信義玻璃控股有限公司
XINYI GLASS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00868

ANNUAL REPORT
2014

BETTER PRODUCTIVITY, TECHNOLOGY AND ECONOMIES OF SCALE TO MITIGATE INCREASES IN THE PRODUCTION COST

The Group's strength in operational management, combined with the continuous improvements in the production process and well planned equipment maintenance programs, have enhanced its productivity and yield, which in turn reduced the overall production and energy costs in 2014. The Group's economies of scale enable significant savings in the production and the fixed costs and increased efficiency in fuel consumption. To further control the cost of energy, the Group is using environmentally-friendly and clean energy, such as rooftop solar power systems and low-temperature recycling residual heat power co-generation systems.

By using natural gas as the fuel for our high quality float glass production, it can reduce the carbon emission levels and improves the energy cost structure of the Group.

HIGH VALUE-ADDED DIVERSIFIED PRODUCT MIX ENHANCES THE OVERALL COMPETITIVENESS

During the year, the revenue generated from the Group's automobile glass, construction glass and high-quality float glass businesses achieved a growth at the rates generally above the market averages. This performance demonstrates that the Group's diversified business combination and high value-added product mix can reduce the operational pressure in any individual business segment in a volatile market.

BUSINESS OUTLOOK

The Group will continue to adopt flexible production arrangements to further improve the operational efficiency for the purpose of maintaining its leadership and competitiveness amongst the world's glass manufacturers.

The PRC government has continued to tighten the policy on constructing new float glass production line and to gradually phase out the outdated production lines because of higher environmental standards on emission. The Group will take cautious and flexible strategies in response to the current float glass market in PRC. The recent decrease trends in the international cruel oil price are expected to mitigate the pressure in the natural gas prices in Guangdong Province. It has been recently announced that the different selling price bases of natural gas in the PRC are to be combined effective from 1 April 2015. This price combination is expected to reduce our energy cost. The Group is optimistic that the float glass market will be improved in the foreseeable future.

On the other hand, the Directors are generally optimistic on the continuing good performance of the automobile glass in the global market and the increasing usage of energy saving and double glazing Low-E glass segments in the future.

After years of expansion of production facilities, the Group is ready to explore overseas opportunities which can provide attractive market environment, lower production and energy costs, lower tax rates and other incentive programs. The construction of a glass production complex in Malaysia is our first overseas project, and the location of which will benefit our future growth as well as certain other transactions involved by the Group.

Chairman's Statement

The Group will build one high quality float glass production line and one Low-E coating glass production line as the phase one project in Malacca, Malaysia where we can have serve our ASEAN customers with better pricing strategy and shorter delivery time. We also plan to build our first wind farm project in Anhui Province in order to capture the growth opportunity as a result of the PRC policy on encouraging clean and renewable energy.

The Group will continue to ensure that adequate resources will be allocated to the product research and development capability, enhancing the product quality, boosting production efficiency and staff training in order to maintain its competitiveness and improving its profit margin.

CONCLUSION

The Group continues to tackle the challenges amid slow economic growth in the PRC market. The Group will continue to optimise its efficiency and improve its profit margins through effective management and the continued collaboration with its customers. The Directors believe that these strategies will enable the Group to reap the benefit from the emerging business opportunities. The Directors are also optimistic on the Group's continuous business development in the long term. The Group is also adopting proven business strategies to sustain and strengthen the growth. To maintain its industry-leading position, the Group will also continue to expand its presence in the global glass market across a wide spectrum of industries, applications, expansions and other opportunities for business cooperation.

Chairman

1 March 2015

Increases in the material costs, labour costs and energy costs were incurred in 2014. While the adverse impact of the higher costs was partly mitigated by the improved production efficiency, cost control measures and the use of cost-effective renewable energies, the cost of sales in 2014 was HK$8,127.6 million, representing an increase of 19.5% as compared with HK$6,799.0 million from the continuing operations in 2013. The percentage increase in the cost of the sales exceeded the percentage increase of the sales of the Group in 2014.

The Group's gross profit in 2014 was HK$2,733.4 million, representing a decrease of 12.9%, as compared with HK$3,137.0 million from continuing operations in 2013. The overall gross profit margin of the Group dropped from 31.6% to 25.2% principally due to the decreases in the selling prices of the float glass products, as a result of the over-supply of float glass in the market, partially offset by the strong demand for Low-E glass products of the Group.

The Group's other income decreased to HK$178.5 million, as compared with HK$326.1 million arising from the continuing operations in 2013. The decrease was principally due to the decrease in the one-off government grants received by the Group in 2014.

The Group's net other gains were HK$219.9 million in 2014, as compared with the net other gains of HK$137.8 million from the continuing operations in 2013. The increase was principally due to the impact of a disposal gain of a PRC property of HK$109.4 million, a gain on dilution of shares in an associate of HK$100.2 million and the exchange loss of HK$33.6 million incurred by the Group in 2014.

OPERATIONAL REVIEW

Consistent with the increase in the sales, higher advertising costs, overseas import duties and export credit insurance were incurred. As a result, the Group's selling and marketing costs increased by 27.1% to HK$607.9 million in 2014.

The Group's administrative expenses increased by 33.4% to HK$1,030.1 million in 2014, principally due to the increased pre-operating expenses of Yingkou and Deyang production complexes and the increased staff and welfare costs.

FINANCIAL RESOURCES AND LIQUIDITY

In 2014, the Group's primary source of funding included cash generated from the Group's operating activities and the new banking facilities provided by the principal banks of the Group in Hong Kong and the PRC. Net cash inflow from operating activities amounted to HK$1,455.0 million (2013: HK$2,712.1 million) as a result of efficient working capital management generating a net cash surplus from operations. As of 31 December 2014, the Group had cash and bank balances (including pledged bank deposits) of HK$832.0 million (2013: HK$1,043.2 million).

As of 31 December 2014, the Group had bank and other borrowings in the total amount of HK$6,012.6 million, representing an increase of 17.0% from the balance of HK$5,140.0 million as of 31 December 2013. The increase was principally due to the net increase in bank borrowings for the capital expenditures in building new production complexes in 2014.

The Group's net debt gearing ratio as of 31 December 2014 was 42.0% (31 December 2013: 33.6%). This ratio is calculated by dividing the net bank debt, which is calculated as total borrowings less cash, bank balances and pledged bank deposits, by the total equity of the Group as of 31 December 2014. The increase was principally due to the additional bank borrowings for the capital expenditures in the construction of new production complexes and the decrease of net profit in 2014.

PLEDGE OF ASSETS

As of 31 December 2014, a bank balance of HK$0.8 million was pledged as collateral principally for the import duties payable to the US Customs and for the standby letter of credit issued by a PRC bank.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2014, the Group had 13,142 full-time employees of whom 13,045 were based in China and 97 were based in Hong Kong, other countries and territories. The Group maintains good relationships with all of its employees. The Group provides the employees with sufficient training on business and professional knowledge including information on the applications of the Group's products and skills in maintaining good client relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be awarded to 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 its 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) have been duly implemented.

The Company has adopted a share option scheme on 18 January 2005. The Directors may at their discretion, invite any employees or Directors and other eligible persons as set forth in the scheme to participate.

In April 2008, the third tranche of 48,517,200 options was granted to employees of the Group (of which 1,620,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 22,447,900 options have been exercised and 26,069,300 options have lapsed. The exercise price of these options was HK$2.34 per Share and the option holders could exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of the Group during the exercise period. Options which had not been exercised by the holders on or before 19 April 2013 have lapsed.

In March 2010, the fifth tranche of 36,898,000 options was granted to employees of the Group (of which 888,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 28,975,000 options have been exercised and 7,923,000 options have lapsed. The exercise price of these options was HK$3.55 per Share and the option holders could exercise the options between 1 April 2013 and 31 March 2014, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders expired on 31 March 2014.

In March 2011, the sixth tranche of 23,718,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 6,497,000 options have lapsed. The exercise price of these options is HK$6.44 per Share and the option holders may exercise the options between 1 April 2014 and 31 March 2015, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2015 shall lapse.

In May 2012, the seventh tranche of 26,250,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 4,511,900 options have lapsed. The exercise price of these options is HK$4.34 per Share and the option holders may exercise the options between 1 April 2015 and 31 March 2016, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2016 shall lapse.

In April 2013, the eighth tranche of 26,500,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 2,120,100 options have lapsed. The exercise price of these options is HK$5.55 per Share and the option holders may exercise the options between 1 April 2016 and 31 March 2017, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2017 shall lapse.

In February 2014, the ninth tranche of 26,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 331,000 options have lapsed. The exercise price of these options is HK$6.84 per Share and the option holders may exercise the options between 1 April 2017 and 31 March 2018, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2018 shall lapse.

FINAL DIVIDEND

At the meeting of the Board of Directors held on 1 March 2015, the Directors proposed a final cash dividend of 6.0 HK cents per Share for 2014 for approval by the Shareholders.

Together with the interim cash dividend of HK$353.1 million for 2014, the total dividends paid and payable in 2014 represent a dividend pay-out ratio of 46.6% (excluding the non-cash gain on dilution of share in an associate). The Directors consider that this dividend level is appropriate after careful consideration of the Group's operating results in 2014.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's transactions are mainly denominated in Renminbi, United States dollars, EURO, Australian dollars, Japanese Yen and Hong Kong dollars with pri

LEE Shing Kan (李聖根), aged 35, is our executive Director and is responsible for overseeing the overseas automobile glass operation and the general manager of Xinyi Automobile Glass (Shenzhen) Company Limited. Mr. LEE Shing Kan joined the Company in January 2005. Mr. LEE Shing Kan holds a bachelor's degree in commerce from The University of Melbourne, Australia and a master's degree in applied finance from Monash University, Australia. Mr. LEE Shing Kan is the member of the Fujian Province Committee of Chinese People's Political Consultative Conference. Mr. LEE Shing Kan is the director (2012/2014) of Tung Wah Group of Hospitals. Mr. LEE Shing Kan is the son of Mr. LEE Yin Yee, M.H., nephew of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai. Mr. LEE Shing Kan was appointed as our executive Director on 15 October 2008. Save as disclosed above, Mr. LEE Shing Kan has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LEE Shing Kan has not held any directorship in other publicly listed companies in the last three years.

NON-EXECUTIVE DIRECTORS

LI Ching Wai (李清懷), aged 57, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. LI Ching Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Wai has not held any directorship in other publicly listed companies in the last three years.

SZE Nang Sze (施能獅) aged 57, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. SZE Nang Sze has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. SZE Nang Sze has not held any directorship in other publicly listed companies in the last three years.

LI Ching Leung (李清涼), aged 58, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu production complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005. Save as disclosed above, Mr. LI Ching Leung has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Leung has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

NG Ngan Ho (吳銀河), aged 50, is our non-executive Director and has joined us since August 2003. Mr. NG Ngan Ho was responsible for overseeing the financial and purchasing matters of our Dongguan production complex. Mr. NG Ngan Ho was appointed as our executive Director on 25 June 2004 and was re-designated as non-executive Director on 1 July 2007. Save as disclosed above, Mr. NG Ngan Ho has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. NG Ngan Ho has not held any directorship in other publicly listed companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Kwong Siu, S.B.S. (林廣兆) aged 81, is the vice chairman of BOC International Holdings Limited, the honorary chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the honorary president of the Chinese Bankers Club of Hong Kong and thus has the appropriate professional expertise required under Rule 3.10 (2) of the Listing Rules. Mr. LAM Kwong Siu has also been the director of Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002, the non-executive director of China Overseas Land & Investment Limited since September 2003, Fujian Holdings Limited since December 2003, Yuzhou Properties Company Limited since October 2009 and Far East Consortium International Limited since September 2011. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. China Overseas Land & Investment Limited, Fujian Holdings Limited, Yuzhou Properties Company Limited and Far East Consortium International Limited are companies whose shares are being listed on the Stock Exchange.

Mr. LAM Kwong Siu, S.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. LAM Kwong Siu, S.B.S. has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

WONG Chat Chor Samuel (王則左), aged 65, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, the president of the Hong Kong Institute of Arbitrators 2002 and 2003, a member of the International Chamber of Commerce (" ") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Dalian, Tsingdao, Guangzhou, Suzhou and Huizhou of China. In addition, Mr. WONG Chat Chor Samuel is also a director of Nan Fung (Singapore) Pte Limited and was the chairman of the BPC Group of Companies, Malaysia. Mr. WONG Chat Chor Samuel is also a standing committee member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, the PRC. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degree in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004.

Mr. WONG Chat Chor Samuel has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. WONG Chat Chor Samuel has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. WONG, Ying Wai, S.B.S., JP (王英偉), aged 62, is the Chairman & CEO of Hsin Chong Construction Group Limited and the Chairman of Synergis Holdings Limited, the shares of both of which are listed on the Stock Exchange.

Dr. WONG Ying Wai joined the Administrative Officer grade of the Hong Kong Government in 1975 and served in a number of key positions including Deputy Secretary for the Civil Service and Deputy Director General of Industry. Mr. WONG Ying Wai joined the private sector in 1992 and since then, he has held top management positions in a number of Hong Kong listed companies in the property development and construction business sectors including K. Wah International Holdings Limited, Henderson China Holdings Limited and the Shui On Group.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the " _ . ") set forth in Appendix 14 to The Rules Governing the L(p)Tj(829 0 Td(h)T(n)Tj(sd(L)Tj9(h)Tj(e)Tj()Tj0.562 0 Td(h)T(n)Tj(nd(e)Tj0.506 0 gd(e)Tj0.506 0 Td(L)Tj0.45 0 Tod(e)Tj0.506 0 fTj()Tj0.562 0

The Board considers that its diversity is a vital asset to the business. During the year, the Board adopted a Board Diversity Policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All of the four non-executive Directors were appointed for a term of three years, commencing from 1 January 2014. Two of the independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S. and Mr. WONG Chat Chor Samuel, were appointed for a term of three years commencing from 3 February 2014. The independent non-executive Director, Mr. WONG Ying Wai, S.B.S., JP, was appointed for a term of three years commencing from 1 November 2014. Two of the independent non-executive Directors, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David, were appointed for a term of three years commencing from 31 December 2012. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

During the financial year ended 31 December 2014, the Board has held five meetings, which were held on 26 February 2014, 6 June 2014, 23 July 2014, 30 July 2014 and 1 November 2014, respectively, and all Directors had attended these meetings. At least four Board meetings are scheduled to be held during the financial year ending 31 December 2015.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in regard to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on business operation of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the " ") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2014 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Mr. WONG Ying Wai, S.B.S., JP, Mr. LEE Yin Yee, M.H., and Mr. TUNG Ching Sai. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu, S.B.S. The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. Its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2014, a meeting of the Remuneration Committee was held on 26 February 2014 and all the committee members attended this meeting.

Corporate Governance Report

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2014 is set forth below:

Over HK$4,000,000	4
HK$2,000,001 to HK$4,000,000	2
Below HK$2,000,000	3

AUDIT COMMITTEE

The Audit Committee of the Board comprises five independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Mr. WONG Ying Wai, S.B.S., JP, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David. Mr. LAM Kwong Siu is the chairman of the Audit Committee. The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. Its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee has held two meetings during the year ended 31 December 2014 on 26 February 2014 and 23 July 2014, respectively, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Sai, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. The chairman of the Nomination Committee is Mr. LEE Yin Yee, M.H. The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The nomination committee held no meeting during the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the audit committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 41 and 42 of this annual report.

AUDITOR'S REMUNERATION

For the year under review, the professional fees charged by the auditors of the group companies in respect of the auditing services is disclosed in the notes to the financial statements. The remuneration paid to the auditor of the Group is solely for audit of consolidated financial statements of the Group during the year, which amounted to approximately HK$3.1 million.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee of the Board, the Board has regularly reviewed the effectiveness of risk management and internal control activities of the Group during the financial year of 2014. During 2014, the Board has conducted an annual review of the effectiveness of the system of internal control of the Group and the results of which were found to be satisfactory.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. During the period under review, all Directors participated in various trainings organised by the Company, including the "Disclosure Obligation for Listed Companies and Officers" and "Update on the requirements under the Hong Kong Listing Rules, Hong Kong Companies Ordinance, and Hong Kong Securities and Futures Ordinance". According to the training records maintained by the Company, each Director has confirmed that he has obtained reading and training materials during the year under review and has oftended the trainings in relation to various aspects, including but not limited to, director's duties, update on Listing Rules amendments and corporate governance practices.

COMPANY SECRETARY

The company secretary is Mr. LAU Sik Yuen, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. LAU is a

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with the disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain information issued by the Company.

Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules. For both institutional and retail investors, the Company's website at www.xinyiglass.com provides up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from it.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 64 of the articles of association (the "[illegible]") of the Company, an extraordinary general meeting ("[illegible]") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

INVESTORS RELATIONS

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2014.

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of float glass products, automobile glass products, construction glass products and a variety of related products in the PRC. Particulars of the subsidiaries of the Company are set forth in Note 11 to the consolidated financial statements of the Group in this annual report.

The analysis of the Group's performance for the financial year ended 31 December 2014 by operating segments is set forth in Note 5 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2014 are set forth in the consolidated income statement on page 47 in this annual report. During the financial year, an interim dividend of 9.0 HK cents per Share, amounting to a total of cash dividend of approximately HK$353.1 million, was paid to shareholders on 8 September 2014.

The Board proposes the payment of a final dividend of 6.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 9 June 2015. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before 7 July 2015.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Wednesday, 27 May 2015 to Friday, 29 May 2015, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 26 May 2015.

The register of members will be closed from Friday, 5 June 2015 to Tuesday, 9 June 2015 (both days inclusive), during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed Final Dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 4 June 2015 for such purpose.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set forth in Note 18 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set forth in the section headed "Financial Summary" in this annual report.

INVESTMENT PROPERTIES

Details of this movement in investment properties of the Group during the year are set forth in Note 8 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set forth in Note 7 to the consolidated financial statements.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK$10,538,652 (2013: HK$511,796).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set forth in Note 17 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2014, share premium amounting to HK$3,432.0 million (2013: HK$4,335.3 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2014, the Company had distributable reserves available for distribution to Shareholders amounting to HK$49.4 million (2013: HK$17.5 million) other than mentioned above.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

Mr. LEE Yin Yee, M.H. (Chairman)
Mr. TUNG Ching Bor (Vice Chairman)
Mr. TUNG Ching Sai (Chief Executive Officer)
Mr. LEE Shing Kan

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

Mr. LAM Kwong Siu, S.B.S.
Mr. WONG Chat Chor Samuel
Mr. WONG Ying Wai, S.B.S., JP
Mr. TRAN Chuen Wah, John
Mr. TAM Wai Hung, David

In accordance with article 108 of the Company's articles of association (the " "), Mr. LEE Shing Kan, Mr. LI Ching Wai, Mr. NG Ngan Ho, Mr. LAM Kwong Siu and Mr. WONG Chat Chor, Samuel will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

Report of the Directors

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of E2 1 Tf9 0 f 8 those nesive from Tj(t)Tj4.3d(S)Tj(t)Tj(o)Tj99TE.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

SHARE OPTION SCHEME

The share option scheme ("[illegible]") adopted by the Company on 18 January 2005, being valid for a period of 10 years from the date of adoption, expired on 17 January 2015. Pursuant to the

Report of the Directors

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

Unless with the approval of the Shareholders in general meeting, the maximum number of Shares issued and to be issued upon the exercise of the options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the Shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date on which the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. An option may be accepted by a Participant within 30 days from the date of the offer for the grant of the option and the amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(a) the official closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a day (excluding a Saturday and Sunday) on which banks are generally open for business 0 Td(s)Tj0.387 0 Td(i)Tj0.28 0 Td

In June 2007, the second tranche of 24,230,000 options was granted to employees of the Group (of which 1,200,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 13,827,000 options have been exercised and 10,403,000 options were lapsed or expired. The exercise price of these options is HK$3.49 per Share and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 30 June 2011.

In April 2008, the third tranche of 48,517,200 options was granted to employees of the Group (of which 1,620,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 2,749,600 options were recovered, 11,060,400 options have been exercised and 8,000 options have expired. The exercise price of these options is HK$2.34 per Share and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 19 April 2013.

In March 2009, the fourth tranche of 22,288,000 options was granted to employees of the Group (of which 888,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). Nil options have been exercised and Nil options have lapsed or expired. The exercise price of these options is HK$1.72 per Share and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2012.

In March 2010, the fifth tranche of 36,898,000 options was granted to employees of the Group (of which 888,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 28,975,000 options were exercised, 7,923,000 options have lapsed. The exercise price of these options is HK$3.55 per Share and the option holders may exercise the options between 1 April 2013 and 31 March 2014, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2014.

In March 2011, the sixth tranche of 23,718,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,497,000 options have lapsed. The exercise price of these options is HK$6.44 per Share and the option holders may exercise the options between 1 April 2014 and 31 March 2015, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2015 shall lapse.

In May 2012, the seventh tranche of 26,250,000 options was granted to employees of the Group (of which 736,000 options

INTERESTS IN THE COMPANY

Long position in the Shares

Mr. LEE Yin Yee, M. H.	Interest of a controlled corporation *(Note a)*	725,209,552	18.49%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
	Personal interest *(Note b)*	56,748,000	1.45%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	266,766,456	6.80%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
	Personal interest *(Note d)*	22,000,000	0.56%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	246,932,579	6.30%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
	Personal interest	2,908,000	0.07%
	Personal interest *(Note f)*	52,802,000	1.35%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	116,580,868	2.97%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note h)*	105,630,781	2.69%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note i)*	77,853,912	1.99%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
	Personal interest	2,200,000	0.06%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note j)*	77,853,911	1.99%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.75%
	Personal interest	2,000,000	0.05%
	Personal interest *(Note k)*	400,000	0.01%
Mr. TRAN Chuen Wah, John	Personal interest *(Note l)*	180,000	0.005%

Notes:

(a) Mr. LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited (" "), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LEE Yin Yee.

(b) Mr. LEE Yin Yee's interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(c) 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 on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.

(d) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(e) Mr. TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited (" "), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. TUNG Ching Sai.

(f) Mr. TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tang Hung.

(g) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited (" "), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.

(h) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited (" "), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.

(i) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited (" "), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.

(j) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings (" "), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.

(k) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.

(l) Mr. TRAN Chuen Wah, John's interest in the Shares are held through his spouse, Madam LAM Ying.

(m) The interest in the Shares are held through Full Guang Holdings Limited (" "), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Mr. LEE Yin Yee as to 33.98%, Mr TUNG Ching Bor as to 12.50%. Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din 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%.

INTERESTS IN ASSOCIATED CORPORATIONS

Realbest *(Note m)*	Mr. LEE Yin Yee	2 ordinary shares	100%
High Park *(Note n)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note o)*	Mr. TUNG Ching Sai	2 ordinary shares	100%
Goldbo *(Note p)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note q)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Goldpine *(Note r)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note s)*	Mr. LI Ching Leung	2 ordinary shares	100%

(No

Report of the Directors

Save as disclosed above, as at 31 December 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 Ss

REWARD FOR EMPLOYEES

As at 31 December 2014, we employed 13,142 employees in the PRC, Hong Kong, Canada and Japan. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programs to promote training.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2014 are set forth in note 34 to the consolidated financial statements. The related party transactions as disclosed in note 34 to the consolidated financial statements did not constitute continuing connected transaction/connected transaction under Chapter 14A of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set forth in this annual report for details of our compliance with the Corporate Governance Code.

LEGAL PROCEEDINGS AGAINST ZMFY AUTOMOBILE GLASS SERVICES LIMITED

On 23 December 2014, Xinyi Automobile Glass (BVI) Company Limited ("[illegible]") issued the originating summons (the "[illegible]") against ZMFY Automobile Glass Services Limited ("[illegible]"), its directors, former directors and other parties involved in the acquisition of property by ZMFY (together the "[illegible]") and filed its supporting affirmation on 20 January 2015 (the "[illegible]").

The Originating Summons and the Supporting Affirmation have been served on certain Defendants within Hong Kong. The original deadline for those Defendants to file their affirmation evidence in opposition to the Originating Summons fell on 17 February 2015. However, Xinyi BVI has yet to receive any affirmation evidence as the Defendants have been granted an extension of time to do so. The deadlines for this evidence to be filed once formally extended will be 3 March 2015 (in respect of certain Defendant(s)), 16 March 2015 (in respect of certain Defendant(s)) and 17 March 2015 (in respect of certain Defendant(s)). Xinyi BVI is also currently in the process of applying for leave to serve the Originating Summons and the Supporting Affirmation out of the jurisdiction on certain Defendants outside Hong Kong. No counter claim has been received from the Defendants as of the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee, comprising five independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2014.

Report of the Directors

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

The Company repurchased its own Shares on the Stock Exchange in January 2014. The repurchased Shares were subsequently cancelled in the same month. Accordingly, the issued share capital of the Company was reduced by the nominal value of these repurchased Shares and the premium paid on these Shares upon repurchase was charged against the share premium account. An amount equivalent to the par value of the Shares repurchased and cancelled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets forth further information of such repurchase:-

		HK$	*HK$*	*HK$'000*
January 2014	1,280,000	6.65	6.54	8,467

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified its willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 29 May 2015, at 3/F, Harbour View 2, 16 Science Park East Avenue, Phase 2, Hong Kong Science Park, Pak Shek Kok, Tai Po, N.T., Hong Kong, at 11:00 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be dispatched to the shareholders in due course.

On Behalf of the Board

Chairman

Hong Kong, 1 March 2015

Independent Auditor's Report

pwc

羅兵咸永道

(Incorporated in the Cayman Islands with limited liability)

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Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants

Hong Kong, 1 March 2015

Consolidated Balance Sheet

As at 31 December 2014

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note		2013
Leasehold land and land use rights	6		1,390,059
Property, plant and equipment	7		10,458,833
Investment properties	8		498,138
Prepayments for property, plant and equipment and land use rights	15		526,980
Intangible assets	9		82,296
Available-for-sale financial assets	12		52,241
Investments in associates	13		2,071,234
Loan to an associate	13		34,487
			15,114,268
Inventories	14		1,231,900
Loans to associates	13		6,382
Trade and other receivables	15		2,255,359
Pledged bank deposits	16		789
Cash and bank balances	16		1,042,429
			4,536,859
			19,651,127
Share capital	17		392,137
Share premium	17		
– Proposed final dividend	31		548,992
– Others			3,786,336
Other reserves	18		2,372,564
Retained earnings	18		5,107,760
			12,207,789

Consolidated Balance Sheet

As at 31 December 2014

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note		2013
			1,140
			12,208,929
Bank and other borrowings	20		3,024,252
Deferred income tax liabilities	21		159,508
Deferred government grants	22		179,789
Other payables	19		—
			3,363,549
Trade payables and other payables	19		1,743,737
Current income tax liabilities			219,169
Bank and other borrowings	20		2,115,743
			4,078,649
			7,442,198
			19,651,127
			458,210
			15,572,478

The financial statements on pages 43 to 144 were approved by the Board of Directors on 1 March 2015 and were signed on its behalf.

Chairman *Vice-chairman*

The notes on pages 54 to 144 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2014

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note		2013
Investments in subsidiaries, at cost	11		120,010
Amounts due from subsidiaries	11		2,154,650
			2,274,660
Amounts due from subsidiaries	11		3,536,276
Prepayments and other receivables	15		18,951
Cash and bank balances	16		384
Current income tax recoverable			739
			3,556,350
			5,831,010
Share capital	17		392,137
Share premium	17		
– Proposed final dividend	31		548,992
– Others			3,786,336
Other reserves	18		81,304
Retained earnings	18		17,504
			4,826,273

The notes on pages 54 to 144 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2014

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note		2013
Other borrowings	20		806,950
Other payables	19		923
Amounts due to subsidiaries	11		196,864
			197,787
			1,004,737
			5,831,010
			3,358,563
			5,633,223

The financial statements on pages 43 to 144 were approved by the Board of Directors on 1 March 2015 and were signed on its behalf.

Chairman *Vice-chairman*

The notes on pages 54 to 144 are an integral part of these consolidated financial statements.

	Note		2013
(expressed in Hong Kong cents per share)			
– Continuing operations	30	[illegible]	84.68
– Discontinued operation	30		7.23
		[illegible]	91.91
(expressed in Hong Kong cents per share)			
– Continuing operations	30	[illegible]	82.16
– Discontinued operation	30		6.94
		[illegible]	89.10

The notes on pages 54 to 144 are an integral part of these consolidated financial statements.

	Note		2013
	31	[illegible]	2,612,765

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2014

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		2013
[illegible]		3,522,241
[illegible]		
Item that will not be reclassified subsequently to profit or loss:		
Changes in revaluation surplus		24,393
Repurchase and cancellation of convertible bonds		—
Items that may be reclassified to profit or loss:		
Changes in value of available-for-sale financial assets		(1,200)
Currency translation differences		329,627
Share of other comprehensive income of investments accounted for using the equity method		—
[illegible]	8 8	3,875,061
[illegible]		
Equity holders of the Company		3,875,452
Non-controlling interests		(391)
[illegible]	8 8	3,875,061
[illegible]		
– Continuing operations		3,598,557
– Discontinued operation		276,895
		3,875,452

The notes on pages 54 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note							
Balance at 1 January 2014								
Profit for the year								
Changes in value of available-for-sale financial assets	12							
Currency translation differences								
Repurchase and cancellation of convertible bonds	20 (b)							
Share of other comprehensive income of investments accounted for using the equity method								
Employees share option scheme:								
– proceeds from shares issued	17 (a)							
– value of employee services	24							
– adjustment relating to forfeiture of share options								
Repurchase and cancellation of shares	17 (d)							
Transfer to reserve	18 (a)							
Dividends relating to 2013								
Dividends relating to 2014	31							
Balance at 31 December 2014								

	Attributable to the equity holders of the Company						
Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2014
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2013
Cash generated from operations	32 (a)	3,048,967
Interest paid		(83,860)
Income tax paid		(253,042)
		2,712,065
Purchase of land use rights		(251,212)
Purchase of property, plant and equipment		(2,622,592)
Additions to investment property	8	(200,303)
Purchase of intangible assets	9	—
Prepayment for land use rights		—
Proceeds from disposal of property, plant and equipment and leasehold-land and land use right	32 (b)	10,835
Proceeds received from disposal of non-current asset held for sale	32 (b)	165,598
Net cash outflow upon the Spin-off	35	(264,018)
Cash outflow from disposal of subsidiaries		(2,447)
Capital injected to associates	13	(1,282)
Loan advanced to an associate		(1,909)
Dividend received from associates	13	2,252
Purchase of available-for-sale financial assets		—
(Increase) /decrease in pledged bank deposits		93
Decrease in bank deposits with maturity over three months		23,400
Proceeds from disposal of trading securities		32,506
Purchase of trading securities		(35,229)
Interest received		22,949
		(3,121,359)

	Note		2013
Proceeds from bank borrowings			2,485,508
Repayment of bank borrowings			(1,648,788)
Shares repurchased and cancelled			(135,232)
Net proceeds from issuance of ordinary shares			916,368
Cash payment for repurchase and cancellation of warrants			(13,000)
Cash payment for repurchase and cancellation of convertible bonds	20(b)		—
Dividends paid to shareholders of the Company			(834,457)
			770,399
Net (decrease)/increase in cash and bank balances			361,105
Cash and bank balances at 1 January			680,090
Effect of foreign exchange rate changes			1,234
	16		1,042,429

The notes on pages 54 to 144 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") was principally engaged in the production and sale of float glass, automobile glass, construction glass products, which were carried out internationally, through the production complexes located in Mainland China (the "PRC") in 2014.

On 12 December 2013, the Company completed a spin-off and separate listing (the "Spin-off") of Xinyi Solar Holdings Limited ("Xinyi Solar") by way of introduction, through distribution in specie (the "Distribution") of 68.8% of the issued share capital of Xinyi Solar to the Company's shareholders. Prior to the Spin-off, Xinyi Solar was the wholly-owned subsidiary of the Company. Immediately following completion of the Spin-off, the Company continues to hold, through its subsidiary, 1,778,709,301 Xinyi Solar's shares, representing 31.2% of the 5,700,000,000 Xinyi Solar's shares in issue immediately after the Spin-off.

Following the completion of the Spin-off, the Group continues to be engaged in the production and sale of float glass, automobile glass, and construction and related glass products. Xinyi Solar focuses on the production and sale of solar glass and related products.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are 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 1 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be -a1j1.174 0 Td(o)Tj(n)Tj(e)Tj(r)Tjf(t)Tj(i)Tj(o)Tj(b)Tj(y)Tj( )Tj(H)T4(n)1j10.4n-(c)Tj(o)Tj(2

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Continued)

2.2.1Consolidation (Continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity o n

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "other gains - net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

– Buildings	20-30 years
– Plant and machinery	5-15 years
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated income statement.

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Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademark, customer relationship and patent

Trademark, customer relationship and patent acquired in a business combination are recognised at fair value at the acquisition date. Trademark, customer relationship and patent have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademark, customer relationship and patent over their estimated useful lives of 3 - 20 years.

(c) Capitalised exploration, evaluation and mining right expenditure

Costs directly associated with an exploration well and exploration (researching and analysing existing exploration data; exploratory drilling, trenching and sampling, examining and testing extraction and treatment methods; obtaining legal exploration or mining rights) are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and the costs are amortised using the units of production method according to the proved reserves. No depreciation and/or amortisation is charged during the exploration and evaluation phrase.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment, when reclassified to development tangible or intangible assets (if appropriate), or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration, evaluation and mining right expenditure's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of their fair value less costs to sell and their value in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Continued)

2.11.2Recognition and measurement

Regular way of purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "other gains – net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of "other income" when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount are reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Convertible bonds issued by the Group can be settled by exchanging a fixed amount of cash for a fixed number of the Company's shares. They are compound instruments that contain both liability and equity components.

On initial recognition, the fair value of the liability component is determined by discounting expected future cash flows using the prevailing market interest rate of similar non-convertible debts. The difference between the fair value of the convertible bonds as a whole (gross proceeds received) and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into shares of the Company, is recognised in equity (convertible bonds reserve). Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component is not remeasured, and will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share capital and reserves). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to retained earnings. No gain or loss is recognised in profit or loss upon conversion at maturity or expiration of the option.

When the convertible bonds are extinguished before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the consideration and transaction costs paid for the redemption or repurchase is allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received when the convertible instrument was issued. The difference between the carrying amount of the liability component and the liability component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in profit or loss, whereas the difference between the carrying amount of the equity component and the equity component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

The Group mainly operates in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("RMB") and HKD. Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade receivables, pledged bank deposits, cash and bank balances, trade payables, and bank and other borrowings are disclosed in Notes 15, 16, 19 and 20 to the consolidated financial statements.

As at 31 December 2014, if RMB had strengthened/weakened by 1% (2013: 1%) against the HKD with all other variables held constant, profit after income tax for the year would have been approximately HK$39,200 (2013: HK34,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances. Profit is more sensitive to movement in HKD/RMB exchange rates in 2014 than 2013 because the increased amount of RMB-denominated cash and bank balances.

The Group's interest rate risk is mainly attributable to its cash and bank balances, pledged bank deposits and bank and other borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and bank balances, pledged bank deposits and bank and other borrowings have been disclosed in Notes 16 and 20 to the consolidated financial statements.

As at 31 December 2014, if HKD interest rates on cash and bank balances, pledged bank deposits and bank borrowings had been 25 (2013: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$5,018,000 (2013: HK$4,572,000) lower/higher, mainly as a result of higher/lower net interest expense on cash and bank balances, pledged bank deposits and bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(Continued)

(a) Market risk (Continued)

(Continued)

As at 31 December 2014, if RMB interest rates on cash and bank balances and, pledged bank deposits had been 25 (2013: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$1,049,000 (2013: HK$1,718,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

As at 31 December 2014, if USD interest rates on cash and bank balances, pledged bank deposits and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$87,000 lower/higher, mainly as a result of higher/lower net interest expense on cash and bank balances, pledged bank deposits and bank borrowings.

As at 31 December 2013, if USD interest rates on cash and bank balances, pledged bank deposits and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$182,000 higher/lower, mainly as a result of higher/lower net interest income on cash and bank balances, pledged bank deposits and bank borrowings.

(b) Credit risk

The Group's credit risk arises from cash and bank balances, pledged bank deposits, trade and other receivables and loans to associates. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2013
Cash and bank balances *(Note 16)*	1,042,429
Pledged bank deposits *(Note 16)*	789
Trade and other receivables *(Note 15)*	2,255,359
Loans to associates *(Note 13)*	40,869
Maximum exposure to credit risk	3,339,446

As at 31 December 2014 and 2013, most of the bank deposits are deposited with reputable banks in Hong Kong and state-owned banks in the PRC. The credit quality of cash and bank balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

3 FINANCIAL RISK MANAGEMENT (Continued)

(Continued)

(b) Credit risk (Continued)

In respect of trade and other receivables and loans to associates, the Group has policies in place to ensure that the loans or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and its customers.

The credit period of the majority of the Group's trade receivables is within 90 days and largely comprises amounts receivable from business customers.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

(Continued)

(c) Liquidity risk (Continued)

At 31 December 2014				
Bank borrowings and interest payables		₪		
Convertible bonds and interest payables			₪	₪
Trade payables and other payables	₪			₪ ₪
Total	₪	₪	₪	₪ ₪

	Group			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2013				
Bank borrowings and interest payables	2,170,089	1,804,281	438,330	4,412,700
Convertible bonds and interest payables	—	—	946,331	946,331
Trade payables and other payables	1,743,737	—	—	1,743,737
Total	3,913,826	1,804,281	1,384,661	7,102,768

3 FINANCIAL RISK MANAGEMENT (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Company may repurchase its own shares when the Company's shares are trading at a discount to the expected net assets value per share.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and bank balances and pledged bank deposits.

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

		2013
Total bank and other borrowings *(Note 20)*		5,139,995
Less: cash and bank balances and pledged bank deposits *(Note 16)*		(1,043,218)
Net debt		4,096,777
Total equity		12,208,929
Gearing ratio		33.6%

The increase in the gearing ratio during 2014 was mainly resulted from the increase in bank and other borrowings of the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014 and 2013.

Available-for-sale financial assets				
– Equity securities				

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities	51,600	—	641	52,241

There were no transfers between levels 1 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for available-for-sale financial assets used by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

(Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the years ended 31 December 2013 and 2014.

At 1 January 2013	6sal

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iTY,

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent price of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Government grants should be recognised until there is reasonable assurance that the Group will comply with the all attached conditions for the grants to be received. Significant judgement is required by the management to determine whether the attached conditions to the grants will be met or complied by the Group. When the situation is difference from the original estimate, such change will impact the government grant recognised in the period in which such estimate has been changed.

The Group has investment in an entity with voting power held more than 20% and a board presentation. In view of management, this investment is classified as available-for-sale, rather than as an investment in an associate as the Group did not access to detailed information of this entity and there are no other evidences indicate the existence of significant influence.

5 SEGMENT INFORMATION

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

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

Among these operating segments, they are aggregated into three segments based on the products sold: (1) float glass; (2) automobile glass; and (3) construction glass.

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

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

As discussed in Note 35, subsequent to the Spin-off, the Group no longer carried on business of solar glass segment and the solar glass segment was classified as discontinued operations of the Group for the year ended 31 December 2013.

5 SEGMENT INFORMATION (Continued)

The segment information provided to t 1 Tf9 0 0 9 51.02t 1 Tf( )Tj5.31 j( )Tj5.336 646.988 T.( )Tjx.31 j( )TjcSpan <</Lan(p)Tj(r)Tjv.31 j( )T

5 SEGMENT INFORMATION (Continued)

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Breakdown of the revenue from the sales of products is as follows:

		2013
Sales of float glass		4,494,334
Sales of automobile glass		3,287,204
Sales of construction glass		2,154,538
	৪ ৪	9,936,076
Sales of solar glass		1,846,330
Total	৪ ৪	11,782,406

The Group's revenue is mainly derived from customers located in Greater China (including Hong Kong and PRC), North America and Europe whilst the Group's business activities are conducted predominately in Greater China. An analysis of the Group's sales by geographical area of its customers is as follows:

		2013		2013
Greater China		7,119,004		1,559,091
North America	৪৪	874,595		127,123
Europe	৪	472,895		32,784
Other countries		1,469,582		127,332
	৪ ৪	9,936,076		1,846,330

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Opening net book amount					
Currency translation differences					
Additions					
Transfers					
Disposals					
Depreciation charge					
Closing net book amount					
Cost					
Accumulated depreciation					
Net book amount					

Depreciation expense of approximately HK$586,452,000 (2013: HK$666,269,000) has been charged in cost of sales and HK$25,314,000 (2013: HK$23,084,000) in administrative expenses and HK$133,842,000 (2013: HK$102,792,000) has been capitalised in inventories.

During the year, the Group capitalised borrowing costs amounted to HK$52,528,000 (2013: HK$38,932,000) on qualifying assets (Note 27). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 1.98% (2013: 1.75%).

8 INVESTMENT PROPERTIES

	2013
At 1 January	53,500
Currency translation differences	3,320
Additions	200,303
Fair value gains *(Note 26)*	88,989
Transferred from leasehold land and land use rights and property, plant and equipment *(Notes 6 and 7)*	127,633
Recognised as property revaluation reserve upon transfer *(Note 18)*	24,393
At 31 December	498,138

In 2014, the Group has an investment property located in Hong Kong and two investment properties in the PRC. The Group obtained independent valuation from Grant Sherman Appraisal Limited for these investment properties.

The Group's investment properties were valued at 31 December 2014 and 2013 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

The following table analyses the investment properties carried at fair value, by valuation method.

	2013 Level 3
Fair value hierarchy:	
– Commercial building under construction – Xiamen, the PRC	204,462
– Commercial building – Shenzhen, the PRC	57,076
– Office unit – Hong Kong	236,600
	498,138

There were no transfers between levels 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (Continued)

At 1 January 2014				$ $
Currency translation differences				$
Additions				
Fair value gains	$		$	
At 31 December 2014				
Total gains for the year included in profit or loss for assets held at the end of year	$		$	
Change in unrealised gains for the year included in profit or loss for assets held at the end of year	$		$	

	Commercial building under construction - Xiamen, the PRC	Commercial building - Shenzhen, the PRC	Office unit - Hong Kong	Total
At 1 January 2013	—	53,500	—	53,500
Currency translation differences	—	3,320	—	3,320
Additions	2,850	—	197,453	200,303
Transferred from leasehold land and land use rights and property, plant and equipment	127,633	—	—	127,633
Fair value gains	49,586	256	39,147	88,989
Transferred to revaluation reserve	24,393	—	—	24,393
At 31 December 2013	204,462	57,076	236,600	498,138
Total gains for the year included in profit or loss for assets held at the end of year	49,586	256	39,147	88,989
Change in unrealised gains for the year included in profit or loss for assets held at the end of year	49,586	256	39,147	88,989

9 INTANGIBLE ASSETS

Cost	55,877	20,306	5,404	8,483	5,937	96,007
Accumulated amortisation and impairment	—	(5,605)	(1,492)	(2,050)	(1,385)	(10,532)
Net book amount	55,877	14,701	3,912	6,433	4,552	85,475
Opening net book amount	55,877	14,701	3,912	6,433	4,552	85,475
Currency translation differences	—	—	—	164	117	281
Amortisation charge *(Note 23)*	—	(1,084)	(288)	(870)	(1,218)	(3,46

9 INTANGIBLE ASSETS (Continued)

Amortisation charge of HK$3,620,000 (2013: HK$3,460,000) has been included in administrative expenses in the consolidated income statement.

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. For the purposes of impairment testing, goodwill has been allocated to the automobile glass operating segment.

The recoverable amount of the automobile glass CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with estimated compound annual growth rate of 10.6% (2013: 11.0%). Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 4.67% (2013: 3.0%). The discount rate used is pre-tax and reflects specific risks relating to this cash generating unit.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

10 FINANCIAL INSTRUMENTS BY CATEGORY– GROUP AND COMPANY

Available-for-sale financial assets			
Loans to associates			
Trade and other receivables excluding prepayments			
Cash and bank balances	8		8
Pledged bank deposits			
Total	8 8		

Bank and other borrowings		
Trade and other payables excluding non-financial liabilities	8	8
Total		

10 FINANCIAL INSTRUMENTS BY CATEGORY– GROUP AND COMPANY (Continued)

(Continued)

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
31 December 2013			
Available-for-sale financial assets	—	52,241	52,241
Loans to associates	40,869	—	40,869
Trade and other receivables excluding prepayments	1,810,899	—	1,810,899
Cash and bank balances	1,042,429	—	1,042,429
Pledged bank deposits	789	—	789
Total	2,894,986	52,241	2,947,227

	Other financial liabilities at amortised cost HK$'000	Total HK$'000
31 December 2013		
Bank and other borrowings	5,139,995	5,139,995
Trade and other payables excluding non-financial liabilities	1,418,375	1,418,375
Total	6,558,370	6,558,370

10 FINANCIAL INSTRUMENTS BY CATEGORY– GROUP AND COMPANY (Continued)

11 INTERESTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2014:

Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,403,049	100%
Xinyi Benson Automobile Glass (Dongguan) Company Limited (Formerly known as "Xinyi Automobile Glass Company (Dongguan) Limited")	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$22,000,000	100%
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB353,807,000	100%
Xinyi Automobile Parts (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$23,980,000	100%
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$29,800,000	100%
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of float glass and construction glass in the PRC	Registered and paid up capital of US$126,000,000	100%
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$80,000,000	100%

11 INTERESTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2014: (Continued)

Xinyi Glass Japan Company Limited	Japan, limited liability company	Sales agent in Japan	Authorised and paid up capital of 400 common shares of JP¥50,000 each	55%
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 100,000 common shares of CAD0.1 each	70%
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Automobile glass trading and installation in Hong Kong	100,000 ordinary shares	100%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 ordinary shares	100%
XYG (HK) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1,000 ordinary shares	100%
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	10,000 ordinary shares	100%
Xinyi Automobile Glass (BVI) Company Limited1	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 55,000 ordinary shares of US$1 each	100%
Xinyi Energy Smart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and construction glass in the PRC	Registered and paid up capital of US$58,500,000	100%

11 INTERESTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2014: (Continued)

Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US$180,800,000 with total paid up capital of US$132,044,827	100%
Xinyi Glass Engineering (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered and paid up capital of US$60,000,000	100%
Xinyi Glass (Yingkou) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and construction glass in the PRC	Registered capital of US$99,000,000 with total paid up capital of US$98,999,652	100%
Xinyi Automobile Parts (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$57,150,000 with total paid up capital of US$13,429,995	100%
Xinyi Glass (Xiamen) Co. Ltd	The PRC, limited liability company	Conducting research and trading of glass in the PRC	Registered and paid up capital of HK$120,000,000	100%
Xinyi Electronic Glass (Wuhu) Company limited	The PRC, limited liability company	Manufacturing of electronic glass in the PRC	Registered and paid up capital of US$53,130,000	100%
Xinyi Energy Smart (Sichuan) Company limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and construction glass in the PRC	Registered capital of US$99,000,000 with total paid up capital of US$31,756,800	100%
Xinyi Energy Smart (Malaysia) SDN.BHD	Malaysia, limited liability company	Manufacturing of float glass in Malaysia	Registered capital of RM$440,000 with total paid up capital of RM$2	100%

[1] Shares held directly by the Company.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013
At 1 January	625
Addition	—
Currency translation differences	16
Transferred from interest in an associate *(Note 13)*	39,657
Gain on deemed disposal with loss of significant influence of interest in an associate	13,143
Fair value gain/(loss) transferred to reserve *(Note 18)*	(1,200)
At 31 December	52,241
Market value of listed securities	51,600

The Group's associate, ZMFY Automobile Glass Services Limited (formerly known as Yu Sheng Investments Limited) ("ZMFY") was listed on the Stock Exchange of Hong Kong Limited by way of placing on 2 September 2013. Upon listing, the Group's shareholdings was reduced from 20% to 15%, and such interest in an associate was reclassified to "available-for-sale financial assets". Despite the Group still has a board presentation in this entity, the Group ceased to exercise the significant influence over ZMFY as the Group did not access to detailed information of ZMFY and there are no other evidences indicate the existence of significant influence. As such, this investment was classified as available-for-sale, rather than as an investment in an associate as at 31 December 2013. The available-for-sale financial assets were initially recognised at fair value on the date of listing and a gain on such deemed disposal of HK$13,143,000 was recorded in "other gains – net" in 2013.

On 16 May 2014, the Group subscribed for new shares amounting to HK$44,000,000 and the Group's shareholdings was increased to 29%. As at year end, the Group's shareholdings was reduced to 26% when the holder of ZMFY's convertible bonds exercised its rights to covert part of the convertible bonds into shares on 21 November 2014. Despite the fact that the Group holds more than 20% voting power over this entity, this investment is still classified as available-for-sale, rather than as an investment in an associate as at 31 December 2014 as the Group did not access to detailed information of ZMFY and there are no other evidences indicate the existence of significant influence.

Available-for-sale financial assets included unlisted equity securities and equity securities listed in

13 INTERESTS IN AND BALANCES WITH ASSOCIATES

	2013
At 1 January	62,981
Currency translation differences	404
Capital injection	1,282
Gain on dilution of share in an associate *(Note (a))*	—
Share of net assets value in an associate upon the Spin-off *(Note 35)*	712,310
Re-measurement of retained interests upon the Spin-off	1,315,417
Transferred to available-for-sale financial assets *(Note 12)*	(39,657)
Share of profits of associates	20,749
Dividend received	(2,252)
Share of other comprehensive income	—
At 31 December	2,071,234

	2013
Loans to associates *(Note (b))*	
– Current portion	6,382
– Non-current portion	34,487
	40,869

Notes:

(a) The Group recognised a gain on dilution of shares of HK$100,195,000 as a result of share allotment by Xinyi Solar by way of placing in which the Group did not participate in.

(b) The loans to associates are unsecured, interest-free and are repayable by installments up to 2020.

(c) The carrying amounts of balances with associates approximate their fair values.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Notes: (Continued)

(d) The following is a list of the principal associates as at 31 December 2014:

Xinyi Solar (Note)	Authorisd capital of HK$8,000,000,000 with total paid up of 6,080,000,000 ordinary shares of HK$1 each	Production and sales of solar glass products in the PRC	29.5%
Beihai Yiyang Mineral Company Limited	Registered and paid up capital of RMB25,454,500	Exploration, mining and trading of silica in the PRC	45%
Maoming City Yindi Construction Material Company Limited	Registered and paid up capital of RMB3,000,000	Exploration, mining and trading of silica in the PRC	30%
Dongyuan County Xinhuali Quartz Sand Company Limited	Registered and paid up capital of RMB10,500,000	Exploration, mining and trading of silica in the PRC	20%
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	Registered and paid up capital of RMB10,000,000	Provision of natural gas in the PRC	25%

Note:

In May 2014, the Company purchased 12,500,000 Xinyi Solar's shares at the price of HK$1.90 per share. Subsequent to this purchase, the Company and its subsidiary hold 1,791,209,301 Xinyi Solar's shares, representing 31.4% of the 5,700,000,000 Xinyi Solar's shares in May 2014. In August 2014, Xinyi Solar allotted and issued 380,000,000 shares by way of placing. The total number of Xinyi Solar's issued shares increased to 6,080,000,000. The Company and its subsidiary's shareholding in Xinyi Solar decreased to 29.5%.

As at 31 December 2014, the fair value of the Group's interest in Xinyi Solar, which is listed on the Main Board of the Hong Kong Stock Exchange, was HK$3,833,188,000 (2013:HK$2,845,440,000) and the carrying amount of the Group's interest was HK$2,201,296,000(2013: HK$2,035,932,000).

(e) There are no contingent liabilities relating to the Group's interests in the associates.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method:

Summarised balance sheet

	2013
Cash and cash equivalents	279,122
Other current assets (excluding cash)	795,578
Total current assets	1,074,700
Current liabilities	(366,941)
Assets	1,612,295
Liabilities	(9,619)
Net assets	2,310,435

Summarised statement of comprehensive income

	For the period from 12 December 2013 to 31 December 2013
Revenue	121,177
Depreciation and amortisation	(5,483)
Interest income	145
Interest expense	—
	39,306
Income tax expense	(9,043)
	30,263
	(2,479)
	27,784
	—

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

(Continued)

Reconciliation of summarised financial information of Xinyi Solar presented to the carrying amount of interest in an associate:

	2013
Opening net assets	—
Addition upon the Spin-off *(Note 35)*	2,282,651
Total comprehensive income for the year	27,784
Transactions with owners	—
Closing net assets	2,310,435
The Group's ownership interest	31.2%
	720,971
Goodwill	1,129,797
Intangible assets and other assets and liabilities	185,164
Carrying amount	2,035,932

14 INVENTORIES

	2013
Raw materials	536,458
Work in progress	113,511
Finished goods	581,931
	1,231,900

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$6,069,224,000 (2013: HK$5,968,335,000) (Note 23).

15 TRADE AND OTHER RECEIVABLES

		2013		2013
	$		$	
Trade receivables *(Note (a))*		876,444		—
Less: provision for impairment of trade receivables *(Note (b))*		(11,919)		—
		864,525		—
Bills receivables *(Note (d))*		748,954		—
Trade and bills receivables – net		1,613,479		—
Prepayments, deposits and other receivables		1,168,860		18,951
		2,782,339		18,951
Less non-current portion				
Prepayments for property, plant and equipment and land use rights		(526,980)		—
Current portion	$	2,255,359		18,951

Notes:

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2014 and 2013, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2013
	$
0 - 90 days	673,286
91 - 180 days	114,439
181 - 365 days	56,649
1 - 2 years	15,578
Over 2 years	16,492
	$ 876,444

15 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

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

	2013
RMB	586,910
HKD	8,507
USD	242,462
Other currencies	38,565
	876,444

(b) Movements in the Group's provision for impairment of trade receivables are as follows:

	2013
At 1 January	8,461
Currency translation differences	211
Provision for impairment of trade receivables, net *(Note 23)*	4,457
Receivables written off during the year as uncollectible	(376)
Derecognised upon the Spin-off *(Note 35)*	(834)
At 31 December	11,919

The provision for impaired receivables has been included in "administrative expenses" in the consolidated income statement. The amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) As at 31 December 2014, trade receivables of approximately HK$220,063,000 (2013: HK$200,964,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on due date was as follows:

	2013
0 - 90 days	101,970
91-180 days	49,579
181-365 days	32,354
1-2 years	9,797
Over 2 years	7,264
	200,964

15 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

As at 31 December 2014, trade receivables of approximately HK$29,142,000 (2013: HK$14,382,000) were impaired and partially provided for. The individually impaired receivables are related to customers in unexpected financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a total provision for doubtful debts of approximately HK$20,199,000 (2013: HK$11,919,000) was recognised. The Group does not hold any collateral over these balances.

The ageing analysis of these receivables based on invoice date is as follows:

	2013
0 - 90 days	—
91-180 days	34
181-365 days	512
1-2 years	4,608
Over 2 years	9,228
	14,382

The top five customers and the largest customer accounted for approximately 15.7 % (2013: 16.6%) and 10.5% (2013: 9.5%) of the trade receivables balance as at 31 December 2014, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The other classes within trade and other receivables do not contain impaired assets.

(d) The maturity of the bills receivables is within 6 months (2013: 6 months).

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

(f) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16 CASH AND BANK BALANCES

	2013	2013
Total cash at bank and on hand	707,557	384
Bank deposits with maturity less than three months	334,872	—
Cash and cash equivalents	1,042,429	384
Pledged bank deposits *(Note (a))*	789	—
Total cash and bank balances	1,043,218	384

16 CASH AND BANK BALANCES (Continued)

The effective interest rate on short-term bank deposits was 3.84% in 2014 (2013: 5.18%). These short-term bank deposits have an average maturity of 14 days (2013: 15 days).

The carrying amounts of the Group's cash and bank balances and bank deposits are denominated in the following currencies:

	2013
RMB	808,705
HKD	35,855
USD	175,194
Other currencies	23,464
	1,043,218

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Note (a): The pledged bank deposits represent deposits pledged as collateral principally as security for import duties payable to the US Customs and for the standby letter of credit issued by a PRC bank.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

		2013		2013
Total cash and bank balances		1,043,218		384
Less:				
– Pledged bank deposits		(789)		—
		1,042,429		384

17 SHARE CAPITAL AND PREMIUM

	Note				
At 1 January 2013, 31 December 2013 and 2014		20,000,000,000	2,000,000	—	2,000,000
At 1 January 2013		3,785,554,299	378,555	3,520,956	3,899,511
Issue of shares under an employees share option scheme	(a)	38,517,400	3,852	165,851	169,703
Issue of new shares	(b)	120,000,000	12,000	781,483	793,483
Repurchases and cancellation of shares	(c)	(22,702,000)	(2,270)	(132,962)	(135,232)
		3,921,369,699	392,137	4,335,328	4,727,465
Issue of shares under an employees share option scheme	(a)	₹			
Repurchases and cancellation of shares	(d)	₹	₹	₹	₹
Dividend relating to 2013					
Dividend relating to 2014					₹

17 SHARE CAPITAL AND PREMIUM (Continued)

In 2005, the Company adopted a share option scheme ("Share Option Scheme"Tion

17 SHARE CAPITAL AND PREMIUM (Continued)

(Continued)

In May 2012, 26,250,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$4.34 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in May 2012, no option was exercised from the date of the grant to 31 December 2014 and a total of 1,646,000 (2013: 1,990,900) options were lapsed during the year ended 31 December 2014.

In May 2013, 26,500,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$5.55 per share. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in April 2013, no option was exercised from the date of the grant to 31 December 2014 and a total of 1,758,033 options (2013: 362,100) were lapsed during the year ended 31 December 2014.

In February 2014, 26,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$6.84 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in February 2014, no option was exercised from the date of the grant to 31 December 2014 and a total of 331,000 options were lapsed during the year ended 31 December 2014.

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

	2013	
	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	4.36	87,122
Granted	5.55	26,500
Exercised	3.20	(38,517)
Lapsed	4.67	(5,303)
Expired	2.34	(8)
At 31 December	5.34	69,794

17 SHARE CAPITAL AND PREMIUM (Continued)

(Continued)

Out of the 89,008,000 (2013: 69,794,000) outstanding options, 17,221,000 (2013: 1,534,000) options were exercisable as at 31 December 2014. Options exercised in 2014 resulted in 1,518,000 shares (2013: 38,517,400 shares) being issued at a weighted average price at the time of exercise of HK$3.55 each (2013: HK$3.20 each).

Share options outstanding at the end of the year have the following expiry date and exercise price:

			2013
31 March 2014	3.55		1,534
31 March 2015	6.44		18,738
31 March 2016	4.34		23,384
31 March 2017	5.55		26,138
31 March 2018	6.84		—
			69,794

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Apprasial Limited, was approximately HK$1.75 (2013: HK$1.39) per option. The significant inputs into the model were weighted average share price of HK$6.84 (2013: HK$5.55) at the grant date, the exercise price shown above, volatility of 45.74% (2013: 47.72%), dividend yield of 4.03% (2013: 3.29%), an expected option life of 3.6 years (2013: 3.6 years), and an annual risk-free interest r

17 SHARE CAPITAL AND PREMIUM (Continued)

(c) In April, May and June 2013, the Company repurchased 6,562,000, 9,300,000 and 6,840,000 shares respectively, totaling 22,702,000 of its own shares at an aggregated amount of HK$135,232,000 during the year. All shares repurchased were returned to the Company for cancellation.

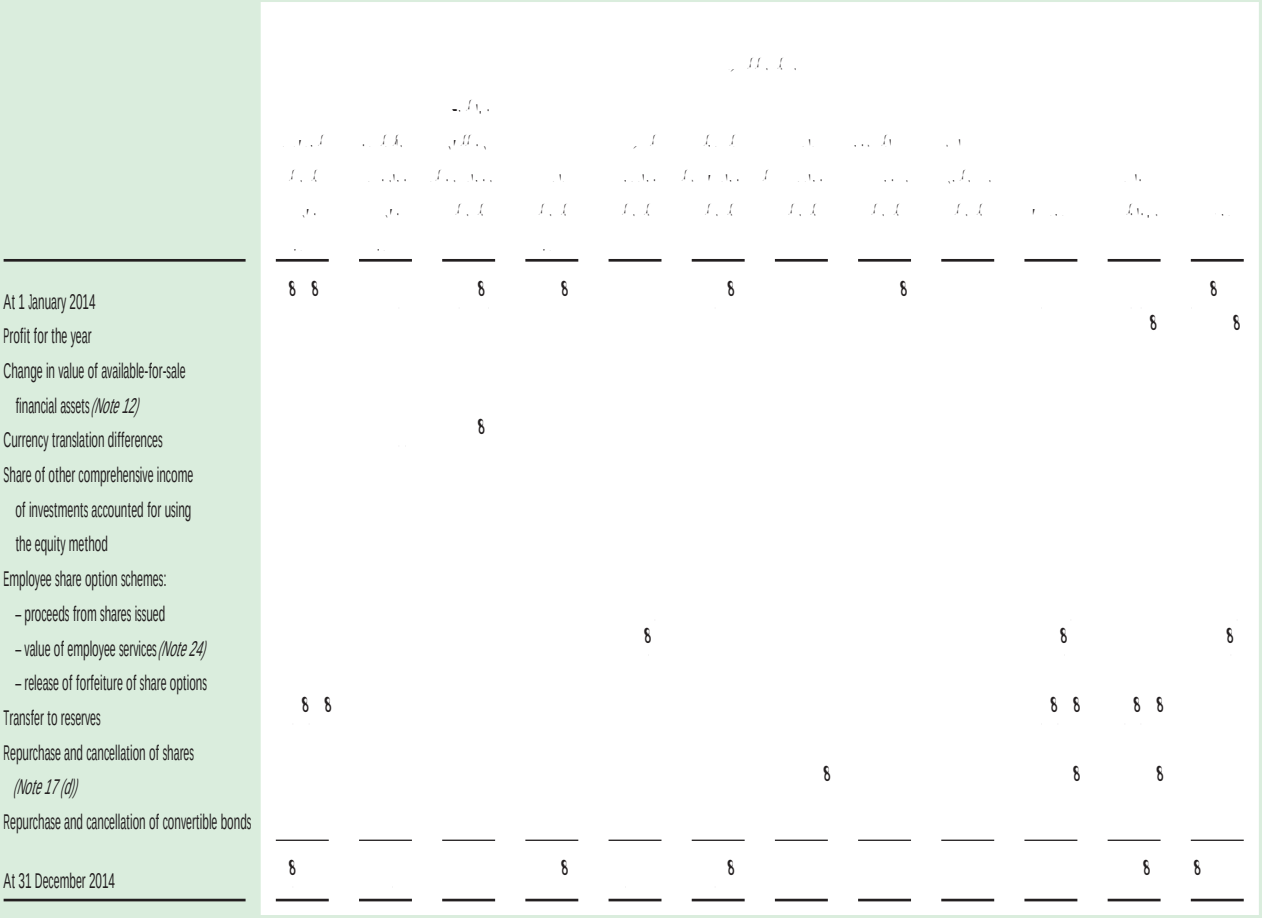
(d) In January 2014, the Company repurchased 1,280,000 shares of its own shares at an aggregated amount of HK$8,467,000 during the year. All shares repurchased were returned to the Company for cancellation.

18 RESERVES

	2013											
	Other reserves											
	Statutory reserve fund *(Note (a))*	Enterprise expansion fund *(Note (a))*	Foreign currency translations reserve	Capital reserve *(Note (b))*	Share option reserve	Property revaluation reserve	Capital redemption reserve	Convertible bonds reserve	Available-for-sales reserve	Sub-total	Retained earnings	Total
At 1 January 2013	716,390	49,796	1,201,327	11,840	72,738	13,458	8,942	16,683	–	2,091,174	3,951,214	6,042,388
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,521,938	3,521,938
Change in value of available-for-sale financial assets *(Note 12)*	–	–	–	–	–	–	–	–	(1,200)	(1,200)	–	(1,200)
Currency translation differences	18,467	1,277	310,577	–	–	–	–	–	–	330,321	–	330,321
Change in revaluation surplus *(Note 8)*	–	–	–	–	–	24,393	–	–	–	24,393	–	24,393
Employee share option schemes:												
– proceeds from shares issued	–	–	–	–	(46,818)	–	–	–	–	(46,818)	–	(46,818)
– value of employee services *(Note 24)*	–	–	–	–	25,249	–	–	–	–	25,249	–	25,249
– reversal of forfeiture of share options	–	–	–	–	2,240	–	–	–	–	2,240	(2,240)	–
Transfer to reserves	154,772	–	–	–	–	–	–	–	–	154,772	(154,772)	–
Repurchase and cancellation of shares *(Note 17 (c))*	–	–	–	–	–	–	2,270	–	–	2,270	(2,270)	–
Loss on repurchase and cancellation of warrants *(Note (c))*	–	–	–	–	–	–	–	–	–	–	(11,149)	(11,149)
Dividend relating to 2012	–	–	–	–	–	–	–	–	–	–	(341,025)	(341,025)
Dividend relating to 2013	–	–	–	–	–	–	–	–	–	–	(493,432)	(493,432)
Distribution in specie *(Note 31)*	–	–	–	–	–	–	–	–	–	–	(1,570,341)	(1,570,341)
Derecognition upon Spin-off *(Note (d))*	(77,800)	–	(132,037)	–	–	–	–	–	–	(209,837)	209,837	–
At 31 December 2013	811,829	51,073	1,379,867	11,840	53,409	37,851	11,212	16,683	(1,200)	2,372,564	5,107,760	7,480,324

18 RESERVES (Continued)

(Continued)



Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in the PRC and regulations by certain subsidiaries which are the wholly owned foreign enterprises incorporated in the PRC. These funds are appropriated from net profit as recorded in the PRC statutory accounts of respective subsidiaries. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2014, the boards of directors of the subsidiaries resolved to appropriate approximately HK$78,798,000 (2013: HK$154,772,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2014 and 2013.

(b) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation occurred in 2004 and the nominal value of the share capital of the Company issued in exchange thereof.

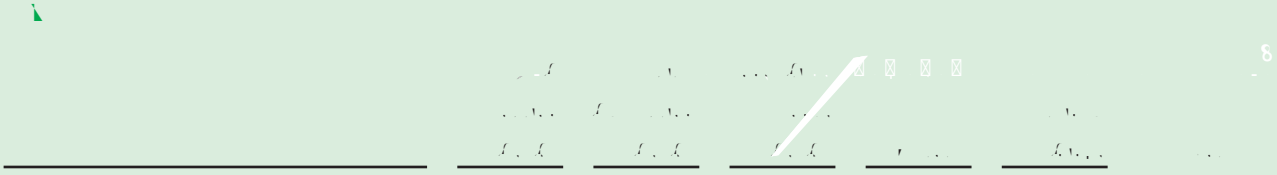
18 RESERVES (Continued)

(Continued)

Notes: (Continued)

(c) In December 2013, the Company, Xinyi Solar Holdings Limited and the solar warrants subscribers entered into a repurchasing agreement for the repurchase and cancellation of the solar warrants at a consideration of HK$13,000,000, and such repurchase and cancellation was completed on 11 December 2013.

(d) The amounts represent statutory and foreign currency translation reserves of Xinyi Solar which were derecognised upon the date of the Spin-off in December 2013.



19 TRADE PAYABLES AND OTHER PAYABLES

	2013		2013
Trade payables *(Note (a))*	773,491		—
Bills payable *(Note (b))*	—		—
	773,491		—
Other payables *(Note (c))*	970,246		923
Less: non-current portion:			
Other payables	—		—
Current portion	1,743,737		923

Notes:

(a) At 31 December 2014 and 2013 , the ageing analysis of the Group's trade payables based on invoice date was as follows:

	2013
0 - 90 days	701,191
91-180 days	52,825
181-365 days	8,625
1-2 years	5,515
Over 2 years	5,335
	773,491

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2013
RMB	750,202
HKD	7
USD	22,367
Other currencies	915
	773,491

20 BANK AND OTHER BORROWINGS (Continued)

At 31 December 2014 and 2013, the Group's bank borrowings were repayable as follows:

	2013
Within 1 year	2,115,743
Between 1 and 2 years	1,781,220
Between 2 and 5 years	436,082
	4,333,045

At 31 December 2014 and 2013, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2017 (2013: 2016) and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2014 and 2013. All bank borrowings are wholly repayable within 5 years.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2013
HKD	4,163,089
USD	169,956
	4,333,045

The effective interest rates at the end of reporting date were as follows:

	2013	
	HKD	USD
Bank borrowings	1.75%	1.04%

The bank borrowings were guaranteed by corporate guarantee provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

20 BANK AND OTHER BORROWINGS (Continued)

The Group issued zero coupon convertible bonds at a total principal value of HK$776,000,000 on 3 May 2012. The bonds mature after five years from the issue date at 121.95% of their principal amount on maturity date or can be converted into shares at the option by either party at a rate of HK$6.0 per share of the Company. The initial fair value of the liability component (HK$759,000,000) and the equity conversion component (HK$17,000,000), net of transaction costs of HK$14,125,000 and HK$317,000 respectively, were determined at the issuance of the bonds. The fair value of the liability component classified as non-current portion of bank and other borrowings was calculated using a market interest rate (4.90%) for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in convertible bonds equity reserve under equity.

On 12 December 2013, the Spin-off involved a distribution of certain shares of Xinyi Solar by way of special dividend, and it resulted in an adjustment to the conversion price. Based on the fair market value of Xinyi Solar, the conversion price was adjusted downward from HK$6.0 to HK$5.7 per share.

The Group repurchased a total principal value of HK$156,000,000 of the convertible bonds on 15 August 2014 with the repurchase price of HK$170,040,000. The repurchase convertible bonds were cancelled upon completion.

At 31 December 2014, the Group's convertible bonds were repayable between 2 and 5 years.

The convertible bonds recognised in the consolidated balance sheet are calculated as follows:

	2013
Liability component on 1 January	769,227
Repurchase & cancellation of convertible bond (liability component)	—
Interest expense *(Note 27)*	37,723
Liability component at 31 December	806,950

The fair value of the liability component of the convertible bonds at 31 December 2014 amounted to HK$700,715,000. The fair value is calculated using cash flows discounted based on the borrowing rate of 3.6% and are within level 2 of the fair value hierarchy.

21 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	2013
Deferred income tax liabilities	159,508

The gross movement on the deferred income tax account is as follows:

	2013
Beginning of the year	101,925
(Credited)/charged to the consolidated income statement *(Note 28)*	57,583
End of the year	159,508

At 1 January 2013	2,880	99,045	101,925
(Credited)/charged to the consolidated income statement	(2,417)	60,000	57,583
Credited to the consolidated income statement			

23 EXPENSES BY NATURE

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

	2013		2013
Amortisation charge of leasehold land and land use rights *(Note 6)*	19,564		2,204
Depreciation charge of property, plant and equipment	606,135		83,218
Amortisation charge of intangible assets *(Note 9)*	3,460		—
Employee benefit expenses *(Note 24)*	779,936		107,973
Cost of inventories *(Note 14)*	4,949,245		1,019,090
Transportation costs	222,189		269
Advertising costs	62,702		102,158
Operating lease payments in respect of land and Buildings	7,452		—
Provision/(reversal of provision) for impairment of trade receivables, net *(Note 15)*	5,560		(1,103)
Auditor's remuneration			
– Audit services	2,900		1,018
– Non-statutory audit services	285		—
Direct operating expenses arising from investment property that generates rental income	394		—
Other expenses	1,390,095		253,152
Total cost of sales, selling and marketing costs and administrative expenses	8,049,917		1,567,979

24 EMPLOYEE BENEFIT EXPENSES

		2013		2013
Wages and salaries		709,563		94,008
Share options granted to employees		25,249		—
Pension costs - defined contribution plans *(Note (a))*		45,124		13,965
		779,936		107,973

Note (a): Pension costs

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees.

The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

24 EMPLOYEE BENEFIT EXPENSES (Continued)

The remuneration of every director for the year ended 31 December 2014 is set out below:

LEE Yin Yee					8
TUNG Ching Bor					
TUNG Ching Sai			8		8
LEE Shing Kan		8			
NG Ngan Ho					
LI Ching Wai					
SZE Nang Sze					
LI Ching Leung					
LAM Kwong Siu					
WONG Chat Chor Samuel					
WONG Ying Wai					
TRAN Chuen Wah, John					
TAM Wai Hung, David					

24 EMPLOYEE BENEFIT EXPENSES (Continued)

(Continued)

The remuneration of every director for the year ended 31 December 2013 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
LEE Yin Yee	250	49	6,055	2	6,356
TUNG Ching Bor	250	1,742	1,941	15	3,948
TUNG Ching Sai	250	6,193	7,058	15	13,516
LEE Yau Ching	250	—	—	—	250
LEE Shing Kan	250	1,488	1,200	15	2,953
LI Man Yin	250	862	900	11	2,023
NG Ngan Ho	250	—	—	—	250
LI Ching Wai	250	—	—	—	250
SZE Nang Sze	250	—	—	—	250
LI Ching Leung	250	—	—	—	250
LAM Kwong Siu	250	—	—	—	250
WONG Chat Chor Samuel	250	—	—	—	250
WONG Ying Wai	250	—	—	—	250
TRAN Chuen Wah, John	250	—	—	—	250
TAM Wai Hung, David	250	—	—	—	250

24 EMPLOYEE BENEFIT EXPENSES (Continued)

The five individuals whose emoluments were the highest in the Group for the year include three (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: three) individuals during the year are as follows:

	2013
	$
Basic salaries and allowances	7,945
Discretionary and performance bonus	5,785
Employer's contributions to pension scheme	52
Share options granted *(Note (a))*	258
	$ $ 14,040

Note (a):

Share options granted represent fair value of share options issued under Share Option Scheme recognised in the consolidated income statement during the year disregarding whether the options have been vested/exercised.

(C) During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2013: Nil).

25 OTHER INCOME

		2013		2013
Rental income		4,791		327
Government grants *(Note (a))*		317,501		54,982
Insurance compensation income			—	—
Others		3,837		1,936
		326,129		57,245

Note (a):

Government grants mainly represent grants obtained from the PRC government in relation to value-added tax, income tax, land use tax and other operating costs of certain PRC subsidiaries.

26 OTHER GAINS - NET

		2013		2013
Gains on disposal of property, plant and equipment, leasehold land and land use rights and non-current asset held for sale		8,129		—
Losses on disposal of subsidiaries		(885)		—
Gain on deemed disposal of an associate		13,143		—
Gain on dilution of share in an associate *(Note 13)*		—		—
Fair value gains on investment properties *(Note 8)*		88,989		—
Losses on disposal of trading securities		(2,723)		—
Other foreign exchange (losses)/gains, net		31,098		(1,086)
		137,751		(1,086)

27 FINANCE INCOME AND COSTS

		2013
Interest income on bank deposits		22,949
Other interest income		—
		22,949
Interest expense on bank borrowings		83,860
Less: interest expense capitalised on qualifying assets *(Note 7)*		(38,932)
Interest expense on convertible bonds *(Note 20 (b))*		37,723
		82,651

28 INCOME TAX EXPENSE

		2013		2013
Current income tax				
– Hong Kong profits tax *(Note (a))*		33,866		714
– PRC corporate income tax *(Note (b))*		286,341		56,901
– Overseas income tax *(Note (c))*		4		—
– (Over)/under-provision in prior years		3,363		—
Deferred income tax *(Note 21)*				
– Origination and reversal of temporary differences		57,583		—
		381,157		57,615

28 INCOME TAX EXPENSE (Continued)

Notes:

(a) Hong Kong profits tax

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

(b) PRC corporate income tax ("CIT")

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

The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu, Dongguan, Tianjin and Jiangmen are 25% (2013: 25%).

Nine (2013: seven) major subsidiaries in Shenzhen, Dongguan, Wuhu and Tianjin enjoy high-tech enterprise income tax benefit and the tax rate is 15%.

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

		2013		2013
Profit before income tax		3,626,503		334,510
Calculated at weighted average tax rate of 24% (2013: 24%)		871,167		80,282
Preferential tax rates on income of certain PRC and Hong Kong subsidiaries		(320,503)		(26,063)
(Over)/under-provision in prior years		3,363		—
Utilisation of previously unrecognised tax losses		(493)		—
Associates' results reported		(4,490)		—
Income not subject to tax		(254,993)		—
Expenses not deductible for tax purposes		27,106		3,396
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries and associates		60,000		—
Income tax expense		381,157		57,615

29 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$31,688,000 (2013: HK$2,039,891,000).

30 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (after taking into account the effect of the issuance of new shares and share repurchased and cancellation stated in Note 17 (a), (b), (c) and (d)) during 2014 and 2013.

	2013
Profit attributable to equity holders of the Company (HK$'000)	3,245,043
Weighted average number of ordinary shares in issue (thousands)	3,832,349
Basic earnings per share (HK cents per share)	84.68

	2013
Profit attributable to equity holders of the Company (HK$'000)	276,895
Weighted average number of ordinary shares in issue (thousands)	3,832,349
Basic earnings per share (HK cents per share)	7.23

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options and convertible bonds. The calculation for share options is determined by 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 the 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. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

30 EARNINGS PER SHARE (Continued)

(Continued)

		2013
Profit attributable to equity holders of the Company (HK$'000)	8	3,245,043
Interest expense on convertible bonds (net of tax) (HK$'000)		31,499
Profit used to determine diluted earnings per share (HK$'000)		3,276,542
		3,832,349
Adjustments for:		
Share options (thousands)		19,736
Assumed conversion of convertible bonds (thousands)	8	136,140
Weighted average number of ordinary shares for diluted earnings per share (thousands)	8	3,988,225
Diluted earnings per share (HK cents per share)		82.16

		2013
Profit used to determine diluted earnings per share (HK$'000)		276,895
		3,832,349
Adjustments for:		
Share options (thousands)		19,736
Assumed conversion of convertible bonds (thousands)		136,140
Weighted average number of ordinary shares for diluted earnings per share (thousands)		3,988,225
Diluted earnings per share (HK cents per share)		6.94

32 CASH GENERATED FROM OPERATIONS

		Note	2013
(a)	Profit before income tax		
	– from continuing operations		3,626,503
	– from discontinued operation		334,510
			3,961,013
	Adjustments for:		
	– Amortisation charge of leasehold land and land use rights	23	21,768
	– Fair value gains on investment properties	26	(88,989)
	– Depreciation of property, plant and equipment	23	689,353
	– Gains on dilution of share in an associate	13	—
	– Gains on disposal of property, plant and equipment, leasehold land and land use rights and non-current asset held for sale	26	(8,129)
	– Gain on early redemption of convertible bonds	20 (b)	—
	– Amortisation charge of intangible assets	23	3,460
	– Gain on the Spin-off		(1,315,417)
	– Losses on disposal of subsidiaries	26, 32 (c)	885
	– Gain on deemed disposal of an associate	26	(13,143)
	– Share of profits of associates	13	(20,749)
	– Interest income	27	(22,949)
	– Interest expense	27	82,651
	– Share options granted to employees	24	25,249
	– Losses on disposal of trading securities	26	2,723
	– Provision for impairment of trade receivables, net	15	4,457
	Changes in working capital:		
	– Inventories		(113,738)
	– Trade and other receivables		(885,407)
	– Amount due to an associate		2,531
	– Trade payables and other payables		723,398
	Cash generated from operations		3,048,967

32 CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of propertyQ/Artifact <<j0.392 0 T336 0 S.035 Tc 0.03 u5

33 COMMITMENTS

GROUP

Capital expenditure at the end of reporting date but not yet incurred is as follows:

33 COMMITMENTS (Continued)

(Continued)

GROUP (Continued)

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment properties not recognised in the consolidated financial statements are as follows:

	2013
Not later than 1 year	4,126
Later than 1 year and not later than 5 years	13,691
Later than 5 years	6,050
	23,867

COMPANY

The Company did not have any operating lease commitment as at 31 December 2014 and 2013.

34 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	Note	2013
Purchases of goods from associates	i	
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited		430,389
– Beihai Yiyang Mineral Company Limited		136,433
– Dongyuan County Xinhuali Quartz Sand Company Limited		37,382
– Maoming City Yindi Construction Material Company Limited		33,790
Sales of goods to associates	ii	
– A subsidiary of Xinyi Solar		—
– Beijing Zhengmei Fengye Automobile Service Co., Ltd.		13,200
Sales of land and buildings to a related company	iii	
– Shenzhen Xinxinde Properties Development Limited		—
Sales of machineries to an associate	iv	
– A subsidiary of Xinyi Solar		—
Consultancy income received from an associate	v	
– A subsidiary of Xinyi Solar		—
Rental income received from an associate	vi, vii	
– A subsidiary of Xinyi Solar		297
Rental expenses paid to an associate	vi, vii	
– A subsidiary of Xinyi Solar		63

(i) The purchases of goods from associates were charged at mutually agreed prices and terms.

(ii) The sales of goods to associates were charged at mutually agreed prices and terms.

(iii) The sales of land and building was charged at considerations based on mutually agreed terms.

(iv) The sales of machineries to an associate was charged at considerations based on mutually agreed terms.

(v) Consultancy income received from an associate was charged at mutually agreed fee.

(vi) The lease of premise was charged at mutually agreed rental.

(vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms, exempted from all the 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.

35 DERECOGNITION OF SUBSIDIARIES UPON SPIN-OFF

On 12 December 2013, the Company completed the Spin-off of Xinyi Solar by way of introduction. Immediately following completion of the Spin-off, the Company continued to hold, through its subsidiary, 1,778,709,301 Xinyi Solar's shares, representing 31.2% of the 5,700,000,000 Xinyi Solar's shares in issue.

The Company's shareholdings in Xinyi Solar decreased from 100% to 31.2% following the Distribution on 11 December 2013. The Group lost control in Xinyi Solar upon completion of the Spin-off, but retained the power to exercise significant influence over Xinyi Solar. Therefore, Xinyi Solar is regarded as an associate of the Company and is accounted for using the equity method of accounting.

The net assets of the Xinyi Solar on the date of Spin-off were as follows:

	2013
Land use rights *(Note 6)*	186,833
Property, plant and equipment *(Note 7)*	1,386,685
Prepayments for property, plant and equipment and land use rights	47,098
Inventories	80,633
Trade and other receivables (net of provision for impairment of HK$834,000) *(Note 15)*	736,861
Cash and bank balances	264,018
Trade payables and other payables	(399,908)
Current income tax liabilities	(19,569)
Net assets derecognised upon the Spin-off	2,282,651
Transferred to interests in associates *(Note 13)*	(712,310)
Special dividend *(Note 31)*	1,570,341
Net cash outflow upon Spin-off Cash and bank balances	264,018

35 DERECOGNITION OF SUBSIDIARIES UPON SPIN-OFF (Continued)

The profit and loss of the Xinyi Solar from 1 January 2013 to the date of Spin-off on 11 December 2013 were as follows:

	Note	For the period from 1 January 2013 to 11 December 2013
[illegible]		1,846,330
Cost of sales	23	(1,293,334)
[illegible]		552,996
Other income	25	57,245
Other gains – net	26	(1,086)
Selling and marketing costs	23	(122,286)
Administrative expenses	23	(152,359)
[illegible]		334,510
Income tax expense	28	(57,615)
[illegible]		276,895

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

A summary of the results and of the assets and liabilities of the Group for the last five financial years is presented below.

		2013	2012	2011 (Restated)	2010 (Restated)
Continuing operations		9,936,076	8,433,049	6,993,500	5,286,547
Discontinued operation		1,846,330	1,352,160	1,233,151	1,077,767
		11,782,406	9,785,209	8,226,651	6,364,314
Continuing operations		(6,799,045)	(6,206,215)	(5,080,059)	(3,290,781)
Discontinued operation		(1,293,334)	(1,103,841)	(792,942)	(518,486)
Continuing operations		3,137,031	2,226,834	1,913,441	1,995,766
Discontinued operation		552,996	248,319	440,209	559,281
		3,690,027	2,475,153	2,353,650	2,555,047
Profit before income tax		3,626,503	1,246,381	1,107,206	1,300,792
Income tax expense		(381,157)	(184,375)	(206,446)	(246,764)
Profit for the year from continuing operations		3,245,346	1,062,006	900,760	1,054,028
Profit for the year from discontinued operation		276,895	126,781	363,636	518,384
Profit for the year		3,522,241	1,188,787	1,264,396	1,572,412
– Equity holders of the Company		3,521,938	1,188,142	1,265,371	1,571,198
– Non-controlling interests		303	645	(975)	1,214
		3,522,241	1,188,787	1,264,396	1,572,412
		2,612,765	567,260	584,069	740,560

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

	2013	2012	2011 (Restated)	2010 (Restated)
Total assets	19,651,127	16,065,091	15,346,488	11,016,796
Total liabilities	7,442,198	6,119,018	6,816,183	4,456,372
	12,208,929	9,946,073	8,530,305	6,560,424
Equity attributable to equity holders of the Company	12,207,789	9,941,899	8,512,597	6,540,797
Non-controlling interests	1,140	4,174	17,708	19,627
	12,208,929	9,946,073	8,530,305	6,560,424