share options were granted under the Scheme during the six months ended 30 June 2014.

Condensed Consolidated Income Statement

	Note	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Revenue	3	994,367	859,781
Cost of sales	6	<u>(659,194)</u>	<u>(637,493)</u>
Gross profit		335,173	222,288
Other income	4	25,561	5,864
Other losses, net	5	(9,171)	(421)
Selling and marketing expenses	6	(43,686)	(64,754)
Administrative expenses	6	<u>(70,794)</u>	<u>(67,979)</u>
Operating profit		237,083	94,998
Finance income	7	2,869	866
Finance costs	7	<u>(580)</u>	<u>—</u>
Profit before income tax		239,372	95,864
Income tax expense	8	<u>(39,106)</u>	<u>(15,651)</u>
Profit for the period attributable to equity holders of the Company		<u>200,266</u>	<u>80,213</u>
Interim dividends	9	<u>91,200</u>	<u>—</u>
Earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)			
– Basic and diluted	10	<u>3.51</u>	<u>2.29</u>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Profit for the period	200,266	80,213
Other comprehensive income, net of tax: Items that may be reclassified subsequently to profit or loss		
Currency translation differences	<u>(47,751)</u>	<u>20,650</u>
Total comprehensive income for the period attributable to equity holders of the Company	<u>152,515</u>	<u>100,863</u>

Condensed Consolidated Balance Sheet

		As at	
		30 June 2014	31 December 2013
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	1,835,460	1,367,987
Land use rights	11	182,176	188,888
Prepayments for property, plant and equipment and land use rights		193,830	54,176
Deferred income tax assets		1,244	1,244
Total non-current assets		<u>2,212,710</u>	<u>1,612,295</u>
Current assets			
Inventories		212,019	91,031
Bills receivables	12	101,237	205,866
Trade and other receivables	12	530,816	498,681
Cash and cash equivalents		402,107	279,122
Total current assets		<u>1,246,179</u>	<u>1,074,700</u>
Total assets		<u>3,458,889</u>	<u>2,686,995</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium	14		
– Dividend		91,200	102,600
– Others		1,615,005	1,706,205
		<u>1,706,205</u>	<u>1,808,805</u>
Other reserves		51,087	98,838
Retained earnings		603,058	402,792
Total equity		<u>2,360,350</u>	<u>2,310,435</u>

Condensed Consolidated Balance Sheet

		As at	
		30 June	31 December
		2014	2013
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	400,000	—
Deferred government grant		10,000	—
Deferred income tax liabilities		14,719	9,619
Total non-current liabilities		424,719	9,619
Current liabilities			
Trade payables, accruals and other payables	13	559,581	350,158
Dividend payable		102,600	—
Current income tax liabilities		11,639	16,783
Total current liabilities		673,820	366,941
Total liabilities		1,098,539	376,560
Total equity and liabilities		3,458,889	2,686,995
Net current assets		572,359	707,759
Total assets less current liabilities		2,785,069	2,320,054

Condensed Consolidated Statement of Changes in Equity

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

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2013	—	899,850	20,886	144,382	1,065,118
Comprehensive income					
Profit for the period	—	—	—	80,213	80,213
Other comprehensive income					
Currency translation differences	—	—	20,650	—	20,650
Total comprehensive income for the period	—	—	20,650	80,213	100,863
Transactions with owners					
Issuance of shares	257,401	214,114	—	—	471,515
Employee's share option scheme:					
– release of share option reserve upon recharge by ultimate holding company	—	—	(2,195)	—	(2,195)
– value of employee services	—	—	3,506	—	3,506
Balance at 30 June 2013	257,401	1,113,964	42,847	224,595	1,638,807

Condensed Consolidated Statements of Cash Flows

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Net cash generated from operating activities	349,807	364,064
Net cash used in investing activities	(625,192)	(90,924)
Net cash generated from/(used in) financing activities	<u>400,000</u>	<u>(286,920)</u>
Net increase/(decrease) in cash and cash equivalents	124,615	(13,780)
Cash and cash equivalents at beginning of the period	279,122	54,176
Effect of foreign exchange rate changes	<u>(1,630)</u>	<u>554</u>
Cash and cash equivalents at 30 June	<u>402,107</u>	<u>40,950</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 developing solar farm business in the PRC.

These unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 July 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, 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 2013, as described in 2013 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.

Notes to the Condensed Consolidated Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

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 2014. 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
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment entities	1 January 2014
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKIFRIC 21	Levies	1 January 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.

Notes to the Condensed Consolidated Financial Information

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company (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 two segments based on the products sold: (1) ultra-clear photovoltaic raw glass and (2) ultra-clear photovoltaic processed glass.

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.

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

The unaudited segment information for the six months ended 30 June 2014 is as follows:

	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	(112,511)	(546,683)	(659,194)
Gross profit	<u>28,398</u>	<u>306,775</u>	<u>335,173</u>

Notes to the Condensed Consolidated Financial Information

3 SEGMENT INFORMATION (Continued)

The audited segment information for the six months ended 30 June 2013 is as follows:

	Ultra-clear photovoltaic raw glass HK\$'000	Ultra-clear photovoltaic processed glass HK\$'000	Total HK\$'000
Revenue from external customers	267,054	592,727	859,781
Cost of sales	<u>(233,266)</u>	<u>(404,227)</u>	<u>(637,493)</u>
Gross profit	<u>33,788</u>	<u>188,500</u>	<u>222,288</u>

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

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Segment gross profit	335,173	222,288
Unallocated:		
Other income	25,561	5,864
Other losses, net	(9,171)	(421)
Selling and marketing expenses	(43,686)	(64,754)
Administrative expenses	(70,794)	(67,979)
Finance income	2,869	866
Finance costs	<u>(580)</u>	<u>—</u>
Profit before income tax	<u>239,372</u>	<u>95,864</u>

Notes to the Condensed Consolidated Financial Information

3 SEGMENT INFORMATION (Continued)

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

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
The PRC	808,129	701,521
Other countries	186,238	158,260
	<u>994,367</u>	<u>859,781</u>

The Group's non-current assets are all located in the PRC.

Notes to the Condensed Consolidated Financial Information

4 OTHER INCOME

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Rental income	581	—
Government grants (Note (a))	23,487	4,641
Others	1,493	1,223
	<u>25,561</u>	<u>5,864</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	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Foreign exchange losses, net	(9,141)	(421)
Loss on disposal of property, plant and equipment	(30)	—
	<u>(9,171)</u>	<u>(421)</u>

Notes to the Condensed Consolidated Financial Information

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	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Depreciation charge of property, plant and equipment	44,428	49,565
Amortisation charge of land use rights	1,202	1,196
Employee benefit expenses (including directors' emoluments)	57,855	59,248
Cost of inventories sold	522,112	496,207
Operating lease payments in respect of land and buildings	2,746	4,297
Professional expenses in respect of the spin-off	—	1,150
Reversal of provision for impairment of trade receivables	(292)	(711)
Other selling expenses (including transportation and advertising costs)	34,091	54,401
Research and development expenditures	37,215	36,418
Other expenses	74,317	68,455
	<u>773,674</u>	<u>770,226</u>

Notes to the Condensed Consolidated Financial Information

7 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Finance costs		
Interest on bank borrowings	467	—
Others	113	—
	<u>580</u>	<u>—</u>

Finance income mainly comprises interests from short-term bank deposits and discounted bills.

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current income tax		
Hong Kong profits tax (Note (b))	677	358
PRC corporate income tax ("CIT") (Note (c))	33,329	15,479
Deferred income tax		
– Origination of temporary differences	5,100	(186)
Income tax expense	<u>39,106</u>	<u>15,651</u>

Notes to the Condensed Consolidated Financial Information

8 INCOME TAX EXPENSE (Continued)

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 period.
- (c) 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, a subsidiary established in the PRC, was 15% (2013: 15%) for the period as it enjoyed high-tech enterprise income tax benefit.

9 DIVIDENDS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Final dividend for 2013 of 1.8 HK cents (2012: Nil) per Share	102,600	—
Proposed interim dividend of 1.6 HK cents (2013: Nil) per Share	91,200	—
	<hr/>	<hr/>
	193,800	—
	<hr/>	<hr/>

At a meeting of the Board held on 23 July 2014, the Directors resolved to declare an interim dividend of 1.6 HK cents per Share for the six months ended 30 June 2014. The amount of 2014 proposed interim dividend is based on shares in issue as at 30 June 2014.

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

Notes to the Condensed Consolidated Financial Information

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 issued during the period.

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Profit attributable to equity holders of the Company (HK\$'000)	200,266	80,213
Adjusted weighted average number of shares in issue*	5,700,000,000	3,500,360,918
Basic earnings per share (HK cents)	<u>3.51</u>	<u>2.29</u>

The basic and diluted earnings per share were the same because:

- 1) There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2014; and
 - 2) The effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the six months ended 30 June 2013 was anti-dilutive.
- * The basic and diluted earnings per share for the six months ended 30 June 2013 have taken into account the loan capitalisation prior to the spin-off of the Group from Xinyi Glass Holdings Limited ("Xinyi Glass") on 12 December 2013.

Notes to the Condensed Consolidated Financial Information

11 CAPITAL EXPENDITURE

	Land use rights HK\$'000	Property, plant and equipment HK\$'000
Six months ended 30 June 2014		
Opening net book amount at 1 January 2014 (audited)	188,888	1,367,987
Additions	—	550,761
Disposals	—	(43)
Amortisation/depreciation	(2,002)	(45,721)
Exchange differences	(4,710)	(37,524)
	<u>182,176</u>	<u>1,835,460</u>
Six months ended 30 June 2013		
Opening net book amount at 1 January 2013 (audited)	188,146	1,654,825
Additions	—	90,983
Disposals	—	(310,573)
Amortisation/depreciation	(1,994)	(45,965)
Exchange differences	2,360	18,239
	<u>188,512</u>	<u>1,407,509</u>

Notes to the Condensed Consolidated Financial Information

12 TRADE AND BILLS AND OTHER RECEIVABLES

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	364,871	413,929
Bills receivables	101,237	205,866
	<hr/>	<hr/>
	466,108	619,795
Less: Provision for impairment of trade receivables	—	(123)
	<hr/>	<hr/>
Trade and bills receivables, net	466,108	619,672
Prepayment for inventories	65,291	34,299
Prepayment - Others	536	1,085
Deposits and other receivables	75,704	49,491
Other tax receivables	24,414	—
	<hr/>	<hr/>
	632,053	704,547
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Information

12 TRADE AND BILLS AND OTHER RECEIVABLES (Continued)

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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 to 90 days	301,471	394,875
91 days to 180 days	60,154	18,003
Over 180 days	3,246	1,051
	<u>364,871</u>	<u>413,929</u>

The maturity of the bills receivables is within 6 months.

13 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade payables	128,424	104,734
Bills payable	199,775	44,109
Trade and bills payables	328,199	148,843
Accruals and other payables	231,382	201,315
	<u>559,581</u>	<u>350,158</u>

Notes to the Condensed Consolidated Financial Information

13 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

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

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 to 90 days	118,249	100,953
91 days to 180 days	7,917	1,402
Over 180 days	2,258	2,379
	<u>128,424</u>	<u>104,734</u>

The maturity of the bills payables is within 6 months.

14 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK\$0.1 each HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised:				
At 1 January 2013, 31 December 2013 and 30 June 2014	80,000,000,000	8,000,000	—	8,000,000
Issued:				
At 1 January 2013	200	20	899,850,000	899,850,020
Issuance of shares (Note (a))	5,699,999,800	569,999,980	338,955,020	908,955,000
At 31 December 2013	5,700,000,000	570,000,000	1,238,805,020	1,808,805,020
Less: Dividend relating to 2013	—	—	(102,600,000)	(102,600,000)
At 30 June 2014	<u>5,700,000,000</u>	<u>570,000,000</u>	<u>1,136,205,020</u>	<u>1,706,205,020</u>

Notes to the Condensed Consolidated Financial Information

14 SHARE CAPITAL AND PREMIUM (Continued)

Note:

- (a) On 30 June 2013 and 5 December 2013, the Company allotted and issued 2,574,013,096 and 3,125,986,704 shares, respectively of HK\$0.1 each for the capitalisation of certain related companies balances amounting to HK\$471,515,000 and HK\$437,440,000, respectively due by the Group to its then immediate holding company, Xinyi Group (Glass) Company Limited.

A share option scheme (the “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 the date of adoption of the Scheme. The maximum number of unexercised share options currently permitted to be granted under the Scheme is 570,000,000 shares, representing 10% of the issued share capital of the Company as at 30 June 2014. No share options were granted under the Scheme during the six months ended 30 June 2014.

Prior to the listing of the Company’s shares on 12 December 2013, share options were granted by the then ultimate holding company, Xinyi Glass, to the employees of the Group pursuant to a share option scheme adopted by Xinyi Glass in 2005.

15 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	As at	
	30 June 2014 HK\$’000 (Unaudited)	31 December 2013 HK\$’000 (Audited)
Between 1 and 2 years	277,143	—
Between 2 and 5 years	122,857	—
	<hr/>	<hr/>
	400,000	—
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Information

16 COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

As at 30 June 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Not later than one year	5,457	5,597
Later than 1 year and not later than 5 years	<u>6,367</u>	<u>9,328</u>
	<u>11,824</u>	<u>14,925</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 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Not later than one year	1,155	1,185
Later than 1 year and not later than 5 years	<u>1,348</u>	<u>1,974</u>
	<u>2,503</u>	<u>3,159</u>

Notes to the Condensed Consolidated Financial Information

16 COMMITMENTS (Continued)

(B) CAPITAL COMMITMENTS

As at 30 June 2014, capital expenditures not yet incurred are as follows:

	As at	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Property, plant and equipment:		
– Authorised but not contracted for	1,085,289	—
– Contracted but not provided for	4,417,353	118,587
	<u>5,502,642</u>	<u>118,587</u>

17 RELATED PARTY TRANSACTIONS

Name of related parties	Relationship for the Six Months Ended 30 June	
	2014	2013
Xinyi EnergySmart (Wuhu) Company Limited ("Xinyi EnergySmart (Wuhu)")	Note (i)	Fellow subsidiary
Xinyi Glass (Tianjin) Company Limited ("Xinyi Glass (Tianjin)")	Note (i)	Fellow subsidiary
Xinyi Automobile Glass (Shenzhen) Company Limited ("Xinyi Automobile Glass (Shenzhen)")	Note (i)	Fellow subsidiary
Xinyi Automobile Parts (Wuhu) Company Limited ("Xinyi Automobile Parts (Wuhu)")	Note (i)	Fellow subsidiary

Notes to the Condensed Consolidated Financial Information

17 RELATED PARTY TRANSACTIONS (Continued)

Name of related parties	Relationship for the Six Months Ended 30 June	
	2014	2013
Xinyi Electronic Glass (Wuhu) Company Limited ("Xinyi Electronic Glass (Wuhu)")	Note (i)	Fellow subsidiary
Xinyi Automobile Parts (Tianjin) Company Limited ("Xinyi Automobile Parts (Tianjin)")	Note (i)	Fellow subsidiary
Xinyi Ultra-thin Glass (Dongguan) Company Limited ("Xinyi Ultra-thin Glass (Dongguan)")	Note (i)	Fellow subsidiary
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited ("Xinyi Ultra-clear Glass (Dongguan)")	Note (i)	Fellow subsidiary
Xinyi Glass (Yingkou) Company Limited ("Xinyi Glass (Yingkou)")	Note (i)	Fellow subsidiary
Xinyi Glass Japan Company Limited	Note (i)	Fellow subsidiary
Dongyuan County Xinhuali Quartz Sand Company Limited ("Dongyuan Xinhuali")	Unrelated	Related company
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited ("Tianjin Xinke")	Unrelated	Related company

Note:

(i) Companies under control of a company which has a significant influence on the Group.

No balances are due from/to related parties as at 30 June 2014 and 31 December 2013.

Notes to the Condensed Consolidated Financial Information

17 RELATED PARTY TRANSACTIONS (Continued)

Material related party transactions during the period are as follows:

		Six months ended 30 June	
	Note	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Rental expenses paid to:	i		
– Xinyi EnergySmart (Wuhu)		576	1,563
– Xinyi Glass (Tianjin)		2,165	2,734
		<u>2,741</u>	<u>4,297</u>
Rental income received from:			
– Xinyi EnergySmart (Wuhu)	i	581	—
Purchases of glass products from:	ii		
– Xinyi EnergySmart (Wuhu)		184	—
– Xinyi Automobile Parts (Wuhu)		392	—
– Xinyi Electronic Glass (Wuhu)		3	—
– Xinyi Glass (Tianjin)		—	29
		<u>579</u>	<u>29</u>
Consultancy fee paid to:			
– Xinyi Glass Japan Company Limited	ii	37	248
Purchase of machinery from:			
– Xinyi Ultra-clear Glass (Dongguan)	ii	235	—

Notes to the Condensed Consolidated Financial Information

17 RELATED PARTY TRANSACTIONS (Continued)

		Six months ended 30 June	
	Note	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Purchases of raw materials from:			
– Dongyuan Xinhuali	iii	N/A	12,997
– Xinyi Automobile Glass (Shenzhen)		—	347
– Xinyi EnergySmart (Wuhu)		—	8,088
– Xinyi Automobile Parts (Wuhu)		—	257
– Xinyi Glass (Tianjin)		—	374
		<u>—</u>	<u>22,063</u>
Purchases of natural gas from:			
– Tianjin Xinke	iii	N/A	43,860
Sales of raw materials to:			
– Xinyi Automobile Glass (Shenzhen)		—	161
– Xinyi Automobile Parts (Wuhu)		—	317
– Xinyi Glass (Tianjin)		—	349
– Xinyi EnergySmart (Wuhu)		—	15,081
– Xinyi Electronic Glass (Wuhu)		—	131
– Xinyi Automobile Parts (Tianjin)		—	2
– Xinyi Glass (Yingkou)		—	6
		<u>—</u>	<u>16,047</u>
Disposal of land use rights and property, plant and equipment to:			
– Xinyi EnergySmart (Wuhu)		—	179,357

Notes to the Condensed Consolidated Financial Information

17 RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Disposal of property, plant and equipment, other assets and liabilities to:		
– Xinyi Ultra-thin Glass (Dongguan)	—	136,081

Notes:

- (i) These transactions constitute 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) These transactions were de minimis transactions entered into in the ordinary course of business and conducted on normal commercial terms, and hence were, exempted from all reporting, announcement and independent shareholders’ approval requirements by virtue of rule 14A.31 (or rule 14A.76 effective from 1 July 2014) of the Listing Rules.
- (iii) Upon the spin-off of the Group from Xinyi Glass on 12 December 2013, the Group has become an associate of Xinyi Glass. For the reason that Dongyuan Xinhuali and Tianjin Xinke are associates of Xinyi Glass, they are not considered as related companies to the Group since then. They were not connected persons of the Company and the transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Key management compensation amounted to HK\$4,792,000 for the six month ended 30 June 2014 (2013: HK\$4,515,000).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 1.6 HK cents per Share for the six months ended 30 June 2014 (2013: Nil) 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 Tuesday, 12 August 2014. The interim dividend will be payable on or before Monday, 8 September 2014.

The Company’s register of members will be closed from Friday, 8 August 2014 to Tuesday, 12 August 2014 (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 Thursday, 7 August 2014.

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

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE 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 2014.

Further Information on the Group

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since the publication of the annual report of the Company for the year ended 31 December 2013, there has been a change in the biographical details of Mr. CHENG Kwok Kin, Paul, an independent non-executive Director of the Company. On 23 June 2014, Mr. CHENG was appointed as an independent non-executive director of Kin Yat Holdings Limited (stock code: 638), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

POLICY CONCERNING DIVERSITY OF BOARD MEMBERS AND ITS MEASURABLE OBJECTIVES

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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 2014.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code, were as follows:

Long positions in the Shares

Name of Director	Capacity	Name of the controlled corporations	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. LEE Yin Yee, M.H. ⁽¹⁾	Interest in a controlled corporation ⁽¹⁾	Realbest (as defined below)	725,209,552	12.72%
	Interest in a controlled corporation ⁽²⁾	Full Guang (as defined below)	14,960,000	0.26%
	Personal interest ⁽¹⁾		32,912,000	0.58%
	Interest in persons acting in concert ⁽³⁾		2,089,211,059	36.65%
Mr. TUNG Ching Sai ⁽⁴⁾	Interest in a controlled corporation ⁽⁴⁾	Copark (as defined below)	246,932,579	4.33%
	Personal interest ⁽⁴⁾		48,064,000	0.84%
	Interest in persons acting in concert ⁽³⁾		2,089,211,059	36.65%
Mr. LI Man Yin ⁽⁵⁾	Interest in a controlled corporation ⁽⁵⁾	Perfect All (as defined below)	79,041,911	1.39%
	Personal interest ⁽⁵⁾		1,540,000	0.03%
	Interest in persons acting in concert ⁽³⁾		2,089,211,059	36.65%
Mr. LEE Yau Ching ⁽⁶⁾	Interest in a controlled corporation ⁽⁶⁾	Telerich (as defined below)	251,595,089	4.41%

Further Information on the Group

Notes:

- (1) Mr. LEE Yin Yee, M.H. is the beneficial owner of the entire issued share capital of Realbest Investment Limited (“**Realbest**”) which in turn is the registered owner of 725,209,552 ordinary shares (“**Xinyi Glass Shares**”) of Xinyi Glass Holdings Limited (“**Xinyi Glass**”). Xinyi Glass holds the entire issued share capital of Xinyi Automobile Glass (BVI) Company Limited (“**Xinyi Glass (BVI)**”) and Xinyi Glass (BVI) holds the entire issued share capital of Xinyi Group (Glass) Company Limited (“**Xinyi Glass (Hong Kong)**”). Mr. LEE Yin Yee, M.H. also has personal interest in 32,912,000 Xinyi Glass Shares. In addition, Realbest is the registered owner of 725,209,552 Shares. Mr. LEE Yin Yee, M.H. also has personal interest in 32,912,000 Shares.
- (2) The interest in the Shares are held through Full Guang Holdings Limited (“**Full Guang**”). Full Guang is owned by Mr. LEE Yin Yee, M.H. as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (3) Pursuant to an agreement dated 31 May 2013 and entered into by Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of Shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.
- (4) Mr. TUNG Ching Sai is the beneficial owner of the entire issued share capital of Copark Investment Limited (“**Copark**”) which is the registered owner of 246,932,579 Xinyi Glass Shares. Xinyi Glass holds the entire issued share capital of Xinyi Glass (BVI) and Xinyi Glass (BVI) holds the entire issued share capital of Xinyi Glass (Hong Kong). Mr. TUNG Ching Sai also has personal interest in 48,064,000 Xinyi Glass Shares. In addition, Copark is the registered owner of 246,932,579 Shares. Mr. TUNG Ching Sai also has personal interest in 48,064,000 Shares.
- (5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited (“**Perfect All**”) which is the registered owner of 79,041,911 Xinyi Glass Shares. Xinyi Glass holds the entire issued share capital of Xinyi Glass (BVI) and Xinyi Glass (BVI) holds the entire issued share capital of Xinyi Glass (Hong Kong). Mr. LI Man Yin also has personal interest in 1,540,000 Xinyi Glass Shares. In addition, Perfect All is the registered owner of 79,041,911 Shares. Mr. LI Man Yin also has personal interest in 1,540,000 Shares.
- (6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited (“**Telerich**”), a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 251,595,089 Shares.

Save as disclosed above, as of 30 June 2014, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 30 June 2014, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Xinyi Glass (Hong Kong)	Beneficial owner	1,778,709,301	31.21%
Xinyi Glass (BVI)	Interest in a controlled corporation	1,778,709,301	31.21%
Xinyi Glass	Beneficial owner	1,778,709,301	31.21%
	Interest in a controlled corporation	12,500,000	0.22%
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽¹⁾	266,766,456	4.68%
	Personal interest	19,900,000	0.35%
	Interest in persons acting in concert ⁽²⁾	2,089,211,059	36.65%
Mr. LEE Sing Din	Interest in a controlled corporation ⁽³⁾	251,595,089	4.41%
	Personal interest	19,770,000	0.35%
	Interest in persons acting in concert ⁽²⁾	2,089,211,059	36.65%

Further Information on the Group

Name of substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁴⁾	116,580,868	2.05%
	Interest in persons acting in concert ⁽²⁾	2,089,211,059	36.65%
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁵⁾	105,630,781	1.85%
	Interest in persons acting in concert ⁽²⁾	2,089,211,059	36.65%
Mr. NG Ngan Ho	Interest in a controlled corporation ⁽⁶⁾	77,853,912	1.37%
	Personal interest	2,200,000	0.04%
	Interest in persons acting in concert ⁽²⁾	2,089,211,059	36.65%
Mr. LI Ching Leung	Interest in a controlled corporation ⁽⁷⁾	77,853,911	1.37%
	Personal interest	2,400,000	0.04%
	Interest in persons acting in concert ⁽²⁾	2,089,211,059	36.65%

Notes:

- (1) Mr. Tung Ching Bor's interests in the Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor.

Further Information on the Group

Notes:

- (2) Pursuant to an agreement dated 31 May 2013 and entered into by Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of Shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.
- (3) Mr. Lee Sing Din's interests in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.
- (4) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.
- (5) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (6) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.
- (7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung.

SHARE OPTION SCHEME

The Scheme was adopted by the Shareholders at the annual general meeting held on 6 June 2014 and will be valid for a period of ten years from the date of adoption of the Scheme. The maximum number of unexercised share options currently permitted to be granted under the Scheme is 570,000,000 shares, which representing 10% of the issued share capital of the Company as of 30 June 2014. For further details of the Scheme, please refer to the circular issued by the Company on 30 April 2014. No share options were granted under the Scheme during the six months ended 30 June 2014.

REVIEW OF THE INTERIM RESULTS

The Company's interim results for the six months ended 30 June 2014 have not been audited but have been reviewed by the Company's audit committee, comprising the three independent non-executive Directors.

Corporate Information

EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai (*Vice Chairman*) ø<

Mr. LEE Yau Ching
(*Chief Executive Officer*)

Mr. LI Man Yin

Mr. CHEN Xi

NON-EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. (*Chairman*) ø~

Mr. LEE Shing Put

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul *ø<

Mr. LO Wan Sing, Vincent # +<

Mr. KAN E-ting, Martin # ø<

* Chairman of audit committee

Members of audit committee

+ Chairman of remuneration committee

ø Members of remuneration committee

~ Chairman of nomination committee

< Members of nomination committee

COMPANY SECRETARY

Mr. CHU Charn Fai, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. LEE Yau Ching

Mr. CHU Charn Fai

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Xinyi PV Glass Industrial Zone

2 Xinyi Road

Wuhu Economic and Technology

Development Zone

Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3rd Floor, Harbour View 2

16 Science Park East Avenue

Phase 2, Hong Kong Science Park

Pak Shek Kok, Taipo

New Territories, Hong Kong

COMPLIANCE ADVISER

RHB OSK Capital Hong Kong Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Citibank, N.A., Hong Kong branch
Hang Seng Bank Limited
HSBC
Huishang Bank Corporation Limited
The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

<http://www.xinyisolar.com>

Corporate Information

SHARE INFORMATION

Place of listing: Main Board of The
Stock Exchange of Hong Kong Limited

Stock code: 00968

Listing date: 12 December 2013

Board lot: 2,000 ordinary shares

Financial year end: 31 December

Share price as of the date of
this interim report: HK\$2.23

Market capitalisation as
of the date of this interim report:
Approximately HK\$12,711 million

KEY DATES

Closure of register of members:
8 August 2014 to 12 August 2014
(both days inclusive)

Proposed interim dividend payable date:
On or before 8 September 2014