

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



XINYI GLASS HOLDINGS LIMITED

信義玻璃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00868)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- The total sales of the Group in 2013 reached HK\$11,782.4 million (including sales from continuing operations of HK\$9,936.1 million and discontinued operation of HK\$1,846.3 million), representing an increase of 20.4% as compared with the total sales in 2012.
- The net profit attributable to the equity holders of the Company for 2013 reached HK\$3,521.9 million (including net profit from continuing operations of HK\$3,245.0 million and discontinued operation of HK\$276.9 million), representing an increase of 196.4% as compared with the net profit in 2012.
- Basic earnings per share for 2013 were 91.91 HK cents (including 84.68 HK cents from continuing operations and 7.23 HK cents from discontinued operation).
- The Directors propose a final cash dividend of 14.0 HK cents per share for 2013.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The board of directors (the “**Directors**”) of Xinyi Glass Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:-

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

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2013	2012
<u>Continuing operations:</u>			
Revenue	4	9,936,076	8,433,049
Cost of sales	5	<u>(6,799,045)</u>	<u>(6,206,215)</u>
Gross profit		3,137,031	2,226,834
Other income	6	326,129	84,023
Other gains — net	7	137,751	40,516
Gain on spin-off and separate listing of subsidiaries	14	1,315,417	—
Selling and marketing costs	5	(478,434)	(419,557)
Administrative expenses	5	<u>(772,438)</u>	<u>(637,148)</u>
Operating profit		3,665,456	1,294,668
Finance income	8	22,949	13,963
Finance costs	8	(82,651)	(71,265)
Share of profits of associates		<u>20,749</u>	<u>9,015</u>
Profit before income tax		3,626,503	1,246,381
Income tax expense	9	<u>(381,157)</u>	<u>(184,375)</u>
Profit for the year from continuing operations		3,245,346	1,062,006
<u>Discontinued operation:</u>			
Profit for the period/year from discontinued operation	15	<u>276,895</u>	<u>126,781</u>
Profit for the year		<u><u>3,522,241</u></u>	<u><u>1,188,787</u></u>

	<i>Note</i>	2013	2012
Profit attributable to equity holders of the Company:			
- from continuing operations		3,245,043	1,061,361
- from discontinued operation		<u>276,895</u>	<u>126,781</u>
		<u><u>3,521,938</u></u>	<u><u>1,188,142</u></u>
Profit attributable to non-controlling interests of the Company:			
- from continuing operations		303	645
- from discontinued operation		<u>—</u>	<u>—</u>
		<u>303</u>	<u>645</u>
Profit for the year		<u><u>3,522,241</u></u>	<u><u>1,188,787</u></u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
Basic earnings per share:			
- from continuing operations	10	84.68	28.34
- from discontinued operation	10	<u>7.23</u>	<u>3.38</u>
		91.91	31.72
Diluted earnings per share:			
- from continuing operations	10	82.16	28.10
- from discontinued operation	10	<u>6.94</u>	<u>3.30</u>
		<u><u>89.10</u></u>	<u><u>31.40</u></u>
Dividends	11	<u><u>548,992</u></u>	<u><u>567,260</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	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 and loss:		
Changes in value of available-for-sale financial assets	(1,200)	—
Changes in revaluation surplus	24,393	12,834
Currency translation differences	<u>329,627</u>	<u>156,385</u>
Total comprehensive income for the year	<u>3,875,061</u>	<u>1,358,006</u>
Total comprehensive income attributable to:		
Equity holders of the Company	3,875,452	1,357,392
Non-controlling interests	<u>(391)</u>	<u>614</u>
Total comprehensive income for the year	<u>3,875,061</u>	<u>1,358,006</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013**

	<i>Note</i>	2013	2012
ASSETS			
Non-current assets			
Leasehold land and land use rights		1,390,059	1,433,680
Property, plant and equipment		10,458,833	10,069,379
Investment properties		498,138	53,500
Prepayments for property, plant and equipment and land use rights		526,980	202,445
Intangible assets		82,296	85,475
Available-for-sale financial assets		52,241	625
Investments in associates	14	2,071,234	62,981
Loans to an associate		<u>34,487</u>	<u>36,125</u>
		<u>15,114,268</u>	<u>11,944,210</u>
Current assets			
Inventories		1,231,900	1,204,319
Loans to associates		6,382	4,361
Trade and other receivables	12	2,255,359	2,139,764
Pledged bank deposits		789	882
Cash and bank balances		<u>1,042,429</u>	<u>703,490</u>
		4,536,859	4,052,816
Non-current asset held for sale		<u>—</u>	<u>68,065</u>
		<u>4,536,859</u>	<u>4,120,881</u>
Total assets		<u><u>19,651,127</u></u>	<u><u>16,065,091</u></u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		392,137	378,555
Share premium		4,335,328	3,520,956
Other reserves		2,372,564	2,091,174
Retained earnings			
- Proposed final dividend		548,992	340,700
- Others		<u>4,558,768</u>	<u>3,610,514</u>
		<u>12,207,789</u>	<u>9,941,899</u>
Non-controlling interests		<u>1,140</u>	<u>4,174</u>
Total equity		<u><u>12,208,929</u></u>	<u><u>9,946,073</u></u>

	<i>Note</i>	2013	2012
LIABILITIES			
Non-current liabilities			
Bank borrowings		3,024,252	2,495,578
Deferred income tax liabilities		159,508	101,925
Deferred government grants		<u>179,789</u>	<u>192,862</u>
		<u>3,363,549</u>	<u>2,790,365</u>
Current liabilities			
Amount due to an associate		—	33
Trade payables and other payables	13	1,743,737	1,455,207
Current income tax liabilities		219,169	103,439
Bank borrowings		<u>2,115,743</u>	<u>1,769,974</u>
		<u>4,078,649</u>	<u>3,328,653</u>
Total liabilities		<u>7,442,198</u>	<u>6,119,018</u>
Total equity and liabilities		<u>19,651,127</u>	<u>16,065,091</u>
Net current assets		<u>458,210</u>	<u>792,228</u>
Total assets less current liabilities		<u>15,572,478</u>	<u>12,736,438</u>

NOTES

1 General information

Xinyi Glass Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) is principally engaged in the production and sales 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 Group 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 5,700,000,000 Xinyi Solar’s shares in issue immediately after the Spin-off.

Following completion of the Spin-off, the Group will continue to be engaged in the production and sales of float glass, automobile glass, and construction and related glass products. Xinyi Solar will focus on the production and sales of solar glass and related products.

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.

3 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants. 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 HKFRS 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.

Changes in accounting policies 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.

4 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 15, 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. 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	<u>853,759</u>	<u>1,423,696</u>	<u>859,576</u>	<u>—</u>	<u>3,137,031</u>	<u>552,996</u>	<u>3,690,027</u>
Depreciation charge of property, plant and equipment	410,509	103,514	91,468	644	606,135	83,218	689,353
Amortisation charge							
— leasehold land and land use rights	14,937	3,552	1,075	—	19,564	2,204	21,768
— intangible assets	1,218	2,242	—	—	3,460	—	3,460
Provision for/(reversal of provision for) impairment of trade receivables, net	—	2,828	2,732	—	5,560	(1,103)	4,457
Share of profits of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,749</u>	<u>20,749</u>	<u>—</u>	<u>20,749</u>
Total assets	<u>9,905,553</u>	<u>3,246,915</u>	<u>2,683,460</u>	<u>3,815,199</u>	<u>19,651,127</u>	<u>—</u>	<u>19,651,127</u>
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)	<u>1,127,763</u>	<u>324,257</u>	<u>895,451</u>	<u>725,468</u>	<u>3,072,939</u>	<u>86,822</u>	<u>3,159,761</u>
Total liabilities	<u>1,162,996</u>	<u>616,754</u>	<u>372,836</u>	<u>5,289,612</u>	<u>7,442,198</u>	<u>—</u>	<u>7,442,198</u>

The segment information provided to the executive directors for the reportable segments 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	<u>(1,028,239)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,028,239)</u>	<u>—</u>	<u>(1,028,239)</u>
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	<u>(3,455,762)</u>	<u>(1,760,964)</u>	<u>(989,489)</u>	<u>—</u>	<u>(6,206,215)</u>	<u>(1,103,841)</u>	<u>(7,310,056)</u>
Gross profit	<u>324,836</u>	<u>1,316,862</u>	<u>585,136</u>	<u>—</u>	<u>2,226,834</u>	<u>248,319</u>	<u>2,475,153</u>
Depreciation charge of property, plant and equipment	296,241	97,883	85,649	2,184	481,957	98,082	580,039
Amortisation charge							
— leasehold land and land use rights	13,035	3,602	859	75	17,571	2,855	20,426
— intangible assets	1,405	2,221	—	—	3,626	—	3,626
(Reversal of provision for)/provision for impairment of trade receivables, net	—	(3,712)	1,008	—	(2,704)	602	(2,102)
Share of profits of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,015</u>	<u>9,015</u>	<u>—</u>	<u>9,015</u>
Total assets	<u>7,781,819</u>	<u>2,699,493</u>	<u>1,712,880</u>	<u>900,360</u>	<u>13,094,552</u>	<u>2,970,539</u>	<u>16,065,091</u>
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)	<u>560,572</u>	<u>91,058</u>	<u>188,407</u>	<u>166,946</u>	<u>1,006,983</u>	<u>156,605</u>	<u>1,163,588</u>
Total liabilities	<u>691,585</u>	<u>596,433</u>	<u>285,764</u>	<u>4,326,665</u>	<u>5,900,447</u>	<u>218,571</u>	<u>6,119,018</u>

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	<u>3,626,503</u>	<u>1,246,381</u>	<u>334,510</u>	<u>151,152</u>

Reportable segments 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	—	—
Investments in associates	2,071,234	62,981	—	—
Balances with associates	40,869	40,486	—	(33)
Non-current asset held for sale	—	68,065	—	—
Available-for-sale financial assets	52,241	625	—	—
Prepayments, deposits and other receivables	199,983	13,883	—	—
Cash and bank balances	143,590	236,359	—	—
Accruals and 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)	<u>19,651,127</u>	<u>16,065,091</u>	<u>(7,442,198)</u>	<u>(6,119,018)</u>

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 segments and the physical location of the assets.

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	<u>2,154,538</u>	<u>1,574,625</u>
	9,936,076	8,433,049
Discontinuing operation:		
Sales of solar glass	<u>1,846,330</u>	<u>1,352,160</u>
Total	<u>11,782,406</u>	<u>9,785,209</u>

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	<u>1,469,582</u>	<u>1,263,194</u>	<u>127,332</u>	<u>121,413</u>
	<u>9,936,076</u>	<u>8,433,049</u>	<u>1,846,330</u>	<u>1,352,160</u>

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	<u>153</u>	<u>286</u>
	<u>15,062,027</u>	<u>11,943,585</u>

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

5 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	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	3,460	3,626	—	—
Employee benefit expenses	779,936	636,022	107,973	109,604
Cost of inventories	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 for / (reversal of provision for) impairment of trade receivables, net	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	<u>1,390,095</u>	<u>1,283,566</u>	<u>253,152</u>	<u>133,165</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u>8,049,917</u>	<u>7,262,920</u>	<u>1,567,979</u>	<u>1,243,720</u>

6 **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	<u>3,837</u>	<u>6,421</u>	<u>1,936</u>	<u>2,213</u>
	<u>326,129</u>	<u>84,023</u>	<u>57,245</u>	<u>40,345</u>

Note (a)

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

7 **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	88,989	39,446	—	—
Losses on disposal of trading securities	(2,723)	—	—	—
Other foreign exchange gains, net	<u>31,098</u>	<u>4,148</u>	<u>(1,086)</u>	<u>2,376</u>
	<u>137,751</u>	<u>40,516</u>	<u>(1,086)</u>	<u>2,367</u>

8. **Finance income and costs**

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

9. **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				
- Origination and reversal of temporary differences	<u>57,583</u>	<u>6,936</u>	<u>—</u>	<u>(320)</u>
	<u>381,157</u>	<u>184,375</u>	<u>57,615</u>	<u>24,371</u>

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.

10. 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 during 2013 and 2012).

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

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

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.

	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)	<u>31,499</u>	<u>20,334</u>
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)		
Adjustments for:		
Share options (thousands)	19,736	19,336
Assumed conversion of convertible bonds (thousands)	<u>136,140</u>	<u>83,978</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>3,988,225</u>	<u>3,849,077</u>
Diluted earnings per share (HK cents per share)	<u>82.16</u>	<u>28.10</u>
	2013	2012
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)		
Adjustments for:		
Share options (thousands)	19,736	19,336
Assumed conversion of convertible bonds (thousands)	<u>136,140</u>	<u>83,978</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>3,988,225</u>	<u>3,849,077</u>
Diluted earnings per share (HK cents per share)	<u>6.94</u>	<u>3.30</u>

11. Dividends

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

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.

12. Trade and other receivables

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

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	<u>16,492</u>	<u>11,368</u>
	<u>876,444</u>	<u>1,138,688</u>

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	<u>38,565</u>	<u>27,411</u>
	<u>876,444</u>	<u>1,138,688</u>

- (b) The maturities of the bills receivables are within 6 months (2012: 6 months).
- (c) The carrying amounts of trade and other receivables approximate their fair values.

13. **Trade payables and other payables**

	2013	2012
Trade payables (<i>note (a)</i>)	773,491	604,815
Other payables (<i>note (b)</i>)	<u>970,246</u>	<u>850,392</u>
	<u>1,743,737</u>	<u>1,455,207</u>

Notes:

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

	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	<u>5,335</u>	<u>2,958</u>
	<u><u>773,491</u></u>	<u><u>604,815</u></u>

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

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

- (b) Nature of other payables is as follows:

	2013	2012
Payables for property, plant and equipment	274,128	207,299
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
Deposit received for disposal of investment property	—	41,700
Others	<u>144,285</u>	<u>150,615</u>
	<u><u>970,246</u></u>	<u><u>850,392</u></u>

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

14. Interests in associates

	2013	2012
At 1 January	62,981	51,948
Exchange differences	404	99
Capital injection	1,282	3,750
Cost of investment in an associate (<i>Note 15</i>)	712,310	—
Re-measurement of retained interests upon the Spin-off (<i>Note</i>)	1,315,417	—
Transferred to available-for-sale financial assets	(39,657)	—
Share of profits of associates	20,749	9,015
Dividend received	<u>(2,252)</u>	<u>(1,831)</u>
At 31 December	<u>2,071,234</u>	<u>62,981</u>

Note:

As stated in Note 15, the Company continues to hold 31.2% of Xinyi Solar's shares in issue immediately after the Spin-off. The re-measurement of retained interests represents the difference between the fair value and costs of retained interests of Xinyi Solar's shares on the date of listing.

15. 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 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.

The Company's shareholdings in Xinyi Solar decreased from 100% to 31.2% following the Distribution on 12 December 2013. The Group lost control in Xinyi Solar upon completion of 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 equity method of accounting.

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

	As at 11 December 2013
Land use rights	186,833
Property, plant and equipment	1,386,685
Prepayments for property, plant and equipment and land use rights	47,098
Inventories	80,633
Trade and other receivables	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 14</i>)	<u>(712,310)</u>
Special dividend (<i>Note 11</i>)	<u>1,570,341</u>
Net cash outflow upon Spin-off:	
Cash and bank balances	<u><u>264,018</u></u>

The profit and loss of the Xinyi Solar from 1 January 2013 to 11 December 2013 were as follows:

	For the period from 1 January 2013 to 11 December 2013	2012
Revenue	1,846,330	1,352,160
Cost of sales	<u>(1,293,334)</u>	<u>(1,103,841)</u>
Gross profit	552,996	248,319
Other income	57,245	40,345
Other (losses) / gains — net	(1,086)	2,367
Selling and marketing costs	(122,286)	(69,824)
Administrative expenses	<u>(152,359)</u>	<u>(70,055)</u>
Profit before income tax	334,510	151,152
Income tax expense	<u>(57,615)</u>	<u>(24,371)</u>
Profit for the period/year	<u><u>276,895</u></u>	<u><u>126,781</u></u>

16 Final dividend

Subject to the approval by the Shareholders at the forthcoming annual general meeting, the final dividend of 14.0 HK cents per Share will be payable on or before Tuesday, 8 July 2014 to the Shareholders whose names appear on the register of members of the Company at the closure day of register of members. The closure day for cash dividend will be disclosed in the notice of Annual General Meeting.

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 of the solar glass business (“**Xinyi Solar**”). 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.

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	<u>1,846,330</u>	<u>15.7</u>	<u>1,352,160</u>	<u>13.8</u>
	<u>11,782,406</u>	<u>100.0</u>	<u>9,785,209</u>	<u>100.0</u>

Note:

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

Financial Year Ended 31 December

	2013		2012	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
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>)	<u>1,596,914</u>	<u>13.6</u>	<u>1,384,607</u>	<u>14.2</u>
	<u><u>11,782,406</u></u>	<u><u>100.0</u></u>	<u><u>9,785,209</u></u>	<u><u>100.0</u></u>

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 received 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 and 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.

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 on the higher amount of the distributable profit of the Group's PRC subsidiaries and associates of HK\$60.0 million 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 at 31 December 2013 was 1.11, as compared with 1.24 as at 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 at 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 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 at 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 at 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 at 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 and 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 administered 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.

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 seventh 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 1.9% 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.

BUSINESS REVIEW

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 decrease the raw material costs, the average fuel consumption rate and 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 approximately 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.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors confirm that the Company has complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the “**Code**”) set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in 2013.

AUDIT COMMITTEE OF THE BOARD

The Company has established an audit committee, comprising five independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide comment and advice to the Board. The audit committee has reviewed the audited consolidated financial statements of the Company for the year ended and as of 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors confirm that they have complied with the Model Code in 2013.

Purchase, sale or redemption of the company's listed securities

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 business expansion 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 the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the Listing Rules.

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company.

The annual report of the Company for the financial year ended 31 December 2013 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

REPURCHASE OF LISTED SECURITIES BY THE COMPANY

During the year ended 31 December 2013, the Company repurchased a total of 22,702,000 Shares at an aggregate share price of approximately HK\$135.1 million on the Stock Exchange. These repurchased Shares were returned to the Company for cancellation in the respective months. Details of the repurchase of such Shares are as follows:

Month of repurchase	Number of repurchased Shares	Highest price per Share	Lowest price per Share	Aggregate share price paid <i>HK\$'000</i>
April 2013	6,562,000	5.51	5.14	35,198
May 2013	9,300,000	6.38	6.13	42,478
June 2013	<u>6,840,000</u>	6.40	5.94	<u>57,434</u>
	<u>22,702,000</u>			<u>135,110</u>

FIGURES IN PRELIMINARY ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong ("PwC HK"), to the amounts set forth in the Company's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on or before Monday, 30 June 2014. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or about Wednesday, 30 April 2014.

On behalf of the Board
XINYI GLASS HOLDINGS LIMITED
LEE Yin Yee, M.H.
Chairman

Hong Kong, 26 February 2014

As of the date of this announcement, the executive directors are Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai and Mr. LEE Shing Kan; the non-executive directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho; and the 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.