



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
2013

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

* Chairman of audit committee
Members of audit committee
+ Chairman of remuneration committee
ø Members of remuneration committee
~ Chairman of nomination committee
< Members of nomination committee

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. LAU Sik Yuen, FCPA, AICPA

REGISTERED OFFICE

P.O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3rd Floor, Harbour View 2, 16 Science Park East Avenue
HK Science Park, Phase 2, Pak Shek Kok
Tai Po, New Territories
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Sanders
29th Floor, Edingburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Australia and New Zealand Bank
Bank of China (Hong Kong)
Bank of East Asia
Citibank, N.A.
DBS Bank
Deutsche Bank
Fubon Bank (Hong Kong)
Hang Seng Bank
HSBC
KBC Bank N.V.
Nanyang Commercial Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Bank of China
Bank of Communications
Ping An Bank
China Merchants Bank
China Citic Bank
Huishang Bank
Industrial and Commercial Bank of China
Industrial Bank
Shanghai Pudong Development Bank

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Corporate Services (Cayman) Limited
P. O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman
Cayman Islands

WEBSITE

<http://www.xinyiglass.com>

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange
of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK\$6.56
Market capitalisation as of the date of this annual report:
Approximately HK\$25.7 billion

KEY DATES

Closure of register of members for the purpose of entitlements
to attend and vote at the Annual General Meeting:
4 June 2014 to 6 June 2014 (both days inclusive)
Date of Annual General Meeting: Friday, 6 June 2014
Closure of register of members for the purpose of entitlements
to the final dividend: 13 June 2014 to 17 June 2014
Proposed final dividend payable date: On or before
8 July 2014

Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of Xinyi Glass Holdings Limited (the "Company"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2013.

In comparison with 2012, the Group's turnover increased by about 20.4% to HK\$11,782.4 million in 2013. The net profit attributable to equity holders of the Company increased substantially by about 196.4% to HK\$3,521.9 million in 2013. Basic earnings per share (the "Share") of the Company were 91.91 HK cents, as compared with 31.72 HK cents last year.

We are pleased with the results achieved by the Group in 2013 and therefore propose payment of a final dividend of 14.0 HK cents per Share upon approval by the shareholders (the "Shareholders") at the forthcoming annual general meeting (the "Annual General Meeting").

I present below an overview of the business of the Group during 2013 and key development highlights for the coming year.

OPPORTUNITIES IN THE GLASS MARKET

In 2013, even though the economy in the PRC expanded at a relatively slow pace, the four business segments of the Group continued to grow significantly because of the enhanced competitive advantages of the Group. The business of the Group in the PRC recorded strong growth. Following the industry consolidation in the traditional slow season for float glass during the first quarter in 2013, the demand for the Group's float glass products increased with the average selling prices for high quality float glass products rebounding significantly during the second and the third quarter of 2013. The float glass division of the Group enjoyed solid growth in sales volume principally due to the additional production capacity at the Tianjin production complex and its diversified product offerings which have been well received by the customers of the Group.

In the construction glass segment, the sales of the Group have also recorded rapid growth due to the increasing demand for energy-saving Low-E glass in the construction industry in the PRC. The related production capacity of the Group's production complexes in Wuhu and Tianjin have also increased.

Although the European debt crisis hindered the recovery of the local economies amongst the European countries, and the European Union had imposed anti-dumping duties on the solar module and solar glass imported from the PRC, there has been remarkable growth in the global annual demand of solar product of more than 10% in the last few years, reaching 16.9% in 2013. The high growth markets are the PRC, Japan and North America because of the favourable policies highlighted by solar power-related incentives. The solar glass business segment recorded significant increase in the sales volume after the industry consolidation in 2012 with more than 90% of the world's solar glass manufactured in China.

The automobile glass division implemented flexible and proactive marketing and pricing strategies to further penetrate many overseas markets to increase its sales volume. Currently, the Group sells its glass products to more than 130 countries.

As a leader in the global glass industry, the Group has strengthened its market leading position through the large-scale production activities with strategic and appropriate expansion of the production capacity and the construction of new production complexes equipped with more efficient production and logistics process. The Group has also implemented a series of enhanced controls on the raw material consumption, the recycling of the principal raw materials and the enhanced production scheduling so as to reduce excessive accumulation of inventory. To help boost the sales, the Group has successfully developed and launched a wide range of high value-added glass products and adopted flexible pricing and marketing strategies to take advantage of the supportive measures implemented under the Twelfth Five-Year Plan by the PRC government.

All of these factors contributed to the 20.4% increase in the sales revenue of the Group to HK\$11,782.4 million for the year ended 31 December 2013, as compared with the sales revenue of HK\$9,785.2 million in 2012.

BETTER PRODUCTIVITY, TECHNOLOGY AND ECONOMIES OF SCALE TO REDUCE PRODUCTION COST PRESSURES

The Group's solid experience in operational management combined with the continuous improvement in the production process have enhanced its productivity and yield, which has reduced the overall production and energy costs. The Group's advantage in economies of scale helps it to reduce the raw material costs, the average fuel consumption rate and the fixed costs. To further control the production costs, the Group is using environmental-friendly and clean energy, such as rooftop solar power systems and a low temperature recycling residual heat power co-generation system. These measures have reduced the adverse impact of the recent PRC natural gas price reforms (excluding Guangdong Province which uses LNG) and other potential cost pressures on the gross profit margin of the Group in the future.

Since the end of 2011, all of the Group's high-quality float glass and solar glass production lines have been using environmental-friendly and more cost effective natural gas as fuel. All of the above appliances reduce the carbon emission level while optimising the energy cost structure of the Group.

HIGH VALUE-ADDED DIVERSIFIED PRODUCT MIX ENHANCES OVERALL COMPETITIVENESS

In 2013, the revenue generated from the Group's automobile glass, construction glass, high-quality float glass and solar glass businesses achieved strong growth. This strong performance demonstrates that the Group's diversified businesses and high value-added product mix can reduce cost pressure and the intense competition within individual business segments.

Meanwhile the Group's strategic expansion plan to establish its production complexes in the five major advanced economic zones in China — the Pearl River Delta, the Yangtze River Delta, the Bohai Economic Rim, Northeastern China and Chengdu-Chongqing Economic Zone — is in progress. This strategy is expected to further enhance both the Group's overall competitiveness to cope with the challenges ahead and better market coverage in PRC.

INCREASING PRODUCTION CAPACITY TO CAPTURE THE NEW PRC MARKET TREND

The Board is optimistic about the prospects of the glass market in the PRC. Thus the Group plans to boost the production capacity of the automobile glass manufacturing facilities by 10.1% from 14.4 million pieces to 15.8 million pieces while that of energy-saving Low-E glass will be increased by 40.0% to 28.0 million sq. m. in 2014 in order to fulfil the strong market demand.

At the same time, the float glass annual production capacity is expected to rise from 3,522,000 daily melting tonnes to 4,483,000 daily melting tonnes with the commencements of the Yingkou operations in early 2014 and Deyang operations in the second half of 2014 respectively. An estimated capital expenditure of HK\$2.2 billion is to be incurred in 2014 subject to periodic re-assessment reflecting the actual progress of the building and equipment installation of each project.

The second ultra-thin electronic glass production line will be built at the Wuhu production complex in 2014.

Chairman's Statement

BUSINESS OUTLOOK

The Group will continue to strengthen its production management and improve operational efficiency in order to remain competitive amongst the world's leading glass manufacturers against the uncertainties involved in the global economies.

With reduced increment of the new float glass capacity expected in the PRC industry in the coming years, the prospects of the float glass industry and the selling price trends in the PRC are more optimistic. At the same time, the expanded applications of energy-saving Low-E glass in the PRC market are expected to result in a greater demand for float glass and construction glass in the near future.

The enhanced efforts in the North America market, the business alliance with auto insurance companies in Greater China and proactive strategies in penetrating the overseas markets will continue to provide growth momentum in the automobile glass business. In January 2014, the Group renewed the agreement for the supply of replacement automobile glass with one of the leading automobile glass manufacturers in North America. The Directors expect that this transaction will further accelerate the growth of the Group's automobile glass business in the very near future.

The Group intends to allocate additional resources to research and development of new glass products, enhance product quality and further bolster its production efficiency in order to maintain its competitiveness and raise its profit margin.

The Group continues to tackle challenges amidst the uncertain economic environment and optimise its competitive advantages so as to improve the profit margin through effective management and continued collaboration with its customers. The Directors believe that all of these strategies enable the Group to reap the benefits from any emerging business opportunities. The Directors remain confident about the Group's business prospects with these proven business strategies in place to sustain and strengthen growth momentum. To maintain its industry leading position, the Group is striving to expand its presence in the global glass market across a wide spectrum of industries.

CONCLUSION

The Group will continue to tackle the challenges amidst uncertain economic environment and optimise its efficiency and profit margin through effective leadership and the continued support of its customers. The Directors believe that this strategy will enable the Group to reap the benefit from any emerging business opportunities. The Directors are confident on the Group's prospects and will continue to adopt proven business strategies to maintain and strengthen the growth momentum of the Group. To maintain its industry leading position, the Group is striving to continue efforts to expand its presence in the global glass market across a wide spectrum of industries.

LEE Yin Yee, M.H.

Chairman

26 February 2014

Management's Discussion and Analysis

INTRODUCTION

The Group is engaged in the production and sales of a wide range of glass products, including automobile glass, construction glass, float glass, and other glass products for different commercial and industrial applications. These products are manufactured at the production facilities of the Group strategically located in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province, and Tianjin, all in the PRC. In addition, the Group also produces automobile rubber and plastic components.

On 12 December 2013, the Group completed the spin-off (the “**Spin-off**”) of the solar glass and related business for separate listing on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The solar glass and related business is currently conducted by Xinyi Solar Holdings Limited (“**Xinyi Solar**”) (stock code: 00968). The Group continues to hold 31.2% of the issued shares of Xinyi Solar following completion of the Spin-off. Following completion of the Spin-off, the Group no longer produces solar glass products as part of its product portfolio.

The Group's glass products are sold to customers in around 130 countries and territories, including the PRC, Hong Kong, the United States, Canada, Australia, New Zealand, and countries in the Middle East, Europe, Africa, and Central and South America. The Group's customers include companies in the business of automobile glass manufacturing, wholesale and distribution, automobile repair, motor vehicle manufacturing, construction and furniture glass manufacturing, float glass wholesale and distribution, and solar module manufacturing.

The following analysis is based on the combined figures of both the “**continuing operations**” (“businesses of automobile glass, construction glass and float glass”) and “**discontinued operation**” (“**solar glass**” business, please see note 15 in financial statements) of the Group in 2013.

BUSINESS REVIEW

The Group continued to maintain its leading position in the global glass industry in 2013 with strong demand for (a) energy-saving low-emission (“**Low-E**”) construction glass and (b) high-quality float glass in the PRC. As the Spin-off was only completed in December 2013, the strong performance of the solar glass business of the Group in 2013 also benefitted the Group. In 2013, the sales and the net profit attributable to equity holders of the Company reached HK\$11,782.4 million and HK\$3,521.9 million, respectively, representing a year-on-year increase of 20.4% and increase of 196.4%, as compared with HK\$9,785.2 million and HK\$1,188.1 million, respectively, in 2012. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company for the five-year period including 2013 was 31.4% and 46.1%, respectively.

In 2013, the sales of the Low-E glass, the high-quality float glass products and the solar glass of the Group recorded strong growth. The Group captured the business opportunities emerged from the energy-saving targets in the PRC's Twelfth Five Year Plan by focusing on the production of high performance Low-E construction glass and hence, the Group increases its overall market share in the PRC. The urbanisation of the rural areas in the PRC and the strong demand for double glazing Low-E glass in the PRC also contributed to the high growth of the Group's float glass sales in 2013.

The strong growth of the solar glass products was attributable to the favourable and incentive-based government policies on the solar power industry in both the PRC and other countries, such as Japan. The installation of global solar PV modules increased by 16.9% to 36.7G in 2013 while the installation of solar PV modules in the PRC soared by 151.1% to 11.3G which represents 30.8% of total global installation.

Management's Discussion and Analysis

OPERATIONAL REVIEW

Sales

The sales of the Group in 2013 increased by 20.4%. The increase was principally due to the high growth in the sales of different glass products in the global markets, especially the sales of float glass, energy-saving Low-E construction glass and the solar glass products in the PRC. The Group completed the Spin-off in December 2013 and the sales of the solar glass products therefore will not be included as part of the business of the Group following completion of the Spin-off.

The tables below set forth the Group's sales by products and by geographical regions:-

	Financial year ended 31 December			
	2013		2012	
	HK\$'000	%	HK\$'000	%
Sales				
Float glass products	4,494,334	38.1	3,780,598	38.6
Automobile glass products (<i>Note (a)</i>)	3,287,204	27.9	3,077,826	31.5
Construction glass products	2,154,538	18.3	1,574,625	16.1
Solar glass products	1,846,330	15.7	1,352,160	13.8
	11,782,406	100.0	9,785,209	100.0

Note:

- (a) Included sales of automobile glass and automobile rubber and plastic components on original equipment manufacturing ("OEM") and aftermarket basis.

	Financial year ended 31 December			
	2013		2012	
	HK\$'000	%	HK\$'000	%
Sales				
Greater China (<i>Note (a)</i>)	8,678,095	73.6	6,862,671	70.1
North America	1,001,718	8.5	1,012,034	10.3
Europe	505,679	4.3	525,897	5.4
Others (<i>Note (b)</i>)	1,596,914	13.6	1,384,607	14.2
	11,782,406	100.0	9,785,209	100.0

Notes:

- (a) China and Hong Kong.
 (b) Australia, New Zealand, Africa, the Middle East, Central America, South America and other countries.

Cost of sales

There were increases in the material costs, depreciation and energy costs in 2013. While the adverse impact of the higher costs was mitigated partly by the improved production efficiency, cost control measures and using renewable energies, the cost of sales in 2013 was HK\$8,092.4 million, representing an increase of 10.7%. The percentage increase in the cost of the sales was less than the percentage increase of the sales of the Group in 2013.

Gross profit

The amount of the Group's gross profit in 2013 was HK\$3,690.0 million, representing an increase of 49.1%, as compared with 2012. The overall gross profit margin of the Group climbed from 25.3% to 31.3% as a result of increase in demand and the consequential increases in the selling prices of the float glass and the solar glass products of the Group and the strong demand for energy saving construction glass products of the Group.

Other income

The Group's other income increased to HK\$383.4 million, as compared with the other income of HK\$124.4 million in 2012. The rise was principally due to the additional government grants received by the Group in 2013.

Net other gains

The Group's net other gains were HK\$136.7 million in 2013, as compared with the net other gains of HK\$42.9 million in 2012. The increase was principally due to the net impact of the increase in the fair value gains on investment properties of HK\$89.0 million and the increase in the exchange gains of HK\$23.5 million recognised by the Group in 2013.

OPERATIONAL REVIEW

Selling and marketing costs

Consistent with the increase in the sales and the higher advertising and freight costs, the Group's selling and marketing costs increased by 22.8% to HK\$600.7 million in 2013.

Administrative expenses

The Group's administrative expenses rose by 30.8% to HK\$924.8 million in 2013, principally due to the increase in research and development expenses and the staff and welfare costs of the Group.

Finance costs

The Group's finance costs increased by 16.0% to HK\$82.7 million in 2013 principally due to the interest costs on the convertible bonds issued by the Company in May 2012 in the amount of HK\$776.0 million, the slight increases in the effective loan interest rates and the level of the bank borrowings of the Group. A portion of the interest expense incurred on the construction-in-progress and acquisition of plant and machinery at the production complexes in Tianjin, Wuhu, Yingkou and Deyang was capitalised, but it will be charged as expenses of the Group when the related production facilities and the new production lines commence commercial operation. Interest expense of HK\$38.9 million was capitalised under construction-in-progress in 2013, representing an increase of 46.2%, as compared with HK\$26.6 million in 2012.

Management's Discussion and Analysis

Income tax expense

The Group's income tax expense amounted to HK\$438.8 million in 2013. The effective tax rate rose slightly by 1.7% to 16.6% (without counting the gain on the spin off) in 2013 due to the increase in the provision of PRC withholding tax of HK\$60.0 million on the higher amount of the distributable profit of the Group's PRC subsidiaries and associates in 2013.

EBITDA and net profit for the year

In 2013, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK\$4,758.2 million, representing an increase of 129.5% as compared with HK\$2,072.9 million in 2012. The Company's EBITDA margin, calculated based on turnover in 2013, was 40.4% as compared with 21.2% in 2012.

Net profit attributable to equity holders of the Company in 2013 was HK\$3,521.9 million, representing an increase of 196.4%, as compared with HK\$1,188.1 million in 2012. Net profit margin rose to 29.9% in 2013 primarily due to the one-time gain on the Spin Off and the improving demand for and the selling prices of float glass and solar glass products in the favourable market environment and government incentives and policies in 2013.

CURRENT RATIO

The Group's current ratio as of 31 December 2013 was 1.11, as compared with 1.24 as of 31 December 2012. The slight decrease was principally due to the increases in the trade payables, accruals and other payables and current income tax liabilities of the Group in 2013.

NET CURRENT ASSETS

As at 31 December 2013, the Group had net current assets of HK\$458.2 million, as compared with HK\$792.2 million as of 31 December 2012. The decrease was in line with decrease in current ratio.

FINANCIAL RESOURCES AND LIQUIDITY

In 2013, the Group's primary source of funding included cash generated from (a) the Group's operating activities, (b) the net proceeds from the new issue of 120,000,000 Shares by the Company in September 2013, the net proceeds was intended for future capital expenditures and general working capital and (c) the 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\$2,712.1 million (2012: HK\$1,390.7 million) as a result of efficient working capital management generating a net cash surplus from operations. As at 31 December 2013, the Group had cash and bank balances (including pledged bank deposits) of HK\$1,043.2 million (2012: HK\$704.4 million).

As at 31 December 2013, the Group had bank and other borrowings in the total amount of HK\$5,140.0 million, representing an increase of 20.5% from the balance of HK\$4,265.6 million as of 31 December 2012. The increase was principally due to the net increase in bank borrowings for the capital expenditures in building new production complexes in 2013.

The Group's net debt gearing ratio as of 31 December 2013 was 33.6% (31 December 2012: 35.8%). 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 2013. The decrease was principally due to the new issue of 120,000,000 Shares by the Company in September 2013 for HK\$804.0 million, the improvements in the net profit margin and the improved cash control management measures adopted by the Group in 2013.

PLEDGE OF ASSETS

As at 31 December 2013, 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 at 31 December 2013, the Group had 12,503 full-time employees of whom 12,413 were based in China and 90 were based in Hong Kong, other countries and territories. The Group maintains good relationships with all of its employees. It 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 rewarded 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 the Group's employees in China. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

The Company 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 2006, the first tranche of 17,040,000 options was granted to employees of the Group. The exercise price of these options was HK\$1.08 per Share and all unexercised options under this tranche expired on 27 January 2009.

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 was 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 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). A total of 22,447,900 options have been exercised and 26,069,300 options have lapsed or expired. 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 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). A total of 18,082,600 options have been exercised and 4,205,400 options have lapsed or expired. The exercise price of these options was HK\$1.72 per Share and the option holders could 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 had not been exercised by the holders expired on 31 March 2012.

Management's Discussion and Analysis

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 27,457,000 options have been exercised and 7,907,000 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 on or before 31 March 2014 shall lapse.

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). A total of 4,979,500 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 have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 2,865,900 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 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). A total of 362,100 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.

FINAL DIVIDEND

At the meeting of the Board of Directors held on 26 February 2014, the Directors proposed a final cash dividend of 14.0 HK cents per Share for 2013.

Together with the interim cash dividend of HK\$493.4 million for 2013, the total dividend paid and payable in 2013 represent a dividend pay-out ratio of 47.2%. The Directors consider that this dividend level is appropriate after careful consideration of the Group's operating results in 2013.

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 principal production activities based in China. As at 31 December 2013, the Group's bank borrowings were denominated in US dollars and Hong Kong dollars bearing interest rates ranging from 1.90% to 1.69% per annum. As the currencies of the Group's borrowings are generally the same as the Group's transactional currencies, the Directors consider that the Group's exposure to foreign exchange fluctuations was minimal. The Group did not experience any material difficulties and liquidity problems resulting from currency exchange fluctuations and may use financial instruments for hedging purposes as and when required.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Yin Yee, M.H. (李賢義) aged 61, is our Chairman and founder, responsible for the Group's business strategy. Mr. LEE Yin Yee, M.H. has 25 years' experience in the automobile glass industry. Prior to establishing the Group, Mr. LEE Yin Yee, M.H. was involved in the trading of automobile parts. Mr. LEE Yin Yee, M.H. is a national committee member of the Twelfth Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Mr. LEE Yin Yee, M.H. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Mr. LEE Yin Yee, M.H. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Mr. LEE Yin Yee, M.H. is the father of Mr. LEE Shing Kan, our executive Director. Mr. LEE Yin Yee, M.H. is also the brother-in-law of Mr. TUNG Ching Bor, our vice-chairman and executive Director and brother-in-law of Mr. TUNG Ching Sai, our chief executive officer and executive Director. Mr. LEE Yin Yee, M.H. was appointed as our executive Director on 25 June 2004. Mr. LEE Yin Yee, M.H. is the chairman and non-executive Director of Xinyi Solar Holdings Limited ("Xinyi Solar") a company listed on the main board of the Stock Exchange. Save as disclosed above, Mr. LEE Yin Yee, M.H. 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 Yin Yee, M.H. has not held any directorship in other publicly listed companies in the last three years.

TUNG Ching Bor (董清波), aged 51, is our vice-chairman and chief purchasing officer, responsible for managing our daily operations and overseeing our purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 13 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Tenth Chinese People's Political Consultative Conference of Anhui Province since 1 January 2011 and also a member of Nanping Committee of Fujian Province. Mr. TUNG Ching Bor is the brother-in-law of Mr. LEE Yin Yee, M.H., brother of Mr. TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Bor was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. TUNG Ching Bor 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. TUNG Ching Bor has not held any directorship in other publicly listed companies in the last three years.

TUNG Ching Sai (董清世), aged 48, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for 25 years since our inception in November 1988 and is responsible for overseeing our daily operations. Mr. TUNG Ching Sai is a committee member of The Chinese People's Political Consultative Conference of Fujian Province, vice chairman of the China Architectural and Industrial Glass Association, the chairman of the Shenzhen Federation of Young Entrepreneurs, the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur and was awarded the "Young Industrialist Awards of Hong Kong 2006". Mr. TUNG graduated from the Sun Yat-Sen University with a executive master degree of business administration. Mr. TUNG Ching Sai is the brother-in-law of Mr. LEE Yin Yee, M.H., brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Sai was appointed as our executive Director on 25 June 2004. Mr. TUNG Ching Sai is the vice chairman and executive Director of Xinyi Solar, a company listed on the main board of the Stock Exchange. Save as disclosed above, Mr. TUNG Ching Sai 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. TUNG Ching Sai has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

LEE Shing Kan (李聖根), aged 34, is our executive Director, the general manager of Xinyi Plastics Products (Shenzhen) Development Company Limited from 9 May 2008 and the deputy general manager of Xinyi Automobile Glass (Shenzhen) Company Limited from January 2007. Mr. LEE Shing Kan joined the Company in January 2005 as an assistant to Mr. TUNG Ching Sai, the chief executive officer of the Company. 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.

Following completion of the Spin-off, Mr. LEE Yau Ching and Mr. LI Man Yin have resigned as executive Directors effective from 12 December 2013.

NON-EXECUTIVE DIRECTORS

LI Ching Wai (李清懷), aged 56, 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 56, 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 57, 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.

NG Ngan Ho (吳銀河), aged 49, 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 80, 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 64, 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 ("ICC") 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.

Profile of Directors and Senior Management

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 61, 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.

Dr. WONG Ying Wai started his political career at the national level when he was appointed a member of The Basic Law Consultative Committee (1985-1990) by the Central People's Government. He was subsequently appointed by the National People's Congress as a member of the Preliminary Working Committee for the Hong Kong SAR Preparatory Committee in 1993 and a member of the Hong Kong SAR Preparatory Committee in 1995, both bodies were responsible for the transitional policies and arrangements relating to the establishment of the HKSAR Government in 1997. Dr. WONG Ying Wai was a Deputy to the National People's Congress of the PRC during 1997-2012.

Dr. WONG Ying Wai's public service continues through his participation in a number of councils and committees in Hong Kong. He is currently the Chairman of Hong Kong Arts Development Council; Chairman of Hong Kong International Film Festival Society Limited; Chairman of Standing Commission on Civil Service Salaries and Conditions of Service; Chairman of Hong Kong Baptist University Foundation; Chairman of the Pacific Basin Economic Council; Chairman of Hong Kong Institute for Public Administration; Deputy Chairman of Hong Kong Film Development Council and Member of China Federation of Literary and Art Circles. He was the chairman of the Court and Council of the Hong Kong Baptist University from 2007 to 2012. Dr. WONG Ying Wai was awarded the Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2007. He was educated at Harvard University (MPA), Oxford University, University of Hong Kong (BSoc.Sc.) and the Chinese University of Hong Kong. Dr. WONG was conferred the honorary degree for doctor of humanities by the Hong Kong Baptist University in November 2013.

Dr. WONG Ying 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, Dr. WONG Ying Wai 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.

Mr. TRAN Chuen Wah, John (陳傳華), aged 42, obtained a bachelor's degree in business administration from Simon Fraser University in June 1993. Mr. TRAN Chuen Wah, John is currently a minister of Evangelical Free Churches of China Tung Fook Church Limited. Mr. TRAN Chuen Wah, John has over 15 years of experience in accounting and investment banking industry, during which Mr. TRAN Chuen Wah, John had worked in Price Waterhouse (now known as PricewaterhouseCoopers) and various financial institutions and investment banks in Hong Kong. During the period between 2003 and 2006, Mr. TRAN Chuen Wah, John was the Managing Director and the Head of Investment Banking of Kingsway Financial Services Group Limited ("Kingsway Group"). Mr. TRAN Chuen Wah, John was a consultant to Kingsway Group during the period from 2006 to 2009. Mr. TRAN Chuen Wah, John became a member of each of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1996 and 1997, respectively. Mr. TRAN Chuen Wah, John has been a Chartered Financial Analyst (granted by the Association for Investment Management and Research) since September 1999.

Mr. TRAN Chuen Wah, John 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. TRAN Chuen Wah, John 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.

Mr. TAM Wai Hung, David (譚偉雄), aged 64, has more than 40 years of experience in commercial banking industry in Hong Kong and the PRC. Mr. TAM Wai Hung, David started his career in 1968 when he joined The Hongkong and Shanghai Banking Corporation ("HSBC"). During his career with HSBC, Mr. TAM Wai Hung, David held various senior positions in Hong Kong and overseas and his last position with HSBC was Senior Executive — Payments and Cash Management-Asia Pacific in 1999. Since March 1999, Mr. TAM Wai Hung, David worked with Hang Seng Bank Limited and held various senior positions in corporate and commercial banking and risk management. Mr. TAM Wai Hung, David retired from Hang Seng Bank Limited in January 2012 as a Deputy General Manager and his last position with the bank was Chief Risk Officer. Mr. TAM Wai Hung, David is currently a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC. Mr. TAM Wai Hung, David became a fellow member of each of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in 1986 and 1995, respectively. Mr. TAM Wai Hung, David received a master's degree in business administration from the University of Toronto in 1991.

Mr. TAM Wai Hung, David 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. TAM Wai Hung, David 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.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

LAU Sik Yuen (劉錫源), aged 47, is the Group company secretary, chief financial officer and qualified accountant. Prior to joining the Group in April 2003, Mr. LAU Sik Yuen had over thirteen years' experience in auditing and financial accounting industry. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for over five years, and had been the financial controller of a subsidiary of a company listed on the main board of the Stock Exchange for over three years. Mr. LAU Sik Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

ZHA Xue Song (查雪松), aged 42, is the vice president of our automobile glass domestic market division of the Group. Mr. ZHA Xue Song had been working for our automobile glass overseas market division for more than fourteen years. Prior to joining the Group in March 1996, Mr. ZHA Xue Song taught at the Hubei Chinese Medical School for two years, after graduation from Hubei University in 1994 with a bachelor degree in arts. Mr. ZHA Xue Song has completed the course of postgraduate certificate in International Laws at Shenzhen University in 2002. Mr. ZHA Xue Song graduated with an executive master degree of business administration in Peking University in 2007.

ZHANG Ming (張明), aged 53, is the vice president of the Group and is responsible for overseeing the building of our new Deyang production complex. Mr. ZHANG Ming has obtained qualification as a senior engineer. Prior to joining the Group in February 1998, Mr. ZHANG Ming worked at a float glass plant in the PRC. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics. Mr. ZHANG obtained a master degree in business administration from Peking University in 2010.

XU Bi Zhong (許必忠), aged 45, is the vice president of the Group and is responsible for overseeing and implementing float glass operation and sales. Mr. XU Bi Zhong obtained a diploma of administrative management from Shenzhen University. Prior to joining the Group in May 2004, Mr. XU Bi Zhong worked for a float glass trading company and a float glass plant in PRC for over twelve years.

YANG Yi (楊逸), aged 41, is the vice president of construction glass division of the Group and is responsible for overseeing and implementing construction glass operation and sales. Mr. YANG Yi obtained a diploma of applied material from South China University of Technology. Prior to joining the Group in July 2001, Mr. YANG Yi worked for a float glass plant in PRC for eight years.

HUANG Ding Xuan (黃定軒), aged 43, is appointed as the Group chief operations officer on 28 February 2011. Dr. HUANG Ding Xuan joined the Group in April 2007 and was appointed as the head of the group administration office in October 2007. In September 2009, Dr. HUANG Ding Xuan left the Group and became the head of the management science department of Guilin University of Technology. Dr. HUANG Ding Xuan rejoined the Group in November 2010. Dr. HUANG Ding Xuan obtained a doctor's degree in management science and engineering from Tongji University in April 2007.

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 “CG Code”) set forth in Appendix 14 to The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. For corporate governance purpose, the Company has adopted the CG Code throughout the year of 2013.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the code provisions of the CG Code in 31 December 2013.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, four non-executive Directors and five independent non-executive Directors. Further information on the Directors is set forth on pages 13 to 17 of this annual report. Following completion of the Spin-off, Mr. LEE Yau Ching and Mr. LI Man Yin have resigned as executive Directors effective from 12 December 2013.

The four executive Directors are Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai and Mr. LEE Shing Kan. Mr. LEE Yin Yee, M.H., is the father of Mr. LEE Shing Kan, and also the brother-in-law of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai. Mr. TUNG Ching Bor is the elder brother of Mr. TUNG Ching Sai. Hence, 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.

The four non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho.

The five independent non-executive Directors are 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. LEE Yin Yee, M.H. is the Chairman of the Group and Mr. TUNG Ching Sai is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Mr. LEE is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. TUNG Ching Sai closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. TUNG is also responsible for formulating the future business plans and strategies of the Group for the Board’s approval.

The Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

The Company adopted the board diversity policy (the “Diversity Policy”) as required by the CG Code in July 2013. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

Corporate Governance Report

All of the four non-executive Directors were appointed for a term of three years, commencing from 1 January 2011. 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 2011. 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 2011. 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 2013, the Board has held eight meetings, which were held on 28 February 2013, 31 May 2013, 23 July 2013, 30 August 2013, 4 September 2013, 24 September 2013, 19 November 2013 and 26 November 2013, respectively, and all Directors (including Mr. LEE Yau Ching and Mr. LI Man Yin who have resigned as executive Directors effective from 12 December 2013) had attended these meetings. At least four Board meetings are scheduled to be held during the financial year ending 31 December 2014.

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 “**Model Code**”) 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 2013 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 2013, a meeting of the Remuneration Committee was held on 28 February 2013 and all the committee members attended this meeting.

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 2013 is set forth below:

In the band of	Number of individuals
Over HK\$4,000,000	3
HK\$2,000,001 to HK\$4,000,000	6
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 held three meetings during the year ended 31 December 2013 on 28 February 2013, 23 July 2013 and 11 December 2013, 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.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 38 and 39 of this annual report.

AUDITOR'S REMUNERATION

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\$2.9 million.

Corporate Governance Report

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 2013. During 2013, 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 attended 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 also the chief financial officer of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. He has taken not less than 15 hours of relevant professional training in 2013, in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 64 of the articles of association (the "Articles") of the Company, an extraordinary general meeting ("EGM") 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 2013.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2013.

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, solar 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 10 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 2013 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 2013 are set forth in the consolidated income statement on page 44 in this annual report. During the financial year, an interim dividend of 13.0 HK cents per Share, amounting to a total of cash dividend of approximately HK\$493 million, was paid to shareholders on 6 September 2013.

The Board proposes the payment of a final dividend of 14.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 17 June 2014. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before 8 July 2014.

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, 4 June 2014 to Friday, 6 June 2014, 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, 3 June 2014.

The register of members will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014 (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, 12 June 2014 for such purpose.

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set forth in Note 17 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.

Report of the Directors

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\$511,796 (2013: HK\$416,779).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set forth in Note 16 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as of 31 December 2013, share premium amounting to HK\$4,335.3 million (2012: HK\$3,521.0 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 2013, the Company had distributable reserves available for distribution to Shareholders amounting to HK\$17.5 million (2012: HK\$386.9 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:

EXECUTIVE DIRECTORS

- 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. LEE Yan Ching (resigned on 12 December 2013)
- Mr. LI Man Yin (resigned on 12 December 2013)

NON-EXECUTIVE DIRECTORS

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

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
Mr. TAM Wai Hung, David

In accordance with article 108 of the Company's articles of association (the "Articles"), Mr. LEE Yin Yee M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. SZE Nang Sze and Mr. LI Ching Leung will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

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 Hong Kong Limited (the "Listing Rules"). The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Company's policies concerning remuneration of the executive Directors are:-

- (i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;
- (ii) non-cash benefits may be provided to the executive Directors under their remuneration package;
- (iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme, as part of their remuneration package; and
- (iv) annual director fee of HK\$250,000 for the year ended 31 December 2013, and HK\$250,000 for the year ending 31 December 2014.

Report of the Directors

Save for the annual director fee of HK\$250,000 for each non-executive Director in 2013, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual director fee of HK\$250,000 for each independent non-executive Director in 2013, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of 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 and their mutual agreement with the Company.

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

Pursuant to a written resolution of the shareholders of the Company passed on 18 January 2005, a share option scheme (the "Share Option Scheme") was approved adopted.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants (as defined below) and for such other purposes as the Directors may approve from time to time.

For the purpose of the Share Option Scheme, participants (the "Participants") include (i) any employees (whether full-time or part-time) of the Company or any of its subsidiaries, associated companies, jointly controlled entities and related companies from time to time (collectively, the "Extended Group"); (ii) any directors (whether executive directors or non-executive directors or independent non-executive directors) of the Extended Group; (iii) customers of the Extended Group or any of the subsidiaries or associated companies of such customers; and (iv) any consultants, professionals and other advisers to each member of the Extended Group.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% (the "Scheme Mandate Limit") of the total number of Shares in issue on the Listing Date.

The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and other share option schemes of the Company in issue shall not exceed 10% (the “**Refreshed Limit**”) of the issued share capital of the Company on the date the refreshment of such limit is approved.

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 21 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 closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (the “**Trading Day**”);
- (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Trading Days immediately preceding the date of the offer for the grant; and
- (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

Report of the Directors

In 2006, the first tranche of 17,040,000 options was granted to employees of the Group. The exercise price of these options was HK\$1.08 per Share and all unexercised options under this tranche were expired on 27 January 2009.

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 on or before 19 April 2013 shall lapse.

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). 27,457,000 options were exercised, 3,372,000 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 on or before 31 March 2014 shall lapse.

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). 2,328,000 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 have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 1,990,900 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 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). A total of 362,100 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set forth on pages 13 to 18 of this annual report.

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

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Report of the Directors

INTERESTS IN THE COMPANY

Long position in the Shares

<u>Name of Directors</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of the Company's issued share capital</u>
Mr. LEE Yin Yee, M. H.	Interest of a controlled corporation (<i>Note a</i>)	725,209,552	18.49%
	Personal interest (<i>Note b</i>)	32,912,000	0.84%
Mr. TUNG Ching Bor	Interest of a controlled corporation (<i>Note c</i>)	266,766,456	6.80%
	Personal interest (<i>Note d</i>)	19,900,000	0.51%
Mr. TUNG Ching Sai	Interest of a controlled corporation (<i>Note e</i>)	246,932,579	6.30%
	Personal interest (<i>Note f</i>)	48,064,000	1.23%
Mr. LI Ching Wai	Interest of a controlled corporation (<i>Note g</i>)	116,580,868	2.97%
Mr. SZE Nang Sze	Interest of a controlled corporation (<i>Note h</i>)	105,630,781	2.69%
Mr. NG Ngan Ho	Interest of a controlled corporation (<i>Note i</i>)	77,853,912	1.99%
	Personal interest	2,200,000	0.06%
Mr. LI Ching Leung	Interest of a controlled corporation (<i>Note j</i>)	77,853,911	1.99%
	Personal interest	2,000,000	0.05%
	Personal interest (<i>Note k</i>)	400,000	0.01%
Mr. TRAN Chuen Wah, John	Personal interest (<i>Note l</i>)	180,000	0.005%

Notes:

- (a) Mr. LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), 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 ("**High Park**"), 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 ("**Copark**"), 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 ("**Goldbo**"), 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 ("**Goldpine**"), 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 ("**Linkall**"), 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 ("**Herosmart**"), 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.

Report of the Directors

INTERESTS IN ASSOCIATED CORPORATIONS

<u>Name of associated corporation</u>	<u>Name of Director</u>	<u>Class and number of shares held in the associated corporation</u>	<u>Approximate shareholding percentage</u>
Realbest (<i>Note m</i>)	Mr. LEE Yin Yee	2 ordinary shares	100%
High Park (<i>Note n</i>)	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark (<i>Note o</i>)	Mr. TUNG Ching Sai	2 ordinary shares	100%
Goldbo (<i>Note p</i>)	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall (<i>Note q</i>)	Mr. NG Ngan Ho	2 ordinary shares	100%
Goldpine (<i>Note r</i>)	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart (<i>Note s</i>)	Mr. LI Ching Leung	2 ordinary shares	100%

Notes:

- (m) Realbest is wholly-owned by Mr. LEE Yin Yee.
- (n) High Park is wholly-owned by Mr. TUNG Ching Bor.
- (o) Copark is wholly-owned by Mr. TUNG Ching Sai.
- (p) Goldbo is wholly-owned by Mr. LI Ching Wai.
- (q) Linkall is wholly-owned by Mr. NG Ngan Ho.
- (r) Goldpine is wholly-owned by Mr. SZE Nang Sze.
- (s) Herosmart is wholly-owned by Mr. LI Ching Leung.

Save as disclosed above, as of 31 December 2013, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2013, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

THE COMPANY

Long position in the Shares

<u>Name of Substantial Shareholders</u>	<u>Number of Shares held</u>	<u>Nature of interest</u>	<u>Approximate percentage of the Company's issued share capital</u>
Realbest	725,209,552	Registered and beneficial owner	18.49%
High Park	266,766,456	Registered and beneficial owner	6.80%
Copark	246,932,579	Registered and beneficial owner	6.30%
<u>Telerich Investment Limited (Note)</u>	<u>251,595,089</u>	<u>Registered and beneficial owner</u>	<u>6.42%</u>

Note: These Shares are registered in the name of Telerich Investment Limited, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Mr. LEE Yau Ching have resigned as an executive Director effective from 12 December 2013.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL OF SUBSIDIARIES OF THE COMPANY

As at 31 December 2013, the persons who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Auto Glass (North America) Corporation	Polaron International Inc. <i>(Note a)</i>	30,000 class A common shares	30.0%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT <i>(Note c)</i>	2,500 common shares	25.0%
	Polaron International Inc. <i>(Note a)</i>	1,250 common shares	12.5%
Xinyi Glass Japan Company Limited	Polaron International Inc. <i>(Note a)</i>	40 common shares	10.0%
	Mr. CHO Shotie <i>(Note b)</i>	140 common shares	35.0%

Notes:

- (a) Polaron International Inc. is 100% owned by Mr. TAM Peng Kuan Antonio. Mr. TAM Peng Kuan Antonio is a director of Xinyi Auto Glass (North America) Corporation and Xinyi Glass Japan Company Limited.
- (b) Mr. CHO Shotie is a director of Xinyi Glass Japan Company Limited.
- (c) Mr. Wolfgang Walter WILLNAT is director of Xinyi Glass (Germany) Limited.

Save as disclosed herein, the Directors are not aware of any persons who were directly or indirectly interested in 10% or more of the Shares then in issue, or equity interest in any member of the Group representing 10% or more of the equity interest in such company, or who had any interests or short positions in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2013, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for continuing operation for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	2.7%
– five largest customers in aggregate	7.9%

Purchases

– the largest supplier	16.0%
– five largest suppliers in aggregate	33.6%

None of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as of 31 December 2013 amounted to HK\$4,333.0 million (2012: HK\$3,496.3 million). Particulars of the bank borrowings are set forth in Note 19 to the consolidated financial statements in this annual report.

Report of the Directors

REWARD FOR EMPLOYEES

As at 31 December 2013, we employed over 12,503 employees in the PRC, Hong Kong, Canada, Germany 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 2013 are set forth in note 33 to the consolidated financial statements. The related party transactions as disclosed in note 33 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.

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 2013.

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

The Company allotted and issued 120,000,000 Shares in September 2013 by way of placement and raised gross proceeds of HK\$804.0 million for the Group's future capital expenditures and general working capital purpose.

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.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as of 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, 6 June 2014, 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

LEE Yin Yee, M.H.

Chairman

Hong Kong, 26 February 2014

Independent Auditor's Report



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF XINYI GLASS HOLDINGS LIMITED (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 132, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 judgement, 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

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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 2013, 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 February 2014

Consolidated Balance Sheet

As at 31 December 2013

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

	Note	As at 31 December	
		2013	2012
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	1,390,059	1,433,680
Property, plant and equipment	7	10,458,833	10,069,379
Investment properties	8	498,138	53,500
Prepayments for property, plant and equipment and land use rights		526,980	202,445
Intangible assets	9	82,296	85,475
Available-for-sale financial assets	11	52,241	625
Investments in associates	12	2,071,234	62,981
Loans to an associate	12	34,487	36,125
		<u>15,114,268</u>	<u>11,944,210</u>
Current assets			
Inventories	13	1,231,900	1,204,319
Loans to associates	12	6,382	4,361
Trade and other receivables	14	2,255,359	2,139,764
Pledged bank deposits	15	789	882
Cash and bank balances	15	1,042,429	703,490
		<u>4,536,859</u>	<u>4,052,816</u>
Non-current asset held for sale	35	—	68,065
		<u>4,536,859</u>	<u>4,120,881</u>
Total assets		<u>19,651,127</u>	<u>16,065,091</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	16	392,137	378,555
Share premium	16		
– Proposed final dividend		548,992	—
– Others		3,786,336	3,520,956
Other reserves	17	2,372,564	2,091,174
Retained earnings			
– Proposed final dividend	30	—	340,700
– Others		5,107,760	3,610,514
		<u>12,207,789</u>	<u>9,941,899</u>

	Note	As at 31 December	
		2013	2012
Non-controlling interests		1,140	4,174
Total equity		12,208,929	9,946,073
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	19	3,024,252	2,495,578
Deferred income tax liabilities	20	159,508	101,925
Deferred government grants	21	179,789	192,862
		3,363,549	2,790,365
Current liabilities			
Amount due to an associate	12	—	33
Trade payables and other payables	18	1,743,737	1,455,207
Current income tax liabilities		219,169	103,439
Bank and other borrowings	19	2,115,743	1,769,974
		4,078,649	3,328,653
Total liabilities		7,442,198	6,119,018
Total equity and liabilities		19,651,127	16,065,091
Net current assets		458,210	792,228
Total assets less current liabilities		15,572,478	12,736,438

The financial statements on pages 40 to 132 were approved by the Board of Directors on 26 February 2014 and were signed on its behalf.

LEE Yin Yee, M.H.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2013

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

	Note	2013	2012
ASSETS			
Non-current assets			
Interests in subsidiaries	10	2,274,660	2,260,220
Current assets			
Amounts due from subsidiaries	10	3,536,276	2,907,944
Prepayments and other receivables	14	18,951	2,389
Cash and bank balances	15	384	6,020
Current income tax assets		739	739
		<u>3,556,350</u>	<u>2,917,092</u>
Total assets		<u>5,831,010</u>	<u>5,177,312</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	16	392,137	378,555
Share premium	16		
– Proposed final dividend		548,992	—
– Others		3,786,336	3,520,956
Other reserves	17	81,304	98,363
Retained earnings			
– Proposed final dividend	30	—	340,700
– Others		17,504	46,221
Total equity		<u>4,826,273</u>	<u>4,384,795</u>

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

	Note	2013	2012
LIABILITIES			
Non-current liabilities			
Other borrowings	19	806,950	769,227
Current liabilities			
Other payables	18	923	3,044
Amounts due to subsidiaries	10	196,864	20,246
		197,787	23,290
Total liabilities		1,004,737	792,517
Total equity and liabilities		5,831,010	5,177,312
Net current assets		3,358,563	2,893,802
Total assets less current liabilities		5,633,223	5,154,022

The financial statements on pages 40 to 132 were approved by the Board of Directors on 26 February 2014 and were signed on its behalf.

LEE Yin Yee, M.H.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2013

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

	Note	2013	2012
Continuing operations			
Revenue	5	9,936,076	8,433,049
Cost of sales	22	(6,799,045)	(6,206,215)
Gross profit		3,137,031	2,226,834
Other income	24	326,129	84,023
Other gains – net	25	137,751	40,516
Gain on spin-off and separate listing of subsidiaries	12	1,315,417	—
Selling and marketing costs	22	(478,434)	(419,557)
Administrative expenses	22	(772,438)	(637,148)
Operating profit		3,665,456	1,294,668
Finance income	26	22,949	13,963
Finance costs	26	(82,651)	(71,265)
Share of profits of associates	12	20,749	9,015
Profit before income tax		3,626,503	1,246,381
Income tax expense	27	(381,157)	(184,375)
Profit for the year from continuing operations		3,245,346	1,062,006
Discontinued operation			
Profit for the year from discontinued operation	34	276,895	126,781
Profit for the year		3,522,241	1,188,787
Profit attributable to equity holders of the Company:			
– from continuing operations		3,245,043	1,061,361
– from discontinued operation		276,895	126,781
		3,521,938	1,188,142
Profit attributable to non-controlling interests:			
– from continuing operations		303	645
– from discontinued operation		—	—
		303	645
Profit for the year		3,522,241	1,188,787

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

	Note	2013	2012
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic earnings per share			
(expressed in Hong Kong cents per share)			
– Continuing operations	29	84.68	28.34
– Discontinued operation	29	7.23	3.38
		<u>91.91</u>	<u>31.72</u>
Diluted earnings per share			
(expressed in Hong Kong cents per share)			
– Continuing operations	29	82.16	28.10
– Discontinued operation	29	6.94	3.30
		<u>89.10</u>	<u>31.40</u>
Dividends	30	<u>2,612,765</u>	<u>567,260</u>

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2013

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

	2013	2012
Profit for the year	3,522,241	1,188,787
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss:		
Changes in value of available-for-sale financial assets	(1,200)	—
Changes in revaluation surplus	24,393	12,834
Currency translation differences	329,627	156,385
Total comprehensive income for the year	3,875,061	1,358,006
Total comprehensive income attributable to:		
Equity holders of the Company	3,875,452	1,357,392
Non-controlling interests	(391)	614
Total comprehensive income for the year	3,875,061	1,358,006

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

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

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2013		378,555	3,520,956	2,091,174	3,951,214	9,941,899	4,174	9,946,073
Comprehensive income								
Profit for the year		—	—	—	3,521,938	3,521,938	303	3,522,241
Other comprehensive income								
Changes in revaluation surplus	8	—	—	24,393	—	24,393	—	24,393
Changes in value of available-for-sale financial assets	11	—	—	(1,200)	—	(1,200)	—	(1,200)
Currency translation differences		—	—	330,321	—	330,321	(694)	329,627
Total comprehensive income		—	—	353,514	3,521,938	3,875,452	(391)	3,875,061
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	16 (a)	3,852	165,851	(46,818)	—	122,885	—	122,885
– value of employee services	23	—	—	25,249	—	25,249	—	25,249
– adjustment relating to forfeiture of share options		—	—	2,240	(2,240)	—	—	—
Issuance of new shares by way of placing,								
net of issuance costs	16 (b)	12,000	781,483	—	—	793,483	—	793,483
Repurchase and cancellation of shares	16 (d)	(2,270)	(132,962)	2,270	(2,270)	(135,232)	—	(135,232)
Transfer to reserve	17 (a)	—	—	154,772	(154,772)	—	—	—
Disposal of subsidiaries		—	—	—	—	—	(792)	(792)
Dividends relating to 2012		—	—	—	(341,025)	(341,025)	—	(341,025)
Dividends relating to 2013	30	—	—	—	(493,432)	(493,432)	—	(493,432)
Distribution in specie	30	—	—	—	(1,570,341)	(1,570,341)	—	(1,570,341)
Loss on repurchase and cancellation of warrants	17 (c)	—	—	—	(11,149)	(11,149)	(1,851)	(13,000)
Derecognition upon the Spin-off	17 (d)	—	—	(209,837)	209,837	—	—	—
Total transactions with owners		13,582	814,372	(72,124)	(2,365,392)	(1,609,562)	(2,643)	(1,612,205)
Balance at 31 December 2013		392,137	4,335,328	2,372,564	5,107,760	12,207,789	1,140	12,208,929

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

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

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2012		368,332	3,088,388	1,787,208	3,263,621	8,507,549	17,708	8,525,257
Adjustment on change in accounting policy								
– Adoption of HKAS12 (Amendment)		—	—	—	5,048	5,048	—	5,048
Balance at 1 January 2012, as restated		368,332	3,088,388	1,787,208	3,268,669	8,512,597	17,708	8,530,305
Comprehensive income								
Profit for the year		—	—	—	1,188,142	1,188,142	645	1,188,787
Other comprehensive income								
Changes in revaluation surplus	8	—	—	12,834	—	12,834	—	12,834
Currency translation differences		—	—	156,416	—	156,416	(31)	156,385
Total comprehensive income		—	—	169,250	1,188,142	1,357,392	614	1,358,006
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	16 (a)	1,761	50,456	(13,426)	—	38,791	—	38,791
– value of employee services	23	—	—	40,951	—	40,951	—	40,951
– adjustment relating to forfeiture of share options		—	—	(5,966)	5,966	—	—	—
Issuance of new shares by way of placing, net of issuance costs	16 (b)	8,273	373,876	—	—	382,149	—	382,149
Issuance of new shares by way of scrip dividend	16 (c)	189	8,236	—	—	8,425	—	8,425
Disposal of subsidiaries		—	—	—	—	—	(15,950)	(15,950)
Transfer to reserve	17 (a)	—	—	96,474	(96,474)	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	(49)	(49)
Dividends relating to 2011		—	—	—	(188,529)	(188,529)	—	(188,529)
Dividends relating to 2012	30	—	—	—	(226,560)	(226,560)	—	(226,560)
Convertible bonds - equity component, net of issuance costs	19 (b)	—	—	16,683	—	16,683	—	16,683
Issuance of warrants, net of issuance costs	17 (c)	—	—	—	—	—	1,851	1,851
Total transactions with owners		10,223	432,568	134,716	(505,597)	71,910	(14,148)	57,762
Balance at 31 December 2012		378,555	3,520,956	2,091,174	3,951,214	9,941,899	4,174	9,946,073

The notes on pages 50 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2013

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

	Note	2013	2012
Cash flows from operating activities			
Cash generated from operations	31 (a)	3,048,967	1,671,294
Interest paid		(83,860)	(73,466)
Income tax paid		(253,042)	(207,091)
Net cash generated from operating activities		2,712,065	1,390,737
Cash flows from investing activities			
Purchase of land use rights		(251,212)	(114,425)
Purchase of property, plant and equipment		(2,622,592)	(1,320,849)
Purchase of investment property		(200,303)	—
Proceeds from disposal of property, plant and equipment	31 (b)	10,835	5,294
Deposit received for disposal of an investment property	18 (b)	—	41,700
Proceeds received from disposal of non-current asset held for sale	31 (b)	165,598	—
Net cash outflow upon the Spin-off	34	(264,018)	—
Cash outflow from disposal of subsidiaries		(2,447)	—
Proceeds from disposal of subsidiaries	31 (c)	—	17,859
Capital injected to associates	12	(1,282)	(3,750)
Loan advanced to an associate		(1,909)	(1,861)
Dividend received from an associate	12	2,252	1,831
Decrease/(Increase) in pledged bank deposits		93	(98)
Decrease in bank deposits with maturity over three months		23,400	56,772
Proceeds from disposal of trading securities		32,506	—
Purchase of trading securities		(35,229)	—
Interest received		22,949	13,963
Net cash used in investing activities		(3,121,359)	(1,303,564)
Cash flows from financing activities			
Proceeds from bank borrowings		2,485,508	328,000
Repayment of bank borrowings		(1,648,788)	(1,150,485)
Shares repurchased and cancelled		(135,232)	—
Net proceeds from issuance of ordinary shares		916,368	420,940
Net proceeds from issuance of convertible bonds	19 (b)	—	761,558
Net proceeds from issuance of warrants		—	1,851
Cash payment for repurchase and cancellation of warrants		(13,000)	—
Dividends paid to shareholders of the Company		(834,457)	(406,664)
Dividends paid to non-controlling interests		—	(49)
Net cash generated from/(used in) financing activities		770,399	(44,849)
Net increase in cash and cash equivalents		361,105	42,324
Cash and cash equivalents at beginning of the year		680,090	632,792
Effect of foreign exchange rate changes		1,234	4,974
Cash and cash equivalents at end of the year	15	1,042,429	680,090

The notes on pages 50 to 132 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”) is principally engaged in the production and sale of automobile glass, construction glass, float glass and solar glass products, which are carried out internationally, through the production complexes located in Mainland China (the “PRC”).

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. 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 will continue to be engaged in the production and sale of float glass, automobile glass, and construction and related glass products. Xinyi Solar will focus 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 26 February 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Changes in accounting policy and disclosures

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES

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 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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 ASSOCIATES (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to “share of profits of associates” in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 FOREIGN CURRENCY TRANSLATION

(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”.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 FOREIGN CURRENCY TRANSLATION (Continued)

(b) Transactions and balances (Continued)

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.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 LEASEHOLD LAND AND LAND USE RIGHTS

Leasehold land in Hong Kong is government-owned and land in the PRC is state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as leasehold land and land use rights, which are amortised over the lease period using the straight-line method.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 PROPERTY, PLANT AND EQUIPMENT

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 costs which include 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.

2.8 INVESTMENT PROPERTY

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. 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)

2.9 INTANGIBLE ASSETS

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Xinyi Glass Holdings Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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 phase.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment 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.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 FINANCIAL ASSETS

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'loans to associates', 'trade and other receivables', 'pledged bank deposits' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2.15 and 2.16).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 FINANCIAL ASSETS (Continued)

2.11.2 Recognition 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.

2.12 OFFSETTING FINANCIAL INSTRUMENTS

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.

2.13 IMPAIRMENT OF FINANCIAL ASSETS

(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.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 IMPAIRMENT OF FINANCIAL ASSETS (Continued)

(a) *Assets carried at amortised cost (Continued)*

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.

(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. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.14 INVENTORIES

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, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, less pledged bank deposits.

2.17 NON-CURRENT ASSET HELD FOR SALE

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.

2.18 SHARE CAPITAL

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.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 WARRANT

Warrant issued by a subsidiary of the Group that will be settled by exchanging fixed amount of cash for a fixed number of the subsidiary's equity instruments are classified as an equity instrument. Where the warrants are issued by a subsidiary of the Company, the fair value of warrants on the date of issue is recognised as part of non-controlling interests within equity. Incremental costs directly attributable to the issue of new warrants are shown in equity as a deduction, net of tax, from the proceeds. The warrants reserve will be transferred to share capital and other reserves upon exercise of the warrants. Where warrants remain unexercised at the expiry date, the amount initially recognised in warrants reserve will be released to the retained earnings. Where the warrants cancelled before the expiry date, the amount initially recognised in non-controlling interests will be transferred to retained earnings within equity. No gains or losses are recognised in earnings for transactions between the parent entity and the non-controlling interest, unless control is lost.

2.20 BORROWINGS

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 pre-payment 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.

2.21 BORROWINGS COSTS

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 CONVERTIBLE BONDS

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.

2.23 CURRENT AND DEFERRED INCOME TAX

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.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 CURRENT AND DEFERRED INCOME TAX (Continued)

(b) *Deferred income tax*

Inside basis differences

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.

Outside basis differences

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.

2.24 PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 EMPLOYEE BENEFITS

(a) *Pension obligations*

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 SHARE-BASED PAYMENTS

(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.

2.27 TRADE PAYABLES

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)

2.28 FINANCIAL GUARANTEE

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 is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "other gains – net".

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.29 GOVERNMENT GRANTS

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are initially included in liabilities as deferred government grants and when such property, plant and equipment are built or purchased, the received government grants are netted off with cost of the related assets.

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 REVENUE RECOGNITION

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.

2.31 OPERATING LEASES (AS THE LESSEE FOR OPERATING LEASES)

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.

2.32 DIVIDEND DISTRIBUTION

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

3.1 FINANCIAL RISK FACTORS

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*

(i) **Foreign exchange 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 14, 15, 18 and 19 to the consolidated financial statements.

As at 31 December 2013, if RMB had strengthened/weakened by 1% (2012: 1%) against the HKD with all other variables held constant, profit after income tax for the year would have been approximately HK\$34,000 (2012: HK1,000) 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 2013 than 2012 because the increased amount of RMB-denominated cash and bank balances.

(ii) **Cash flow and fair value interest rate risk**

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 15 and 19 to the consolidated financial statements.

As at 31 December 2013, if HKD interest rates on cash and bank balances, pledged bank deposits and bank borrowings had been 25 (2012: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK\$4,572,000 (2012: HK\$4,208,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2013, if RMB interest rates on cash and bank balances and, pledged bank deposits had been 25 (2012: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK\$1,718,000 (2012: HK\$589,000), higher/lower, mainly as a result of higher/lower interest income on bank deposits.

As at 31 December 2013, if United States Dollars ("USD") interest rates on cash and bank balances, pledged bank deposits and bank borrowings had been 25 (2012: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK\$363,000 (2012: HK\$551,000) higher/lower, mainly as a result of higher/lower interest income on cash and bank balances.

(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	2012
Cash and bank balances (Note 15)	1,042,429	703,490
Pledged bank deposits (Note 15)	789	882
Trade and other receivables (Note 14)	2,255,359	2,139,764
Loans to associates (Note 12)	40,869	40,486
Maximum exposure to credit risk	3,339,446	2,884,622

As at 31 December 2013 and 2012, 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.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

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.

	Group			Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	
At 31 December 2013				
Bank borrowings (Note 19 (a))	2,115,743	1,781,220	436,082	4,333,045
Interest payable for bank borrowings	54,346	23,061	2,248	79,655
Convertible bonds (Note 19 (b))	—	—	806,950	806,950
Interest for convertible bonds	—	—	139,381	139,381
Trade payables and other payables	1,743,737	—	—	1,743,737
Total	3,913,826	1,804,281	1,384,661	7,102,768

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) *Liquidity risk* (Continued)

	Less than 1 year	Group		Total
		Between 1 and 2 years	Between 2 and 5 years	
At 31 December 2012				
Bank borrowings (Note 19 (a))	1,769,974	1,388,155	338,196	3,496,325
Interest payable for bank borrowings	43,497	15,764	1,482	60,743
Convertible bonds (Note 19 (b))	—	—	769,227	769,227
Interest for convertible bonds	—	—	177,105	177,105
Trade payables and other payables	1,455,207	—	—	1,455,207
Amount due to an associate (Note 12)	33	—	—	33
Total	3,268,711	1,403,919	1,286,010	5,958,640

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) *Liquidity risk* (Continued)

	Company			Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	
At 31 December 2013				
Other payables	923	—	—	923
Amounts due to subsidiaries (Note 10)	196,864	—	—	196,864
Convertible bonds (Note 19 (b))	—	—	806,950	806,950
Interest for convertible bonds	—	—	139,381	139,381
Financial guarantee (Note (a))	2,027,632	1,806,781	408,330	4,242,743
	<u>2,225,419</u>	<u>1,806,781</u>	<u>1,354,661</u>	<u>5,386,861</u>
At 31 December 2012				
Other payables	3,044	—	—	3,044
Amounts due to subsidiaries (Note 10)	20,246	—	—	20,246
Convertible bonds (Note 19 (b))	—	—	769,227	769,227
Interest for convertible bonds	—	—	177,105	177,105
Financial guarantee (Note (a))	1,677,034	1,399,295	339,678	3,416,007
	<u>1,700,324</u>	<u>1,399,295</u>	<u>1,286,010</u>	<u>4,385,629</u>

Note (a): These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystallised. However based on the operating results, the Company does not expect them to be crystallised.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 CAPITAL RISK MANAGEMENT

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 2013 and 2012 were as follows:

	Group	
	2013	2012
Total bank and other borrowings (Note 19)	5,139,995	4,265,552
Less: cash and bank balances and pledged bank deposits (Note 15)	(1,043,218)	(704,372)
Net debt	4,096,777	3,561,180
Total equity	12,208,929	9,946,073
Gearing ratio	33.6%	35.8%

The decrease in the gearing ratio during 2013 was mainly resulted from the increase in operating profit of the Group and issuance of share capital of the Company.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION

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 2013 and 2012.

	Level 1	Level 2	Level 3	Total
At 31 December 2013				
Assets				
Available-for-sale financial assets				
– Equity securities	51,600	—	641	52,241
	Level 1	Level 2	Level 3	Total
At 31 December 2012				
Assets				
Available-for-sale financial assets				
– Equity securities	—	—	625	625

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.

Notes to the Consolidated Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION

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 2012.

<u>Available-for-sale financial assets</u>	
At 1 January 2012	617
Exchange differences	8
At 31 December 2012	625
Exchange differences	16
At 31 December 2013	641

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(A) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(B) PROPERTY, PLANT AND EQUIPMENT

(i) *Useful lives*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) *Impairment assessment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience.

(C) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(D) WRITE-DOWNS OF INVENTORIES TO NET REALISABLE VALUE

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(E) CURRENT AND DEFERRED INCOME TAX

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Notes to the Consolidated Financial Statements

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(E) CURRENT AND DEFERRED INCOME TAX (Continued)

Deferred income tax is provided in full, 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. Deferred income tax liabilities of the Group mainly arise from the unremitted earnings of the PRC subsidiaries and deferred income tax assets of the Group mainly arise from tax losses carry-forwards. The realisability of the deferred income tax liabilities and assets mainly depend on its subsidiaries' dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

(F) FAIR VALUE OF INVESTMENT PROPERTIES

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(G) FAIR VALUE OF IDENTIFIABLE ASSETS AND LIABILITIES ACQUIRED THROUGH BUSINESS COMBINATION

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment was used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

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

Among these operating segments, they are aggregated into four segments based on the products sold: (1) automobile glass; (2) construction glass; (3) float glass; and (4) solar 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 34, 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 operation of the Group for the year ended 31 December 2013.

Notes to the Consolidated Financial Statements

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

5 SEGMENT INFORMATION (Continued)

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

	Float glass	Automobile glass	Construction glass	Unallocated	Continuing operations- Sub-total	Discontinuing operation- Solar glass	Total
Segment revenue	5,730,092	3,287,204	2,154,538	—	11,171,834	1,846,330	13,018,164
Inter-segment revenue	(1,235,758)	—	—	—	(1,235,758)	—	(1,235,758)
Revenue from external customers	4,494,334	3,287,204	2,154,538	—	9,936,076	1,846,330	11,782,406
Cost of sales	(3,640,575)	(1,863,508)	(1,294,962)	—	(6,799,045)	(1,293,334)	(8,092,379)
Gross profit	853,759	1,423,696	859,576	—	3,137,031	552,996	3,690,027
Depreciation charge of property, plant and equipment (Note 22)	410,509	103,514	91,468	644	606,135	83,218	689,353
Amortisation charge							
– leasehold land and land use rights (Note 22)	14,937	3,552	1,075	—	19,564	2,204	21,768
– intangible assets (Note 9)	1,218	2,242	—	—	3,460	—	3,460
Provision for/(reversal of provision for) impairment of trade receivables, net (Note 14)	—	2,828	2,732	—	5,560	(1,103)	4,457
Share of profits of associates (Note 12)	—	—	—	20,749	20,749	—	20,749
Total assets	9,905,553	3,246,915	2,683,460	3,815,199	19,651,127	—	19,651,127
Total assets included:							
Investments in associates	—	—	—	2,071,234	2,071,234	—	2,071,234
Loans to associates	—	—	—	40,869	40,869	—	40,869
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	1,127,763	324,257	895,451	725,468	3,072,939	86,822	3,159,761
Total liabilities	1,162,996	616,754	372,836	5,289,612	7,442,198	—	7,442,198

5 SEGMENT INFORMATION (Continued)

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

	Float glass	Automobile glass	Construction glass	Unallocated	Continuing operations- Total	Discontinuing operation- Solar glass	Total
Segment revenue	4,808,837	3,077,826	1,574,625	—	9,461,288	1,352,160	10,813,448
Inter-segment revenue	(1,028,239)	—	—	—	(1,028,239)	—	(1,028,239)
Revenue from external customers	3,780,598	3,077,826	1,574,625	—	8,433,049	1,352,160	9,785,209
Cost of sales	(3,455,762)	(1,760,964)	(989,489)	—	(6,206,215)	(1,103,841)	(7,310,056)
Gross profit	324,836	1,316,862	585,136	—	2,226,834	248,319	2,475,153
Depreciation charge of property, plant and equipment (Note 22)	296,241	97,883	85,649	2,184	481,957	98,082	580,039
Amortisation charge							
– leasehold land and land use rights (Note 22)	13,035	3,602	859	75	17,571	2,855	20,426
– intangible assets (Note 9)	1,405	2,221	—	—	3,626	—	3,626
(Reversal of provision for)/provision for impairment of trade receivables, net (Note 14)	—	(3,712)	1,008	—	(2,704)	602	(2,102)
Share of profits of associates (Note 12)	—	—	—	9,015	9,015	—	9,015
Total assets	7,781,819	2,699,493	1,712,880	900,360	13,094,552	2,970,539	16,065,091
Total assets included:							
Investments in associates	—	—	—	62,981	62,981	—	62,981
Loans to associates	—	—	—	40,486	40,486	—	40,486
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	560,572	91,058	188,407	166,946	1,006,983	156,605	1,163,588
Total liabilities	691,585	596,433	285,764	4,326,665	5,900,447	218,571	6,119,018

Notes to the Consolidated Financial Statements

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

5 SEGMENT INFORMATION (Continued)

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

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Segment gross profit	3,137,031	2,226,834	552,996	248,319
Unallocated:				
Other income	326,129	84,023	57,245	40,345
Other gains – net	137,751	40,516	(1,086)	2,367
Gain on the Spin-off	1,315,417	—	—	—
Selling and marketing costs	(478,434)	(419,557)	(122,286)	(69,824)
Administrative expenses	(772,438)	(637,148)	(152,359)	(70,055)
Finance income	22,949	13,963	—	—
Finance costs	(82,651)	(71,265)	—	—
Share of profits of associates	20,749	9,015	—	—
Profit before income tax	3,626,503	1,246,381	334,510	151,152

5 SEGMENT INFORMATION (Continued)

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

	Assets		Liabilities	
	2013	2012	2013	2012
Segment assets/(liabilities)	15,835,928	15,164,731	(2,152,586)	(1,792,353)
Unallocated:				
Leasehold land and land use rights	129,698	236,112	—	—
Property, plant and equipment	707,057	134,463	—	—
Investment properties	443,010	—	—	—
Prepayments for property, plant and equipment and land use rights	27,517	107,386	—	—
Available-for-sale financial assets	52,241	625	—	—
Investments in associates	2,071,234	62,981	—	—
Balances with associates	40,869	40,486	—	(33)
Non-current asset held for sale	—	68,065	—	—
Prepayments, deposits and other receivables	199,983	13,883	—	—
Cash and bank balances	143,590	236,359	—	—
Other payables	—	—	(145,046)	(82,710)
Current income tax liabilities	—	—	(15,019)	(1,548)
Deferred income tax liabilities	—	—	(159,508)	(101,925)
Current bank borrowings	—	—	(1,945,787)	(1,644,871)
Non-current bank and other borrowings	—	—	(3,024,252)	(2,495,578)
Total assets/(liabilities)	19,651,127	16,065,091	(7,442,198)	(6,119,018)

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.

Notes to the Consolidated Financial Statements

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

5 SEGMENT INFORMATION (Continued)

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

	2013	2012
Continuing operations:		
Sales of float glass	4,494,334	3,780,598
Sales of automobile glass	3,287,204	3,077,826
Sales of construction glass	2,154,538	1,574,625
	9,936,076	8,433,049
Discontinued operation:		
Sales of solar glass	1,846,330	1,352,160
Total	11,782,406	9,785,209

The Group's revenue is mainly derived from customers located in Greater China (including Hong Kong and PRC), North America and Europe while 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:

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Greater China	7,119,004	5,798,431	1,559,091	1,064,240
North America	874,595	913,683	127,123	98,351
Europe	472,895	457,741	32,784	68,156
Other countries	1,469,582	1,263,194	127,332	121,413
	9,936,076	8,433,049	1,846,330	1,352,160

An analysis of the Group's non-current assets other than available-for-sale financial assets (there are no deferred income tax assets, employment benefit assets and rights arising under insurance contracts) by geographical area in which the assets are located is as follows:

	2013	2012
Greater China	15,052,919	11,933,423
North America	8,955	9,876
Other countries	153	286
	15,062,027	11,943,585

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2013 (2012: None).

6 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	Group	
	2013	2012
In Hong Kong, held on:		
Leases of between 10 to 50 years	9,098	—
In PRC, held on:		
Land use rights of between 10 to 50 years	1,380,961	1,433,680
	<u>1,390,059</u>	<u>1,433,680</u>
At 1 January	1,433,680	1,330,825
Exchange differences	34,870	16,604
Additions	250,713	118,653
Amortisation of prepaid operating lease payments	(32,201)	(25,704)
Transferred to non-current asset held for sale (Note 35)	—	(2,578)
Transferred to investment properties (Note 8)	(110,170)	(4,120)
Derecognised upon the Spin-off (Note 34)	(186,833)	—
At 31 December	<u>1,390,059</u>	<u>1,433,680</u>

Amortisation charge of HK\$10,433,000 (2012: HK\$5,278,000) were capitalised as direct cost of construction in progress during the year ended 31 December 2013 when the buildings thereon were not yet ready for production purposes. For the year ended 31 December 2013, amortisation of the Group's land use rights amounted to HK\$21,768,000 (2012: HK\$20,426,000) were charged to the consolidated income statement (Note 22).

Notes to the Consolidated Financial Statements

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

7 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Group Plant and machinery	Office equipment	Total
At 1 January 2012					
Cost	1,541,468	2,111,022	7,855,988	41,081	11,549,559
Accumulated depreciation	—	(243,012)	(1,659,177)	(25,791)	(1,927,980)
Net book amount	1,541,468	1,868,010	6,196,811	15,290	9,621,579
Year ended 31 December 2012					
Opening net book amount	1,541,468	1,868,010	6,196,811	15,290	9,621,579
Exchange differences	19,070	23,109	77,385	189	119,753
Additions	856,952	42,097	68,239	1,422	968,710
Transfers	(1,450,899)	290,629	1,156,641	3,629	—
Disposals of subsidiaries	(73)	—	(8)	—	(81)
Disposals	(3,577)	—	(2,133)	(48)	(5,758)
Depreciation charge	—	(76,441)	(527,530)	(3,489)	(607,460)
Transferred to non-current asset held for sale (Note 35)	—	(15,562)	—	—	(15,562)
Transferred to investment properties (Note 8)	(11,802)	—	—	—	(11,802)
Closing net book amount	951,139	2,131,842	6,969,405	16,993	10,069,379
At 31 December 2012					
Cost	951,139	2,441,625	9,162,289	46,306	12,601,359
Accumulated depreciation	—	(309,783)	(2,192,884)	(29,313)	(2,531,980)
Net book amount	951,139	2,131,842	6,969,405	16,993	10,069,379

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group				Total
	Construction in progress	Buildings	Plant and machinery	Office equipment	
Year ended 31 December 2013					
Opening net book amount	951,139	2,131,842	6,969,405	16,993	10,069,379
Exchange differences	19,886	50,795	165,532	231	236,444
Additions	2,203,129	52,224	120,372	7,203	2,382,928
Transfers	(1,294,674)	281,691	1,009,047	3,936	—
Disposals	—	—	(141,776)	(163)	(141,939)
Depreciation charge	—	(65,186)	(616,535)	(2,110)	(683,831)
Transferred to investment properties (Note 8)	(17,463)	—	—	—	(17,463)
Derecognised upon the Spin-off (Note 34)	(53,806)	(200,430)	(1,126,505)	(5,944)	(1,386,685)
Closing net book amount	<u>1,808,211</u>	<u>2,250,936</u>	<u>6,379,540</u>	<u>20,146</u>	<u>10,458,833</u>
At 31 December 2013					
Cost	1,808,211	2,633,520	9,148,578	50,601	13,640,910
Accumulated depreciation	—	(382,584)	(2,769,038)	(30,455)	(3,182,077)
Net book amount	<u>1,808,211</u>	<u>2,250,936</u>	<u>6,379,540</u>	<u>20,146</u>	<u>10,458,833</u>

Depreciation expense of approximately HK\$666,269,000 (2012: HK\$555,956,000) has been charged in cost of sales and HK\$23,084,000 (2012: HK\$24,083,000) in administrative expenses and HK\$102,792,000 (2012: HK\$108,314,000) has been capitalised in inventories.

During the year, the Group capitalised borrowing costs amounted to HK\$38,932,000 (2012: HK\$26,553,000) on qualifying assets (Note 26). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 1.75% (2012: 1.60%).

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

8 INVESTMENT PROPERTIES

	Group	
	2013	2012
At 1 January	53,500	35,223
Exchange differences	3,320	—
Additions	200,303	—
Fair value gains (<i>Note 25</i>)	88,989	39,446
Transferred from leasehold land and land use rights and property, plant and equipment (<i>Notes 6 and 7</i>)	127,633	15,922
Recognised as property revaluation reserve upon transfer (<i>Note 17</i>)	24,393	12,834
Transferred to non-current asset held for sale (<i>Note 35</i>)	—	(49,925)
At 31 December	498,138	53,500

In 2013, the Group acquired an investment property located in Hong Kong and obtained independent valuation from Grant Sherman Appraisal Limited for the investment property.

The Group has two investment properties in the PRC. One of them was transferred from leasehold land and land use rights and property, plant and equipment in 2012. For another one was transferred during the year. The Group obtained independent valuation from Grant Sherman Appraisal Limited for these investment properties located in the PRC.

Investment property transferred to non-current asset held for sale was valued at \$49,925,000 by the directors by reference to the sale and purchase agreement.

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 level 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	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
Exchange 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

Notes to the Consolidated Financial Statements

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

8 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at		Valuation technique(s)	Unobservable inputs
	31 December			
	2013			
Commercial building under construction - Xiamen, the PRC	204,462	Based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and discounted cash flows with estimated costs to complete	Rental value Discount rate Estimated costs to complete	
Commercial building - Shenzhen, the PRC	57,076	Discounted cash flow	Rental value Discount rate	
Office unit - Hong Kong	236,600	Based on current prices in an active market for similar properties in the same location and condition and subject to similar lease	Recent market price	

The Group's interest in the investment properties at their net book amount is analysed as follows:

	2013	2012
In Hong Kong, held on: Lease of between 10 and 50 years	236,600	—
In PRC, held on: Lease of between 10 and 50 years	261,538	53,500

9 INTANGIBLE ASSETS

	Group					Total
	Goodwill	Trademark	Customer relationship	Patent	Capitalised exploration, evaluation and mining right expenditure	
At 1 January 2012						
Cost	61,763	20,306	5,404	8,378	18,227	114,078
Accumulated amortisation and impairment	(5,886)	(4,520)	(1,203)	(1,188)	(1,475)	(14,272)
Net book amount	<u>55,877</u>	<u>15,786</u>	<u>4,201</u>	<u>7,190</u>	<u>16,752</u>	<u>99,806</u>
Year ended 31 December 2012						
Opening net book amount	55,877	15,786	4,201	7,190	16,752	99,806
Exchange differences	—	—	—	91	70	161
Amortisation charge (Note 22)	—	(1,085)	(289)	(848)	(1,404)	(3,626)
Disposal of a subsidiary	—	—	—	—	(10,866)	(10,866)
Closing net book amount	<u>55,877</u>	<u>14,701</u>	<u>3,912</u>	<u>6,433</u>	<u>4,552</u>	<u>85,475</u>
At 31 December 2012						
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	<u>55,877</u>	<u>14,701</u>	<u>3,912</u>	<u>6,433</u>	<u>4,552</u>	<u>85,475</u>
Year ended 31 December 2013						
Opening net book amount	55,877	14,701	3,912	6,433	4,552	85,475
Exchange differences	—	—	—	164	117	281
Amortisation charge (Note 22)	—	(1,084)	(288)	(870)	(1,218)	(3,460)
Closing net book amount	<u>55,877</u>	<u>13,617</u>	<u>3,624</u>	<u>5,727</u>	<u>3,451</u>	<u>82,296</u>
At 31 December 2013						
Cost	55,877	20,306	5,404	8,700	6,092	96,379
Accumulated amortisation and impairment	—	(6,689)	(1,780)	(2,973)	(2,641)	(14,083)
Net book amount	<u>55,877</u>	<u>13,617</u>	<u>3,624</u>	<u>5,727</u>	<u>3,451</u>	<u>82,296</u>

Amortisation charge of HK\$3,460,000 (2012: HK\$3,626,000) has been included in administrative expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements

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

9 INTANGIBLE ASSETS (Continued)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) 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 11.0% (2012: 9.0%). 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 3.0% (2012: 3.0%). The discount rate used is pre-tax and reflect specific risks relating to this cash generating unit.

10 INTERESTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2013	2012
Investments, at cost	120,010	105,570
Amounts due from subsidiaries - non-current (<i>Note (a)</i>)	2,154,650	2,154,650
	2,274,660	2,260,220
Amounts due from subsidiaries (<i>Note (b)</i>)	3,536,276	2,907,944
Amounts due to subsidiaries (<i>Note (b)</i>)	196,864	20,246

Notes:

- The amounts due from subsidiaries are unsecured, interest-free and denominated in HKD. The directors of the Company have resolved not to request repayment for the next twelve months from the end of reporting date and considered them as quasi-equity contributions.
- The amounts with subsidiaries are unsecured, interest-free, denominated in HKD and repayable on demand. The carrying amounts of amounts due from/ (to) subsidiaries approximate their fair values.

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

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2013:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held
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 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 Company (Shenzhen) 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%
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US\$60,000,000	100%

Notes to the Consolidated Financial Statements

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

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

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2013: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held
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 Plastic Products (Shenzhen) Development Company Limited	The PRC, limited liability company	Manufacturing of rubber trim for automobile glass in the PRC	Registered and paid up capital of HK\$11,000,000	100%
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Automobile glass trading and installation in Hong Kong	Authorised and paid up capital of 100,000 ordinary shares of HK\$1 each	100%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	Authorised and paid up capital of 1,000 ordinary shares of HK\$1,000 each	100%
XYG (HK) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 1,000 ordinary shares of HK\$10,000 each	100%
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	Authorised and paid up capital of 10,000 ordinary shares of HK\$1 each	100%
Xinyi Automobile Glass (BVI) Company Limited ¹	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%

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

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2013: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held
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%
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US\$110,800,000 with total paid up capital of US\$107,860,087	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 in the PRC	Registered capital of US\$99,000,000 with total paid up capital of US\$69,000,000	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\$21,756,817	100%

¹ Shares held directly by the Company.

Notes to the Consolidated Financial Statements

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

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
At 1 January	625	617
Exchange differences	16	8
Transferred from interests in associates (Note 12)	39,657	—
Gain on deemed disposal with loss of significant influence of interests in an associate	13,143	—
Fair value loss transferred to reserve	(1,200)	—
At 31 December	52,241	625
Market value of listed securities	51,600	—

The Company's associate, ZMFY Automobile Glass Services Limited (formerly known as Yu Sheng Investments Limited) was listed on the Stock Exchange of Hong Kong Limited by way of placing on 2 September 2013. Upon listing, the Company's shareholdings was reduced from 20% to 15%, and such interest in an associate was reclassified to "available-for-sale financial assets". 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" during the year.

Available-for-sale financial assets included unlisted equity securities and equity securities listed in Hong Kong amounted to HK\$641,000 and HK\$51,600,000, respectively. The fair value of unlisted equity securities is based on discounted cash flows method and the fair value of listed securities is based on the current bid price. These unlisted equity securities and listed equity securities are denominated in RMB and HKD, respectively.

12 INTERESTS IN AND BALANCES WITH ASSOCIATES

	Group	
	2013	2012
Investments in associates		
At 1 January	62,981	51,948
Exchange differences	404	99
Capital injection	1,282	3,750
Share of net assets value in an associate upon the Spin-off (Note 34)	712,310	—
Re-measurement of retained interests upon the Spin-off	1,315,417	—
Transferred to available-for-sale financial assets (Note 11)	(39,657)	—
Share of profits of associates	20,749	9,015
Dividend received	(2,252)	(1,831)
At 31 December	2,071,234	62,981

12 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

	Group	
	2013	2012
Loans to associates (Note (a))		
– Current portion	6,382	4,361
– Non-current portion	34,487	36,125
	40,869	40,486
Amount due to an associate (Note (b))	—	(33)

Notes:

- (a) The loans to associates are unsecured, interest-free and are repayable by installments up to 2020.
- (b) The amount due to an associate is unsecured, interest-free and repayable on demand.
- (c) The carrying amounts of balances with associates approximate their fair values.
- (d) The following is a list of the principal associates at 31 December 2013:

Name	Particulars of registered share capital	Principal activities and place of operation	Interest held
Xinyi Solar (Note)	Authorisd capital of HK\$8,000,000,000 with total paid up of 5,700,000,000 per HK\$1 each	Production and sales of solar glass products in the PRC	31.2%
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:

As at 31 December 2013, 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\$2,845,440,000 and the carrying amount of the Group's interest was HK\$2,035,932,000.

The information above reflects the amounts presented in the financial statements of the material associate adjusted for differences in accounting policies between the group and the associates.

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

12 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Summarised financial information for a material associate

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

Summarised balance sheet

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

Summarised statement of comprehensive income

	2013
Revenue	121,177
Depreciation and amortisation	(5,483)
Interest income	145
Profit from operations	39,306
Income tax expense	(9,043)
Post-tax profit from operations	30,263
Other comprehensive income	(2,479)
Total comprehensive income	27,784
Dividend received from associate	—

12 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Summarised financial information for a material associate (Continued)

Summarised statement of comprehensive income (Continued)

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

	2013
Addition upon the Spin-off (Note 34)	2,282,651
Profit for the year	27,784
Closing net assets	2,310,435
Interest in an associate (31.2%)	720,971
Goodwill	1,129,797
Intangible assets and other assets and liabilities	185,164
Carrying amount	2,035,932

13 INVENTORIES

	Group	
	2013	2012
Raw materials	536,458	493,501
Work in progress	113,511	87,944
Finished goods	581,931	622,874
	1,231,900	1,204,319

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK\$5,968,335,000 (2012: HK\$5,443,836,000) (Note 22).

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

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
Trade receivables (<i>Note (a)</i>)	876,444	1,138,688	—	—
Less: provision for impairment of trade receivables (<i>Note (b)</i>)	(11,919)	(8,461)	—	—
	864,525	1,130,227	—	—
Bills receivables (<i>Note (d)</i>)	748,954	386,779	—	—
Trade and bills receivables – net	1,613,479	1,517,006	—	—
Prepayments, deposits and other receivables	641,880	622,758	18,951	2,389
	2,255,359	2,139,764	18,951	2,389

Notes:

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2013 and 2012, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2013	2012
0 - 90 days	673,286	830,327
91 - 180 days	114,439	180,860
181 - 365 days	56,649	103,162
1 - 2 years	15,578	12,971
Over 2 years	16,492	11,368
	876,444	1,138,688

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

	2013	2012
RMB	586,910	814,523
HKD	8,507	3,365
USD	242,462	293,389
Other currencies	38,565	27,411
	876,444	1,138,688

14 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

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

	2013	2012
At 1 January	8,461	14,109
Exchange differences	211	158
Provision for/(reversal of provision for) impairment of trade receivables, net (Note 22)	4,457	(2,102)
Receivables written off during the year as uncollectible	(376)	(3,704)
Derecognised upon the Spin-off (Note 34)	(834)	—
At 31 December	11,919	8,461

The release of 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 2013, trade receivables of approximately HK\$200,964,000 (2012: HK\$384,050,000) 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	2012
0 - 90 days	101,970	173,502
91-180 days	49,579	99,357
181-365 days	32,354	96,537
1-2 years	9,797	8,034
Over 2 years	7,264	6,620
	200,964	384,050

As at 31 December 2013, trade receivables of approximately HK\$14,382,000 (2012: HK\$61,360,000) 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\$11,919,000 (2012: HK\$8,461,000) 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	2012
0 - 90 days	—	40,115
91-180 days	34	12,706
181-365 days	512	408
1-2 years	4,608	3,383
Over 2 years	9,228	4,748
	14,382	61,360

Notes to the Consolidated Financial Statements

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

14 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

The top five customers and the largest customer accounted for approximately 16.6% (2012: 22.8%) and 9.5% (2012: 6.4%) of the trade receivables balance as at 31 December 2013, 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 (2012: 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.

15 CASH AND BANK BALANCES

	Group		Company	
	2013	2012	2013	2012
Total cash at bank and on hand	707,557	538,840	384	6,020
Bank deposits with maturity less than three months	334,872	141,250	—	—
Cash and cash equivalents	1,042,429	680,090	384	6,020
Bank deposits with maturity more than three months	—	23,400	—	—
	1,042,429	703,490	384	6,020
Pledged bank deposits (Note (a))	789	882	—	—
Total cash and bank balances	1,043,218	704,372	384	6,020

The effective interest rate on short-term bank deposits was 5.18% in 2013 (2012: 3.94%). These short-term bank deposits have an average maturity of 15 days (2012: 68 days).

15 CASH AND BANK BALANCES (Continued)

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

	2013	2012
RMB	808,705	277,320
HKD	35,855	28,341
USD	175,194	282,796
Other currencies	23,464	115,915
	1,043,218	704,372

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:

	Group		Company	
	2013	2012	2013	2012
Total cash and bank balances	1,043,218	704,372	384	6,020
Less:				
– Pledged bank deposits	(789)	(882)	—	—
– Bank deposits with maturity more than three months	—	(23,400)	—	—
	1,042,429	680,090	384	6,020

Notes to the Consolidated Financial Statements

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

16 SHARE CAPITAL AND PREMIUM

	Note	Number of shares	Ordinary shares of HK\$0.1 each	Share premium	Total
Authorised:					
At 1 January 2012, 31 December 2012 and 2013		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
At 1 January 2012		3,683,324,044	368,332	3,088,388	3,456,720
Issue of shares under an employees share option scheme	(a)	17,607,700	1,761	50,456	52,217
Issue of new shares	(b)	82,729,211	8,273	373,876	382,149
Scrip dividend	(c)	1,893,344	189	8,236	8,425
At 31 December 2012 and 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	(d)	(22,702,000)	(2,270)	(132,962)	(135,232)
At 31 December 2013		3,921,369,699	392,137	4,335,328	4,727,465

16 SHARE CAPITAL AND PREMIUM (Continued)

(a) SHARE OPTIONS

In 2005, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of the Company, unless the Company obtains further approval from the shareholders.

In April 2008, 48,517,000 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\$2.34 per share. Options are conditional on the employee completing four year's service (the vesting period). The options are exercisable starting four years from the grant date. In relation to the batch granted in April 2008, 2,749,600 options (2012: Nil) were recovered, 11,060,400 options (2012: 14,137,100) were exercised during the year ended 31 December 2013, a total of 8,000 options were expired and Nil option (2012: 7,304,600) was lapsed during the year ended 31 December 2013.

In March 2009, 22,288,000 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\$1.72 per share. Options are conditional on the employee completing two year's service (the vesting period). The options are exercisable starting two years from the grant date. In relation to the batch granted in March 2009, Nil options (2012: 3,000) were recovered, Nil options (2012: 3,470,600) were exercised during the year ended 31 December 2013 and Nil (2012: Nil) option was lapsed during the year ended 31 December 2013.

In March 2010, 36,898,000 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\$3.55 per share. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date. In relation to the batch granted in March 2010, 27,457,000 (2012: Nil) options were exercised during the year ended 31 December 2013 and a total of 3,372,000 (2012: 1,964,000) options were lapsed during the year ended 31 December 2013.

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

16 SHARE CAPITAL AND PREMIUM (Continued)

(a) SHARE OPTIONS (Continued)

In March 2011, 23,718,000 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\$6.44 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 March 2011, Nil option was exercised from the date of the grant to 31 December 2013 and a total of 2,328,000 (2012: 1,312,000) options were lapsed during the year ended 31 December 2013.

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, Nil option was exercised from the date of the grant to 31 December 2013 and a total of 1,990,900 (2012: 875,000) options were lapsed during the year ended 31 December 2013.

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 years and six 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 2013, Nil option was exercised from the date of the grant to 31 December 2013 and a total of 362,100 options were lapsed during the year ended 31 December 2013.

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

	2013		2012	
	Average Exercise price in HK Dollar per share	Options (thousands)	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	4.36	87,122	3.80	89,933
Granted	5.55	26,500	4.34	26,250
Exercised	3.20	(38,517)	2.21	(17,608)
Lapsed	4.67	(5,303)	4.63	(4,148)
Expired	2.34	(8)	2.34	(7,305)
At 31 December	5.34	69,794	4.36	87,122

16 SHARE CAPITAL AND PREMIUM (Continued)

(a) SHARE OPTIONS (Continued)

Out of the 69,794,000 (2012: 87,122,000) outstanding options, 1,534,000 (2012: 8,318,000) options were exercisable as at 31 December 2013. Options exercised in 2013 resulted in 38,517,400 shares (2012: 17,608,000 shares) being issued at a weighted average price at the time of exercise of HK\$3.20 each (2012: HK\$2.21 each).

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

Expiry date	Exercise price in HK dollar per share (Restated)	Options (thousands)	
		2013	2012
19 April 2013	2.34	—	8,318
31 March 2014	3.55	1,534	32,363
31 March 2015	6.44	18,738	21,066
31 March 2016	4.34	23,384	25,375
31 March 2017	5.55	26,138	—
		69,794	87,122

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 Appraisal Limited, was approximately HK\$1.39 (2012: HK\$1.40) per option. The significant inputs into the model were weighted average share price of HK\$5.55 (2012: HK\$4.34) at the grant date, the exercise price shown above, volatility of 47.72% (2012: 56.89%), dividend yield of 3.29% (2012: 3.69%), an expected option life of 3.6 years (2012: 3.36 years), and an annual risk-free interest rate of 0.29% (2012: 0.32%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was HK\$36,800,550 (2012: HK\$36,635,000). The attributable amounts charged to the consolidated income statement for the year ended 31 December 2013 was HK\$25,249,000 (2012: HK\$40,951,000).

- (b) In May 2012, the Company allotted and issued 82,729,211 shares by way of placing at HK\$4.69 each, totaling HK\$388,000,000 and the related transaction costs amounting to HK\$5,851,000 have been netting off with the deemed proceeds. These shares rank pari passu in all respects with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

In September 2013, the Company allotted and issued 120,000,000 shares by way of placing at HK\$6.7 each, totaling HK\$804,000,000 and the related transaction costs amounting to HK\$11,000,000 have been netting off with the deemed proceeds. These shares rank pari passu in all respects with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

Notes to the Consolidated Financial Statements

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

16 SHARE CAPITAL AND PREMIUM (Continued)

(a) SHARE OPTIONS (Continued)

- (c) In July 2012, the Company allotted and issued 1,893,344 shares by way of scrip dividend in which shareholders will be given the option to receive the interim dividend of HK\$0.06 in cash or in lieu of cash. The excess over the par value of the shares were credited to the share premium account.
- (d) 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.

17 RESERVES

GROUP

	2012										Total
	Statutory reserve fund <i>(Note (a))</i>	Enterprise expansion fund <i>(Note (a))</i>	Foreign currency translations reserve	Capital reserve <i>(Note (b))</i>	Share option reserve	Property revaluation reserve	Capital redemption reserve	Convertible bond reserve	Sub-total	Retained earnings	
At 1 January 2012	608,707	49,221	1,056,695	11,840	51,179	624	8,942	—	1,787,208	3,263,621	5,050,829
Change in accounting policy											
– Adoption of HKAS 12 (Amendment)	—	—	—	—	—	—	—	—	—	5,048	5,048
At 1 January 2012, as restated	608,707	49,221	1,056,695	11,840	51,179	624	8,942	—	1,787,208	3,268,669	5,055,877
Profit for the year	—	—	—	—	—	—	—	—	—	1,188,142	1,188,142
Changes in revaluation surplus <i>(Note 8)</i>	—	—	—	—	—	12,834	—	—	12,834	—	12,834
Currency translation differences	11,209	575	144,632	—	—	—	—	—	156,416	—	156,416
Employee share option schemes:											
– proceeds from shares issued	—	—	—	—	(13,426)	—	—	—	(13,426)	—	(13,426)
– value of employee services <i>(Note 23)</i>	—	—	—	—	40,951	—	—	—	40,951	—	40,951
– release on forfeiture of share options	—	—	—	—	(5,966)	—	—	—	(5,966)	5,966	—
Transfer to reserves	96,474	—	—	—	—	—	—	—	96,474	(96,474)	—
Dividend relating to 2011	—	—	—	—	—	—	—	—	—	(188,529)	(188,529)
Dividend relating to 2012	—	—	—	—	—	—	—	—	—	(226,560)	(226,560)
Convertible bonds - equity component, net of issuance costs <i>(Note 19 (b))</i>	—	—	—	—	—	—	—	16,683	16,683	—	16,683
At 31 December 2012	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

17 RESERVES (Continued)

GROUP (Continued)

	2013											Total
	Other reserves										Retained earnings	
	Statutory reserve fund <i>(Note (a))</i>	Enterprise expansion fund <i>(Note (a))</i>	Foreign currency translations reserve	Capital reserve <i>(Note (b))</i>	Share option reserve	Property revaluation reserve	Capital redemption reserve	Convertible bonds reserve	Available-for-sales reserve	Sub-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	—	—	—	—	—	—	—	—	(1,200)	(1,200)	—	(1,200)
Currency translation differences	18,467	1,277	310,577	—	—	—	—	—	—	330,321	—	330,321
Change in revaluation surplus <i>(Note 8)</i>	—	—	—	—	—	24,393	—	—	—	24,393	—	24,393
Employee share option schemes:												
– proceeds from shares issued	—	—	—	—	(46,818)	—	—	—	—	(46,818)	—	(46,818)
– value of employee services <i>(Note 23)</i>	—	—	—	—	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 <i>(Note 16 (d))</i>	—	—	—	—	—	—	2,270	—	—	2,270	(2,270)	—
Loss on repurchase and cancellation of warrants <i>(Note (c))</i>	—	—	—	—	—	—	—	—	—	—	(11,149)	(11,149)
Dividend relating to 2012	—	—	—	—	—	—	—	—	—	—	(341,025)	(341,025)
Dividend relating to 2013	—	—	—	—	—	—	—	—	—	—	(493,432)	(493,432)
Distribution in specie <i>(Note 30)</i>	—	—	—	—	—	—	—	—	—	—	(1,570,341)	(1,570,341)
Derecognition upon Spin-off <i>(Note (d))</i>	(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

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 2013, the boards of directors of the subsidiaries resolved to appropriate approximately HK\$154,772,000 (2012: HK\$96,474,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2013 and 2012.

- (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.

Notes to the Consolidated Financial Statements

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

17 RESERVES (Continued)

GROUP (Continued)

Notes:

(c) In May 2012, Xinyi Solar Holdings Limited, the Company's indirectly wholly owned subsidiary issued 98,087,881 warrants. Net proceeds of HK\$1,851,000 were received, representing the aggregate subscription price of HK\$1,940,000, net of related transaction costs of HK\$89,000

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.

COMPANY

	Share option reserve	Capital redemption reserve	Convertible bonds reserve	Sub-total	Retained earnings	Total
At 1 January 2012	51,179	8,942	—	60,121	208,592	268,713
Profit for the year (Note 28)	—	—	—	—	587,452	587,452
Employees share option scheme:						
– proceeds from shares issued	(13,426)	—	—	(13,426)	—	(13,426)
– value of employee services (Note 23)	40,951	—	—	40,951	—	40,951
– release on forfeiture of share options	(5,966)	—	—	(5,966)	5,966	—
Dividends relating to 2011	—	—	—	—	(188,529)	(188,529)
Dividends relating to 2012	—	—	—	—	(226,560)	(226,560)
Convertible bonds - equity component, net of issuance costs (Note 19 (b))	—	—	16,683	16,683	—	16,683
At 31 December 2012	72,738	8,942	16,683	98,363	386,921	485,284
At 1 January 2013	72,738	8,942	16,683	98,363	386,921	485,284
Profit for the year (Note 28)	—	—	—	—	2,039,891	2,039,891
Employees share option scheme:						
– proceeds from shares issued	(46,818)	—	—	(46,818)	—	(46,818)
– value of employee services (Note 23)	25,249	—	—	25,249	—	25,249
– release on forfeiture of share options	2,240	—	—	2,240	(2,240)	—
Repurchase and cancellation of shares (Note 16 (d))	—	2,270	—	2,270	(2,270)	—
Dividends relating to 2012	—	—	—	—	(341,025)	(341,025)
Dividends relating to 2013	—	—	—	—	(493,432)	(493,432)
Distribution in specie (Note 30)	—	—	—	—	(1,570,341)	(1,570,341)
At 31 December 2013	53,409	11,212	16,683	81,304	17,504	98,808

18 TRADE PAYABLES AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
Trade payables (<i>Note (a)</i>)	773,491	604,815	—	—
Other payables (<i>Note (b)</i>)	970,246	850,392	923	3,044
	1,743,737	1,455,207	923	3,044

Notes:

- (a) At 31 December 2013 and 2012, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	Group	
	2013	2012
0 - 90 days	701,191	523,843
91-180 days	52,825	29,501
181-365 days	8,625	34,109
1-2 years	5,515	14,404
Over 2 years	5,335	2,958
	773,491	604,815

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

	Group	
	2013	2012
RMB	750,202	527,100
HKD	7	632
USD	22,367	76,845
Other currencies	915	238
	773,491	604,815

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

18 TRADE PAYABLES AND OTHER PAYABLES (Continued)

Notes: (Continued)

(b) Nature of other payables is as follows:

	Group		Company	
	2013	2012	2013	2012
Payables for property, plant and equipment	274,128	207,299	—	—
Payables for employee benefits and welfare	189,148	168,323	—	—
Payables for value-added tax	161,538	103,811	—	—
Payables for utilities	37,323	41,166	—	—
Receipt in advance from customers	163,824	137,478	—	—
Deposits received for disposal of an investment property	—	41,700	—	—
Others	144,285	150,615	923	3,044
	970,246	850,392	923	3,044

(c) The carrying amounts of trade payables and other payables approximate their fair values.

19 BANK AND OTHER BORROWINGS

	Group		Company	
	2013	2012	2013	2012
Non-current				
Bank borrowings, secured (Note (a))	3,953,157	3,371,222	—	—
Less: Current portion	(1,735,855)	(1,644,871)	—	—
	2,217,302	1,726,351	—	—
Convertible bonds - liability component (Note (b))	806,950	769,227	806,950	769,227
Shown as non-current liabilities	3,024,252	2,495,578	806,950	769,227
Current				
Bank borrowings, secured (Note (a))	379,888	125,103	—	—
Current portion of non-current borrowings, secured	1,735,855	1,644,871	—	—
	2,115,743	1,769,974	—	—
Total bank and other borrowings	5,139,995	4,265,552	806,950	769,227

19 BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings

At 31 December 2013 and 2012, the Group's bank borrowings were repayable as follows:

	2013	2012
Within 1 year	2,115,743	1,769,974
Between 1 and 2 years	1,781,220	1,388,155
Between 2 and 5 years	436,082	338,196
	4,333,045	3,496,325

At 31 December 2013 and 2012, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2016 and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2013 and 2012.

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

	2013	2012
HKD	4,163,089	3,371,222
USD	169,956	125,103
	4,333,045	3,496,325

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

	2013		2012	
	HKD	USD	HKD	USD
Bank borrowings	1.75%	1.04%	1.60%	1.34%

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

(b) Convertible bonds

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.

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

19 BANK AND OTHER BORROWINGS (Continued)

(b) Convertible bonds (Continued)

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.

At 31 December 2013, 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:

	Group and Company	
	2013	2012
Liability component at 1 January 2013/principal value of convertible bonds issued on 3 May 2012, net of issuance costs	769,227	761,558
Equity component (<i>Note 17</i>)	—	(16,683)
Liability component on 1 January 2013/initial recognition at 3 May 2012	769,227	744,875
Interest expense (<i>Note 26</i>)	37,723	24,352
Liability component at 31 December 2013/31 December 2012	806,950	769,227

The fair value of the liability component of the convertible bonds at 31 December 2013 amounted to HK\$806,950,000. The fair value is calculated using cash flows discounted and are within level 2 of the fair value hierarchy.

20 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	Group	
	2013	2012
Deferred income tax assets	—	—
Deferred income tax liabilities	159,508	101,925

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

	Group	
	2013	2012
Beginning of the year	101,925	95,309
Charged to the consolidated income statement (<i>Note 27</i>)	57,583	6,616
End of the year	159,508	101,925

20 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Group tax losses	
	2013	2012
Deferred income tax assets		
At 1 January 2012	—	(5,397)
Charged to the consolidated income statement	—	5,397
At 31 December 2012	—	—
Charged to the consolidated income statement	—	—
At 31 December 2013	—	—

Deferred income tax liabilities:

	Group		
	Accelerated tax depreciation	Undistributed profits of subsidiaries	Total
At 1 January 2012	1,661	99,045	100,706
Charged to the consolidated income statement	1,219	—	1,219
At 31 December 2012	2,880	99,045	101,925
(Credited)/charged to the consolidated income statement	(2,417)	60,000	57,583
At 31 December 2013	463	159,045	159,508

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$19,458,000 (2012: HK\$25,782,000) in respect of losses amounting to approximately HK\$77,834,000 (2012: HK\$103,133,000) that can be carried forward against future taxable income, approximately Nil (2012: HK\$869,000), Nil (2012: Nil), HK\$134,000 (2012: HK\$143,000), HK\$1,000 (2012: HK\$2,556,000), HK\$72,212,000 (2012: HK\$99,549,000) and HK\$5,481,000 of such losses will expire in 2013, 2014, 2015, 2016, 2017 and 2018 respectively. The remaining balance of approximately HK\$6,000 (2012: HK\$16,000) does not have expiry date.

Deferred income tax liabilities of approximately HK\$83,013,000 (2012: HK\$109,895,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries and associates in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2013, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK\$1,660,260,000 (2012: HK\$2,197,900,000).

Notes to the Consolidated Financial Statements

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

21 DEFERRED GOVERNMENT GRANTS

	Group	
	2013	2012
Non-current portion	179,789	192,862

The government grants were received from the PRC government in subsidising the Group's purchase of property, plant and equipment in the PRC. They will be netting off with the cost of acquisition when property, plant and equipment are acquired and are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

For the deferred government grants that are under non-current portion, they will be netting off the cost of acquisition beyond 12 months.

22 EXPENSES BY NATURE

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

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Amortisation charge of leasehold land and land use rights (<i>Note 6</i>)	19,564	17,571	2,204	2,855
Depreciation charge of property, plant and equipment	606,135	481,957	83,218	98,082
Amortisation charge of intangible assets (<i>Note 9</i>)	3,460	3,626	—	—
Employee benefit expenses (<i>Note 23</i>)	779,936	636,022	107,973	109,604
Cost of inventories (<i>Note 13</i>)	4,949,245	4,599,661	1,019,090	844,175
Other selling expenses (including transportation and advertising costs)	284,891	233,573	102,427	54,637
Operating lease payments in respect of land and Buildings	7,452	5,883	—	—
Provision/(reversal of provision) for impairment of trade receivables, net (<i>Note 14</i>)	5,560	(2,704)	(1,103)	602
Auditor's remuneration	3,185	2,693	1,018	600
Direct operating expenses arising from investment property that generates rental income	394	1,072	—	—
Other expenses	1,390,095	1,283,566	253,152	133,165
Total cost of sales, selling and marketing costs and administrative expenses	8,049,917	7,262,920	1,567,979	1,243,720

23 EMPLOYEE BENEFIT EXPENSES

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Wages and salaries	709,563	579,094	94,008	91,933
Share options granted to employees	25,249	26,912	—	14,039
Pension costs - defined contribution plans (<i>Note (a)</i>)	45,124	30,016	13,965	3,632
	779,936	636,022	107,973	109,604

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\$1,250 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.

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

23 EMPLOYEE BENEFIT EXPENSES (Continued)

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

23 EMPLOYEE BENEFIT EXPENSES (Continued)

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

The remuneration of every director for the year ended 31 December 2012 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
LEE Yin Yee	250	49	2,906	1	3,206
TUNG Ching Bor	250	1,525	932	14	2,721
TUNG Ching Sai	250	5,597	3,387	14	9,248
LEE Yau Ching	250	2,487	1,129	14	3,880
LEE Shing Kan	250	1,301	576	14	2,141
LI Man Yin	250	1,068	576	14	1,908
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	1	—	—	—	1
TAM Wai Hung, David	1	—	—	—	1

Notes to the Consolidated Financial Statements

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

23 EMPLOYEE BENEFIT EXPENSES (Continued)

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: two) individuals during the year are as follows:

	2013	2012
Basic salaries and allowances	7,945	4,820
Discretionary and performance bonus	5,785	4,680
Employer's contribution to pension scheme	52	36
Share options granted (<i>Note (a)</i>)	258	738
	14,040	10,274

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 (2012: Nil).

24 OTHER INCOME

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Rental income	4,791	6,436	327	—
Government grants (<i>Note (a)</i>)	317,501	71,166	54,982	38,132
Others	3,837	6,421	1,936	2,213
	326,129	84,023	57,245	40,345

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.

25 OTHER GAINS - NET

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Gains/(losses) on disposal of property, plant and equipment and non-current asset held for sale	8,129	(455)	—	(9)
Losses on disposal of subsidiaries	(885)	(2,623)	—	—
Gain on deemed disposal of an associate	13,143	—	—	—
Fair value gains on investment properties (Note 8)	88,989	39,446	—	—
Losses on disposal of trading securities	(2,723)	—	—	—
Other foreign exchange gains, net	31,098	4,148	(1,086)	2,376
	137,751	40,516	(1,086)	2,367

26 FINANCE INCOME AND COSTS

	Continuing operations	
	2013	2012
Finance income:		
Interest income on bank deposits	22,949	13,963
Finance costs:		
Interest expense on bank borrowings	83,860	73,466
Less: interest expense capitalised on qualifying assets (Note 7)	(38,932)	(26,553)
Interest expense on convertible bonds (Note 19 (b))	37,723	24,352
	82,651	71,265

Notes to the Consolidated Financial Statements

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

27 INCOME TAX EXPENSE

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Current income tax				
– Hong Kong profits tax (<i>Note (a)</i>)	33,866	24,541	714	2,607
– PRC corporate income tax (<i>Note (b)</i>)	286,341	150,409	56,901	22,084
– Overseas income tax (<i>Note (c)</i>)	4	501	—	—
– Under-provision in prior years	3,363	1,988	—	—
Deferred income tax (<i>Note 20</i>)				
– Origination and reversal of temporary differences	57,583	6,936	—	(320)
	381,157	184,375	57,615	24,371

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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. Certain PRC subsidiaries are 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% (2012: 25%), 25% (2012: 12.5%), 25% (2012: 12.5% to 25%), 25% (2012: 12.5%) and 25% (2012: 12.5%), respectively.

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.

27 INCOME TAX EXPENSE (Continued)

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:

	Continuing operations		Discontinued operation	
	2013	2012	2013	2012
Profit before income tax	3,626,503	1,246,381	334,510	151,152
Calculated at weighted average tax rate of 24% (2012: 24%)	871,167	299,132	80,282	36,276
Preferential tax rates on income of certain PRC and Hong Kong subsidiaries	(320,503)	(108,530)	(26,063)	(17,382)
Under-provision in prior years	3,363	1,988	—	—
Utilisation of previously unrecognised tax losses	(493)	(4,330)	—	—
Income not subject to tax	(259,483)	(9,950)	—	—
Expenses not deductible for tax purposes	27,106	6,065	3,396	5,477
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries and associates	60,000	—	—	—
Income tax expense	381,157	184,375	57,615	24,371

28 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\$2,039,891,000 (2012: HK\$587,452,000).

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29 EARNINGS PER SHARE

BASIC:

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, scrip dividend and share repurchased and cancellation stated in Note 16 (b), (c) and (d)) during 2013 and 2012.

	2013	2012
From continuing operations:		
Profit attributable to equity holders of the Company (HK\$'000)	3,245,043	1,061,361
Weighted average number of ordinary shares in issue (thousands)	3,832,349	3,745,763
Basic earnings per share (HK cents per share)	84.68	28.34

	2013	2012
From discontinued operation:		
Profit attributable to equity holders of the Company (HK\$'000)	276,895	126,781
Weighted average number of ordinary shares in issue (thousands)	3,832,349	3,745,763
Basic earnings per share (HK cents per share)	7.23	3.38

DILUTED:

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.

29 EARNINGS PER SHARE (Continued)

DILUTED: (Continued)

	2013	2012
From continuing operations:		
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	3,245,043	1,061,361
Interest expense on convertible bonds (net of tax) (HK\$'000)	31,499	20,334
Profit used to determine diluted earnings per share (HK\$'000)	3,276,542	1,081,695
Weighted average number of ordinary shares in issue (thousands)	3,832,349	3,745,763
Adjustments for:		
Share options (thousands)	19,736	19,336
Assumed conversion of convertible bonds (thousands)	136,140	83,978
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,988,225	3,849,077
Diluted earnings per share (HK cents per share)	82.16	28.10
From discontinued operation:		
Earnings		
Profit used to determine diluted earnings per share (HK\$'000)	276,895	126,781
Weighted average number of ordinary shares in issue (thousands)	3,832,349	3,745,763
Adjustments for:		
Share options (thousands)	19,736	19,336
Assumed conversion of convertible bonds (thousands)	136,140	83,978
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,988,225	3,849,077
Diluted earnings per share (HK cents per share)	6.94	3.30

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30 DIVIDENDS

	2013	2012
Interim dividend paid of HK\$0.13 (2012: HK\$0.06) per share (Note a)	493,432	226,560
Special dividend, by way of distribution of shares of Xinyi Solar (Note b)	1,570,341	—
Proposed final dividend of HK\$0.14 (2012: HK\$0.09) per share (Note c)	548,992	340,700
	2,612,765	567,260

Notes:

- (a) An interim dividend of HK\$0.13 per share (2012: HK\$0.06 per share) was paid to shareholders whose names appeared on the Register of Members of the Company on 6 September 2013.
- (b) On 19 November 2013, the board of directors of the Company declared a conditional special interim dividend by way of distribution of 68.8% of Xinyi Solar shares held by a subsidiary of the Company to the Company's shareholders in proportion to their shareholdings in the Company. On 12 December 2013, a total of 3,921,290,699 Xinyi Solar share, representing approximately 68.8% of the total number of shares in issue were distributed to the owners of the Company. The corresponding 68.8% share in net assets value of Xinyi Solar upon the Spin-off was approximately HK\$1,570,341,000.
- (c) A final dividend in respect of the financial year ended 31 December 2013 of HK\$0.14 per share (2012: HK\$0.09 per share), amounting to a total dividend of HK\$548,992,000 (2012: HK\$340,700,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2013 proposed final dividend is based on 3,921,369,699 shares in issue as at 31 December 2013 (2012: 3,785,554,299 shares in issue as at 31 December 2012). These financial statements do not reflect this dividend payable.

31 CASH GENERATED FROM OPERATIONS

	Note	2013	2012
(a) Profit before income tax			
– from continuing operations		3,626,503	1,246,381
– from discontinued operation		334,510	151,152
		3,961,013	1,397,533
Adjustments for:			
– Amortisation charge of leasehold land and land use rights	22	21,768	20,426
– Fair value gains on investment properties	25	(88,989)	(39,446)
– Depreciation of property, plant and equipment	22	689,353	580,039
– (Gains)/losses on disposal of property, plant and equipment and non-current asset held for sale	25	(8,129)	464
– Amortisation charge of intangible assets	22	3,460	3,626
– Gain on the Spin-off		(1,315,417)	—
– Losses on disposal of subsidiaries	25, 31 (c)	885	2,623
– Gain on deemed disposal of an associate	25	(13,143)	—
– Share of profits of associates	12	(20,749)	(9,015)
– Interest income	26	(22,949)	(13,963)
– Interest expense	26	82,651	71,265
– Share options granted to employees	23	25,249	40,951
– Losses on trading securities	25	2,723	—
– Provision for/(reversal of provision for) impairment of trade receivables, net	14	4,457	(2,102)
Changes in working capital:			
– Inventories		(113,738)	69,229
– Trade and other receivables		(885,407)	(85,010)
– Amount due to an associate		2,531	—
– Trade payables and other payables		723,398	(365,326)
Cash generated from operations		3,048,967	1,671,294

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

31 CASH GENERATED FROM OPERATIONS (Continued)

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and non-current asset held for sale comprise:

	2013	2012
Net book amount of property, plant and equipment (Note 7) and non-current asset held for sale (Note 35)	210,004	5,758
Gains /(losses) on disposal of property, plant and equipment and non-current asset held for sale (Note 25)	8,129	(464)
Proceeds from disposal of property, plant and equipment and non-current asset held for sale	218,133	5,294
Less: Deposits received in prior year	(41,700)	—
Proceeds from disposal of property, plant and equipment and non-current asset held for sale for the year	176,433	5,294

- (c) In the consolidated statement of cash flows, proceeds from disposal of subsidiaries comprise:

	2013	2012
Net book amount of subsidiaries disposed of	1,677	36,432
Less: Non-controlling interests	(792)	(15,950)
Losses on disposal of subsidiaries	885	20,482
Proceeds from disposal of subsidiaries	(885)	(2,623)
Proceeds from disposal of subsidiaries	—	17,859

- (d) Non-cash transaction

As at 31 December 2013, the Group had payable for property, plant and equipment of HK\$233,393,000 (2012: HK\$207,299,000) which was included in trade payables and other payables.

32 COMMITMENTS

CAPITAL COMMITMENTS

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

	Group	
	2013	2012
Property, plant and equipment		
Authorised but not contracted for	5,216,100	4,201,685
Contracted but not provided for	441,032	621,241
	<u>5,657,132</u>	<u>4,822,926</u>

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2013	2012
Not later than 1 year	4,637	1,795
Later than 1 year and not later than 5 years	3,059	191
	<u>7,696</u>	<u>1,986</u>

The investment property and property reclassified to non-current asset held for sale are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment property and property reclassified to non-current asset held for sale not recognised in the consolidated financial statements are as follows:

	Group	
	2013	2012
Not later than 1 year	4,126	6,187
Later than 1 year and not later than 5 years	13,691	13,105
Later than 5 years	6,050	—
	<u>23,867</u>	<u>19,292</u>

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

33 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(A) PURCHASES OF GOODS FROM ASSOCIATES/SALES OF GOODS TO AN ASSOCIATE/A RELATED PARTY AND RENTAL INCOME/EXPENSE RECEIVED FROM/PAID TO AN ASSOCIATE

	2013	2012
Purchases of goods from associates		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	430,389	162,593
– Beihai Yiyang Mineral Company Limited	136,433	141,021
– Dongyuan County Xinhuali Quartz Sand Company Limited	37,382	17,037
– Maoming City Yindi Construction Material Company Limited	33,790	23,133
Sales of goods to a related party		
– Beijing Zhengmei Fengye Automobile Service Co., Ltd.	13,200	21,386
Rental income received from an associate		
– A subsidiary of Xinyi Solar	297	—
Rental expenses paid to an associate		
– A subsidiary of Xinyi Solar	63	—

(B) YEAR-END BALANCES WITH RELATED PARTIES

	Group	
	2013	2012
Loans advance to associates		
– Beihai Yiyang Mineral Company Limited	3,818	1,861
– Dongyuan County Xinhuali Quartz Sand Company Limited	37,051	38,625
	40,869	40,486
Amount due to an associate		
– Beihai Yiyang Mineral Company Limited	—	(33)

33 RELATED PARTY TRANSACTIONS (Continued)

(C) KEY MANAGEMENT COMPENSATION

	2013	2012
Basic salaries and allowances	18,483	17,556
Discretionary and performance bonus	24,673	13,158
Employer's contributions to pension scheme	138	155
Share options granted	2,580	2,994
	<u>45,874</u>	<u>33,863</u>

34 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:

Land use rights (<i>Note 6</i>)	186,833
Property, plant and equipment (<i>Note 7</i>)	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) (<i>Note 14</i>)	736,861
Cash and bank balances	264,018
Trade payables and other payables	(399,908)
Current income tax liabilities	<u>(19,569)</u>
Net assets derecognised upon the Spin-off	2,282,651
Transferred to interests in associates (<i>Note 12</i>)	<u>(712,310)</u>
Special dividend (<i>Note 30</i>)	<u>1,570,341</u>
Net cash outflow upon Spin-off	
Cash and bank balances	<u>264,018</u>

Notes to the Consolidated Financial Statements

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

34 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	2012
Revenue		1,846,330	1,352,160
Cost of sales	22	(1,293,334)	(1,103,841)
Gross profit		552,996	248,319
Other income	24	57,245	40,345
Other (losses)/gains – net	25	(1,086)	2,367
Selling and marketing costs	22	(122,286)	(69,824)
Administrative expenses	22	(152,359)	(70,055)
Profit before income tax		334,510	151,152
Income tax expense	27	(57,615)	(24,371)
Profit for the period/year		276,895	126,781

35 NON-CURRENT ASSET HELD FOR SALE

On 16 April 2012, the Group entered into a sales and purchase agreement with a third party in relation to the sale of related land use rights, building and investment property for a consideration of approximately HK\$208,500,000. The transaction was completed in July 2013. As a result, the related land use rights of HK\$2,578,000 (Note 6), building of HK\$15,562,000 (Note 7) and investment property of HK\$49,925,000 (Note 8) with a total carrying amount of HK\$68,065,000 was reclassified as non-current asset held for sale.

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.

	Year ended 31 December				
	2013	2012	2011 (Restated)	2010 (Restated)	2009
Revenue					
Continuing operations	9,936,076	8,433,049	6,993,500	5,286,547	3,750,098
Discontinued operation	1,846,330	1,352,160	1,233,151	1,077,767	207,859
	<u>11,782,406</u>	<u>9,785,209</u>	<u>8,226,651</u>	<u>6,364,314</u>	<u>3,957,957</u>
Cost of sales					
Continuing operations	(6,799,045)	(6,206,215)	(5,080,059)	(3,290,781)	(2,351,700)
Discontinued operation	(1,293,334)	(1,103,841)	(792,942)	(518,486)	(144,347)
	<u>3,137,031</u>	<u>2,226,834</u>	<u>1,913,441</u>	<u>1,995,766</u>	<u>1,398,398</u>
	<u>552,996</u>	<u>248,319</u>	<u>440,209</u>	<u>559,281</u>	<u>63,512</u>
	<u>3,690,027</u>	<u>2,475,153</u>	<u>2,353,650</u>	<u>2,555,047</u>	<u>1,461,910</u>
Continuing operations					
Profit before income tax	3,626,503	1,246,381	1,107,206	1,300,792	785,014
Income tax expense	(381,157)	(184,375)	(206,446)	(246,764)	(47,392)
	<u>3,245,346</u>	<u>1,062,006</u>	<u>900,760</u>	<u>1,054,028</u>	<u>737,622</u>
Discontinued operation					
Profit for the year from discontinued operation	276,895	126,781	363,636	518,384	38,983
	<u>3,522,241</u>	<u>1,188,787</u>	<u>1,264,396</u>	<u>1,572,412</u>	<u>776,605</u>
Profit attributable to					
– Equity holders of the Company	3,521,938	1,188,142	1,265,371	1,571,198	773,526
– Non-controlling interests	303	645	(975)	1,214	3,079
	<u>3,522,241</u>	<u>1,188,787</u>	<u>1,264,396</u>	<u>1,572,412</u>	<u>776,605</u>
Dividends	<u>2,612,765</u>	<u>567,260</u>	<u>584,069</u>	<u>740,560</u>	<u>372,012</u>

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

Asset and Liabilities	As at 31 December				
	2013	2012	2011 (Restated)	2010 (Restated)	2009
Total assets	19,651,127	16,065,091	15,346,488	11,016,796	8,009,699
Total liabilities	7,442,198	6,119,018	6,816,183	4,456,372	2,579,113
	12,208,929	9,946,073	8,530,305	6,560,424	5,430,586
Equity attributable to equity holders of the Company	12,207,789	9,941,899	8,512,597	6,540,797	5,410,514
Non-controlling interests	1,140	4,174	17,708	19,627	20,072
	12,208,929	9,946,073	8,530,305	6,560,424	5,430,586