金保利
GOLDPOLY

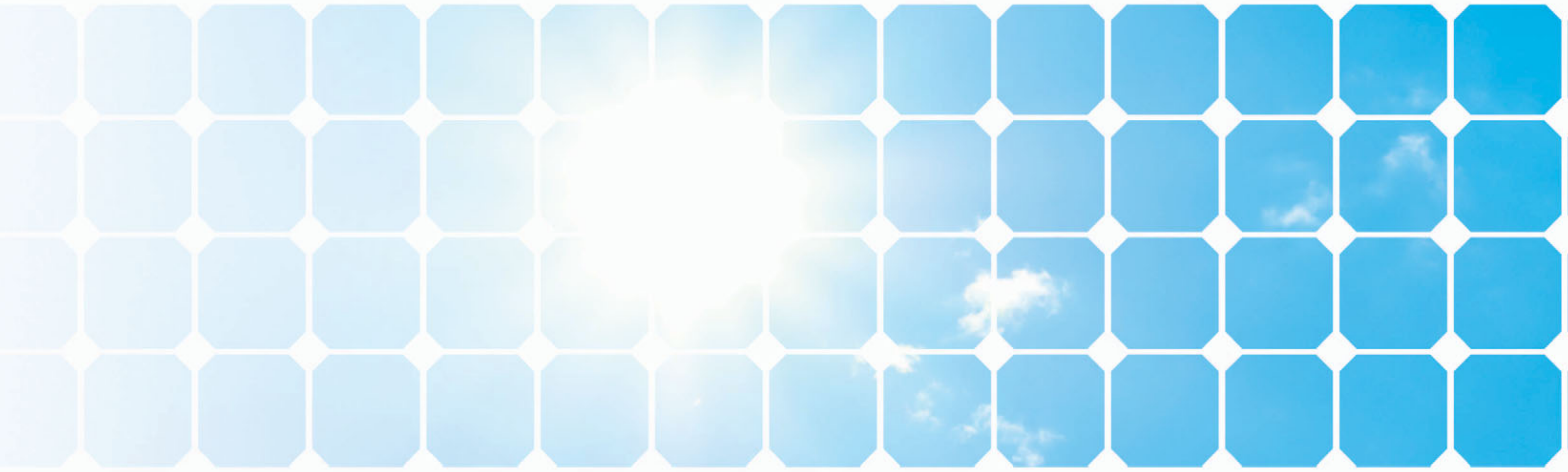
# GOLDPOLY NEW ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 686

# GREEN ENERGY
## for a better world

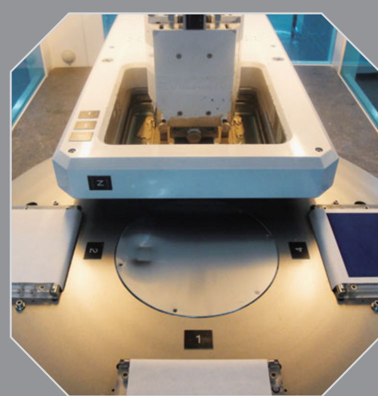
**Annual Report** 2010

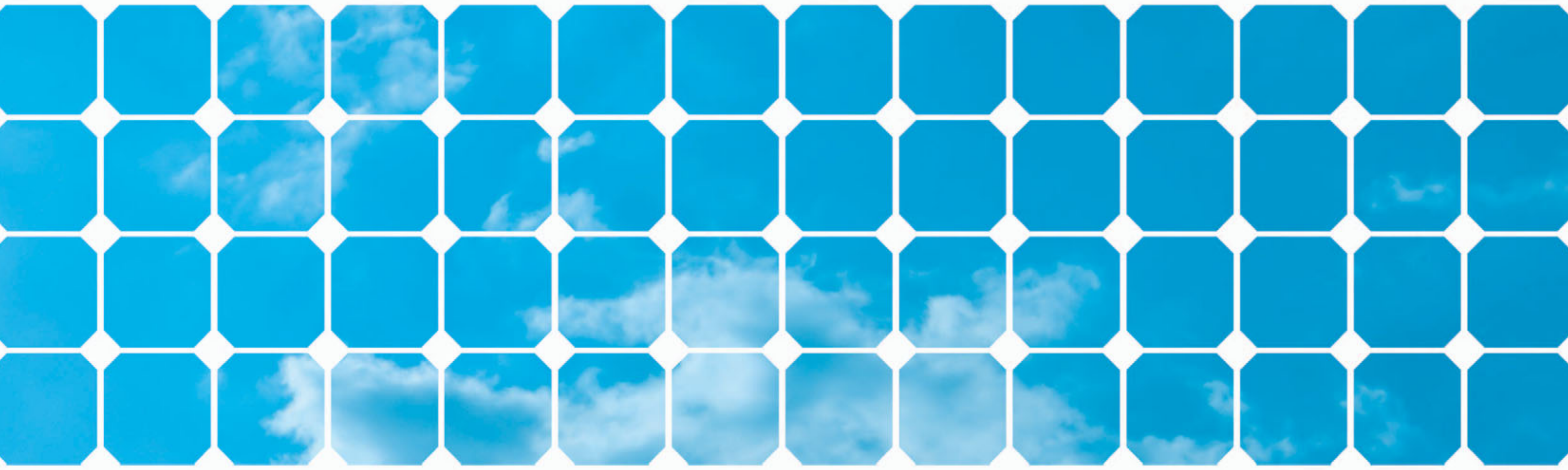
# Contents

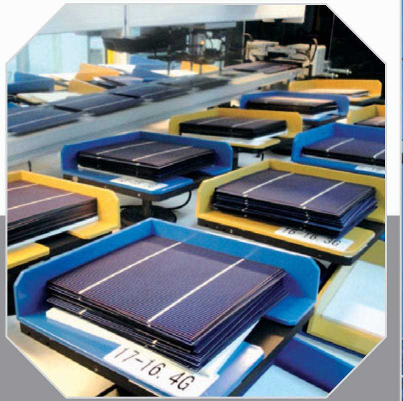


To become a world-class solar cell manufacturer.
The company firmly believes in
“green energy leads to a better world”.

# VISION








# MISSION

To strive to promote the development efforts of the global solar photovolltaic industry, to provide sustainable energy development solutions, and to create the greatest value for customers, partners, shareholders and employees.

# Corporate Information

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 701-702, Grandtech Centre
8 On Ping Street
Siu Lek Yuen
Shatin, N.T.
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HONORARY CHAIRMAN

Mr. Hung Chao Hong, *SBS, JP* #

## DIRECTORS

### Executive

Mr. Lam Ho Fai
Ms. Lin Xia Yang
Mr. Yiu Ka So

### Non-executive

Academician Yao Jiannian

### Independent non-executive

Mr. Hui Bing Kuen
Mr. Ching Kwok Ho, Samuel
Mr. Ip Shu Kwan, Stephen

## COMPANY SECRETARY

Mr. Leung Yuk Lun, Eric

## AUDITORS

PricewaterhouseCoopers
*Certified Public Accountants*
Hong Kong

## SOLICITORS

### Bermuda

Conyers, Dill & Pearman

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
18/F. Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited
China Construction Bank Corporation Limited,
Jinjiang Branch
Bank of Communications, Jinjiang Branch
China Merchants Bank Co., Ltd, Jinjiang, Quanzhou Branch

## WEBSITE

www.goldpoly.hk

# *non director of the company*

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers and business partners for their continued support. May I also thank my fellow directors and our staff for their dedication and contribution.

## RESULTS AND DIVIDEND

Year 2010 was a year full of changes and challenges. Apart from the fashion apparel retail business, the Group was successful in diversifying into the solar energy business with the objective to broaden its source of income. Various fund raising activities, such as Open Offer, Placing and issue of Convertible Notes, were carried out throughout the year to finance the Group's expansion strategies and general working capital. With the approval by shareholders at the special general meeting on 14 January 2011, the Company has changed its name from "Time Infrastructure Holdings Limited" to "Goldpoly New Energy Holdings Limited" to reflect the diversification of the businesses of the Group and to signify the new identity of the Company following the completion of the substantial acquisition of solar energy business on 25 October 2010.

During the year ended 31 December 2010, the Group's consolidated revenue was approximately HK$249 million (2009: HK$97.4 million) of which HK$124.3 million was derived from fashion apparel retail business and HK$124.7 million was derived from the solar energy business acquired on 25 October 2010. Gross profit in the reported year was HK$109.3 million (2009: HK$ 61.9 million). The increase in gross profit was mainly due to contribution from the solar energy business. The net profit contribution from the solar energy business was HK$20.6 million, net loss contribution from the retail business was HK$11.1 million, imputed interest from the issuance of convertible bonds with notional principal of HK$850 million was HK$9.6 million and professional fees incurred mainly for the acquisition of solar energy business and fund raising activities during the year was HK$12.7 million. In aggregate, the consolidated net loss for the year ended 31 December 2010 amounted to approximately HK$15.1 million (2009: HK$24.4 million).

## THE VERY SUBSTANTIAL ACQUISITION

During the year under review, the Group acquired the solar energy business. The consideration is satisfied by (i) cash of HK$100 million, (ii) issuance of 92,936,803 consideration shares and (iii) 5 year zero coupon convertible notes with notional principal of HK$850 million. Completion took place on 25 October 2010, and Goldpoly International Limited ("Goldpoly") and its subsidiaries became wholly-owned subsidiaries of the Company and the financial results of the Goldpoly group were consolidated into the financial statements of the Group thereon.

## BUSINESS REVIEW AND PROSPECT

The Group is engaged in the following major businesses, namely:

— Fashion apparel retail business;

— Manufacturing and distribution of solar cells

## Fashion apparel retail business

Turnover was approximately HK$124.3 million, which indicated an increase of 27.6% from last financial year, marked by recovery in consumer confidence, improvement in labour market conditions and better economic outlook.

Although the fashion apparel retail business continued to face keen competition, retail sales were seen to improve notably. The continued global economic growth and the improved labor market conditions further boosted the consumer spending sentiment. As at 31 December 2010, the Group has retained its well established retail network in Hong Kong with a total of 13 retail outlets located at prime shopping areas in Hong Kong. In April 2010, one retail store has been strategically opened at China Hong Kong City, Tsimshatsui following the closure of store at New World Centre, Tsimshatsui. In addition, two retail outlets located at Causeway Bay and Shatin, were closed upon expiry of lease during the year under review.

The gross profit from retail operation for the year ended 31 December 2010 was approximately HK$80.2 million, with a gross profit margin of approximately 64.5% (2009: gross profit of approximately HK$61.9 million, with a gross profit margin of approximately 63.5%). Net loss of the retail operation for the year ended 31 December 2010 amounted to approximately HK$11.1 million (2009: HK$20.3 million). The decrease in net loss was mainly due to improvement in turnover. The retail group was facing keen competition of fashion apparel retail market and there were high operating costs during the year under review.

## Manufacturing and distribution of solar cells

For the period post acquisition to year end, namely end of October 2010 to December 2010, Goldpoly's solar business had HK$124.7 million of revenue, where approximately 94% were sales of solar energy related products and 6% processing services. During the 4th quarter of 2010, for the most part, the photovoltaic ("PV") market saw adequate demand but a cautious sentiment was prevalent within the industry due to the uncertainty over the PV subsidy/Feed in Tariff ("FIT") policy in some European countries, where most of the end-market demand was originating.

The solar energy business achieved gross profit of HK$29.1 million and net profit of HK$20.6 million, which translated to gross and net margin of 23.3% and 16.5% respectively. Running largely on 100 megawatts ("MW") of cell production facilities, the Group made substantial progress on ramping up the newly added 100 MW of production equipment. Going into 2011, to maintain profitability, the management put great emphasis on expanding production capacities, improving the efficiency of our solar cells, stabilizing the supply of key raw materials like wafer and silver paste, and controlling operating expenses.

For the last two months of 2010, Goldpoly made some important strides in its business operations. We entered into a long term purchase contract with a subsidiary of GCL-Poly Energy Holdings Limited, the largest polysilicon producer in China, which should help the Group in securing a stable supply of silicon wafers. The Group made a RMB25.0 million deposits as agreed in the contract. A wafer price adjustment mechanism was built into the agreement. The Group also made approximately RMB44.8 million of prepayment to production equipment providers for capacity enhancement.

## FUTURE PROSPECT

Both fashion apparel retail business and solar energy business are now the principal activities of the Group. Our management team is well prepared to respond efficiently the ever changing environment to ensure the Group will remain firmly on the path to sustainable and profitable growth over the long term.

With respect to the fashion apparel retail business, the Group will continue to develop "Gay Giano" and "Cour Carre" brands. The Group will continue to maintain its retail network and locate cautiously its retail outlets at prime shopping areas with high potential urban markets and reasonable rental.

Since the Group's fashion apparel retail business depends, in part, on the ability to shape, stimulate and anticipate consumer demand by producing fashionable and functional products, the Group has a dedicated design team to exploit the trending categories, launch new categories so as to be more responsive to fashion and consumer trends and to respond more efficiently to changing circumstances. Besides, the Group will continue to refine its sourcing strategy on the selection of suppliers to maintain and enhance product quality and to better control the related costs, and ultimately to maximize the gross profit. Effort to invest continues in both brand and business — including retail outlets, product development, people and infrastructure. Different marketing and promotional campaigns will be initiated to enhance the Group's brand image and increase consumer awareness of the Group's two brands.

With respect to our solar energy business, the Group will continue to devote significant resources to research and development in order to keep up with customer needs and market demands. We will also select key suppliers and customers to form strategic partnerships. For the industry as a whole, in the short term, there could be some market volatility because the business activities are still closely linked to countries' policies on subsidy/FIT programs. Europe has been absorbing most of the demands in the past few years, but going forward we shall see rising demand from North America and Asia. By forming strategic partnerships with selective module and end market players in regions on the rise we will be able to better secure our future sales.

In view of the growing demand for solar power and the importance of the economies of scale in the industry, the Group is looking to increase production capacities by 250 MW in 2011. We believe that by such expansion we will enhance our market presence and reduce our costs per wattage produced. Funding for the expansion is likely to be a combination of equity and debt. The newer production equipment will allow us to enhance the conversion efficiency of our solar cells. The decision is made through comprehensive analysis on current and future market conditions and the Group's competitive advantage. The management has experiences ramping up production in 2010 so we are confident we will be able to manage the expansion effectively.

Recognizing that the trading environment is likely to be volatile, our management will closely monitor the conditions carefully and quickly respond to new opportunities and emerging risks. The Group remains confident that it possesses the brand, strategy and management team to continue to prosper in the years ahead and aims to maximize the returns to its shareholders.

**Lam Ho Fai**
*Executive Director*

Hong Kong
30 March 2011

## ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2010 was approximately HK$59.6 million (2009: HK$46.2 million) which included administrative expenses of the newly acquired solar energy business for the period from 25 October 2010 to 31 December 2010 of approximately HK$47.9 million. The legal and professional fees increased significantly to HK$12.7 million in the year ended 31 December 2010, as compared to HK$0.8 million in the previous year. Such drastic increase mainly related to the necessary legal and professional fees incurred for the various fund raising activities and the very substantial acquisition conducted by the Company during the year under review.

## FINANCE COSTS

Net finance costs for the year ended 31 December 2010 was approximately HK$11.1 million (2009: HK$0.1 million) which included imputed interest expenses on convertible notes of approximately HK$9.8 million (2009: nil).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had net current liabilities of approximately HK$15.9 million (2009: net current assets of HK$20.3 million). The current assets mainly comprised inventories of approximately HK$98.6 million (2009: HK$23.9 million), deposits and prepayments of approximately HK$64.4 million (2009: HK$3.4 million), trade receivable of approximately HK$4.4 million (2009: HK$0.8 million) and bank balances and cash of approximately HK$117.2 million (2009: HK$3.0 million). The Group had total assets of approximately HK$2,664.0 million (2009: HK$78.1 million), current liabilities of approximately HK$342.2 million (2009: HK$39.1 million), non-current liabilities of approximately HK$573.3 million (2009: HK$2.1 million) and shareholders' equity of approximately HK$1,748.5 million (2009: HK$36.9 million).

The overall gearing ratio for the year reduced to 3.8% (2009: 29.4%) with total loans of approximately HK$100.1 million (2009: HK$23.0 million) and total assets of approximately HK$2,664.0 million (2009: HK$78.1 million) as at 31 December 2010. Overall gearing ratio is defined as total bank borrowings, shareholders' loan and other loans over total assets.

The Group recorded a net cash outflow from operating activities of approximately HK$11.7 million (2009: HK$21.3 million) for the year ended 31 December 2010. With regard to the financing activities, the Group repaid an aggregate of secured bank borrowings of approximately HK$35.1 million (2009: HK$8.2 million) and obtained new secured bank borrowings of an aggregate of HK$34.1 million (2009: HK$8.4 million), the Group issued new shares and the net proceeds was HK$195.4 million during the year under review.

## TREASURY POLICIES

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong and the PRC.

During the year under review, various fund raising activities had been conducted by the Company. Total net proceeds from the issue of Convertible Notes on 22 April 2010, 9 June 2010 and 20 October 2010 of approximately HK$24.4 million had been used as general working capital of the Group. On 25 June 2010, net proceeds of approximately HK$32 million from the Open Offer was received, whereby approximately HK$27.5 million had been used for general working capital and approximately HK$4.5 million for repayment of outstanding loans of the Group. Placing of 280,000,000 new shares on 25 October 2010 further raised approximately HK$133.5 million, whereby HK$100 million was used for the partial settlement of solar energy business acquisition with the remaining balance of approximately HK$33.5 million for general working capital.

As at 31 December 2010, the total outstanding short-term borrowings stood at approximately HK$85.8 million (2009: HK$2.2 million). The Group's borrowings mainly include bank loans and other loans from financial institutions. The interest rates of most of these loans were mainly determined by reference to the Hong Kong dollar price rate or the lending rates quoted by The People's Bank of China. The Group had no interest rate hedging arrangement during the year under review.

## CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditures and prepayment for purchase of plant and equipment amount to approximately HK$17.7 million (2009: HK$1.9 million) for the year ended 31 December 2010. These expenditures were mainly used for the increase in production capacity of the Group's solar energy operation. The capital commitment of the Group as at 31 December 2010 is HK$243.4 million (2009: nil).

## INVESTMENT PROPERTIES

The Group's investment properties are set out in note 16 to the financial statements.

As at 31 December 2010, the Group leases 13 (2009: 15) retail outlets from independent third parties with a total floor area of 22,640 sq. ft. (2009: 22,526 sq.ft.) in Hong Kong. The Group also leases certain units at Siu Lek Yuen, Shatin, New Territories, Hong Kong as warehouse and office space.

The Group leases certain properties in Shenzhen, and Shantou PRC for its retail production facilities and dormitories.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, the Group pledged its investment property in Hong Kong with a carrying value of HK$7.5 million (2009: HK$7.1 million), land use rights of HK$134.6 million (2009: nil), and the Group also pledged bank deposit of approximately HK$41.8 million. As at 31 December 2010, the Group had no significant contingent liability (2009: nil).

## CAPITAL STRUCTURE

As at 1 January 2010, the Company's total number of issued shares was 248,840,000.

On 22 April 2010, 9 June 2010 and 20 October 2010, Convertible Notes in the principal amount of HK$10,000,000, HK$7,000,000 and HK$8,000,000 respectively issued by the Company to the subscriber, pursuant to the terms and conditions of the Subscription Agreement of 16 April 2010. Net proceeds of HK$24.4 million have been used as general working capital of the Group. During the period from 28 April 2010 to 12 November 2010, Convertible Notes of an aggregate amount of HK$25,000,000 were fully converted into 42,016,804 ordinary shares of the Company at the conversion price of HK$0.595 per share.

On 24 June 2010, 66,411,680 ordinary shares of the Company were issued as a result of an Open Offer on the basis of one offer share for every four existing shares at the subscription price of HK$0.50 per offer share. Net Proceeds of approximately HK$32.0 million have been used as the Group's general working capital.

On 25 October 2010, 92,936,803 ordinary shares of the Company were issued at HK$0.1 per share as partial consideration for the acquisition of solar energy business pursuant to the Acquisition Agreement of 13 July 2010 and the Supplemental Agreements of 19 July 2010 and 22 September 2010.

Also, on 25 October 2010, 280,000,000 ordinary shares of the Company were issued at the placing price of HK$0.50 per share pursuant to the Placing Agreement of 14 July 2010. Net Proceeds of HK$133.5 million have been received. HK$100 million has been used for the partial settlement of the consideration for the Goldpoly Acquisition and the remaining balance of HK$33.5 million has been used for general working capital of the Group.

On 10 November 2010, 2,202,290 ordinary shares of the Company were issued pursuant to the exercise of the share options granted under the share option scheme of the Company.

As at 31 December 2010, the Company's total number of issued shares was substantially increased to 732,407,577.

Pursuant to the Acquisition Agreement of 13 July 2010 and the Supplemental Agreements of 19 July 2010 and 22 September 2010, Convertible Notes with a total notional principal of HK$850 million were issued by the Company on 25 October 2010 as partial settlement of the solar energy business acquisition.

## SEGMENT INFORMATION

### Reportable segments

There are two operating segments include the Group, namely retail fashioning and solar energy. Other operation includes corporate functions managed by the Group management. The Company domiciled in Hong Kong. Revenue from customer in Hong Kong accounts for HK$124.3 million (2009: HK$97.5 million) and total revenue from other countries is approximately HK$124.7 million (2009: Nil). Approximately 98% of the Group's land use rights, property, plant and equipment and investment properties are located Mainland China while the remaining 2% are located in Hong Kong.

### Information about major customers

For the year ended 31 December 2010, there were three customers who individually contributed over 10% of the total revenue. The total revenue contributed by these customers amount to HK$40.6 million.

## ORDER BOOK AND PROSPECTS FOR NEW BUSINESS

The amount of orders on hand of the Group was approximately HK$18.7 million as at 31 December 2010.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had 180 (2009: 179) full-time employees in Hong Kong and 770 (2009: 218) full-time employees in the PRC. The total number of full-time employees of the Group was 950 (2009: 397). The Group has a share option scheme for the benefits of its directors, consultants and eligible employees.

## FOREIGN EXCHANGE EXPOSURE

The functional currency of the Group's retail operation is in Hong Kong Dollars whereas the Group's solar energy operation's functional currency is Renminbi. The Group's cash and cash equivalents are mainly denoted in Hong Kong Dollars and Renminbi. The Group did not resort to any currency hedging facility for the year, as the Board had been of the view that the cost of any hedging facility would be higher than the potential risk of the costs incurred as a result of currency fluctuation. However, management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year under review, the Group acquired the solar energy cell business at an aggregate consideration of HK$2,162.5 million. Completion took place on 25 October 2010, members of the Goldpoly International Limited became wholly-owned subsidiaries of the Company and the financial results of the Goldpoly International group were consolidated into the financial statements of the Group.

## FUTURE PLAN FOR MATERIAL INVESTMENTS

Following the Goldpoly Acquisition, the Company has reviewed the operation of the Goldpoly Group and has considered various development plans to increase the production capacity of the Goldpoly Group by an additional 250 megawatts in the first half of year 2011 so to satisfy the better than expected demand for its product, and the funding for the expansion is expected to be approximately RMB360 million. Given the rising demand for the product and save for any unforeseen circumstances, the Directors are considering the possibility to further expand the production capacity of the Goldpoly Group by a further 250 megawatts for the second half of year 2011.

## SIGNIFICANT INVESTMENT

Pursuant to the Option Agreement of 26 September 2008, the Group paid HK$28.2 million (equivalent to RMB25 million) in respect of the proposed acquisition of interests in two toll roads in the PRC. The Group had not exercised the Option before the expiry of the option period on 31 July 2009, and such deposit was ultimately repaid on 22 July 2010.

# Biographical Details of Directors and Senior Management

Mr. Lam Ho Fai, aged 55, is the acting Chairman and Executive Director of the Company, and a director of certain subsidiaries of the Group. Mr. Lam has over 20 years experience in treasury management in the banking industry and 7 years of corporate finance experience. Mr. Lam is the general manager of the retail business and oversees the entire retail operation of the Group. Prior to joining the Company in July 2008, he had served as the chief financial officer of a U.S. listed company. Mr. Lam holds an honored degree in Bachelor of Commerce with a major in Business Administration from the University of Windsor, Canada and is the member of the Hong Kong Securities Institute.

Ms. Lin XiaYang, aged 51, is the Executive Director of the Company and a director of certain subsidiaries of the Group. Ms Lin has joined the Group in October 2008 and is responsible for the Group's strategic planning. Ms. Lin has studied in South China Normal University, Sun Yat-sen University and Hong Kong Baptist University since 1978 and obtained a Bachelor of Philosophy and a Master of Business Administration. Ms Lin had served as the deputy director of policy research office and administrative committee office of Shantou Special Economic Zone, the deputy director of economic committee of Shantou and the chairman of Shantou Industrial Assets Management Co., Ltd. Since 2004, Ms Lin has served as the chairman and general manager of Guangdong Kaili Tianren Investment Co., Ltd. Ms Lin has over 20 years of extensive experience in corporate management, merger and acquisition, assets management and restructuring.

Mr. Yiu Ka So, aged 37, obtained his bachelor degree in Civil Engineering and master degree in Civil Engineering from the University of Hong Kong in 1997 and 2002 respectively. Mr. Yiu had over 10 years of experience in project and general management. Mr. Yiu is appointed as executive director of the Company since October 2010, he also serve as member of the remuneration committee and is the general manager of solar energy business and oversees the entire solar energy operations of the Group. Mr. Yiu is involved in high level management discussions and strategic planning.

Academician Yao Jiannian, aged 57, graduated from the Chemistry Department of Fujian Normal University in 1982 and was conferred a master's degree by the Graduate School of Engineering of Tokyo University, Japan in 1990 and a doctoral degree by the same university in 1993. During the period from August 1995 to September 1999, he has been an associate researcher, researcher, instructor for students of doctoral degrees, director of laboratory, and assistant to center head of the Institute of Photographic Chemistry, CAS. During the period from March 2000 to March 2008, he was deputy head of the Institute of Chemistry, CAS. Academician Yao is currently a researcher with the Institute of Chemistry, CAS, and was elected as an academician of the Chinese Academy of Sciences in 2005. Academician Yao is also a member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference, member of the standing committee of the 11th National People's Congress, and member of the 7th National Committee of China Association for Science and Technology. Academician Yao was appointed as Non-Executive Director of the Company in October 2010.

Mr. Hui Bing Kuen, aged 64, an Independent Non-Executive Director since December 2010, he also serve as member of audit committee and remuneration committee. Mr. Hui graduated from Drexel University, Pennsylvania, U.S.A. in 1972 with a Bachelor of Science degree in Chemical Engineering. He later earned a Master in Business Administration from the Wharton School, University of Pennsylvania, U.S.A. in 1974. Mr. Hui is a member of the Association of Chartered Certified Accountants (formerly the Chartered Association of Certified Accountants), United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Hui has over 30 years experience in finance, business planning and analysis.

Mr. Ching Kwok Ho, Samuel, aged 54, is an Independent Non-Executive Director of the Company since May 2006, he also serves as member of the audit committee. He is a practicing solicitor in Hong Kong. He graduated from the University of Hong Kong with a degree in Bachelor of Laws and a Postgraduate Certificate in Laws. Mr. Ching is currently a partner in King & Company in Hong Kong. He was an independent non-executive director of Tack Fat Group International Limited for the period from March 2002 to September 2008, a company whose shares are listed on the main board of the Stock Exchange.. Mr. Ching has over 27 years of legal experience in banking and finance, liquidation, tenancy, conveyancing, commercial disputes and civil litigation in Hong Kong.

Mr. Ip Shu Kwan, Stephen, GBS, JP, aged 59, an Independent Non-Executive Director since October 2010, he also serve as member of audit committee and remuneration committee. Mr. Ip graduated from the University of Hong Kong with a degree in Social Sciences in 1973. He subsequently pursued post-graduate studies in Oxford University and Harvard Business School. Mr. Ip joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Special Administrative Region Government as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past include Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea, transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees' rights.

In his capacity as Secretary for Economic Development and Labour, Mr. Ip was a member of the Hong Kong Airport Authority Board, the Mandatory Provident Fund Authority Board, the Hong Kong International Theme Parks Company Board as well as the Chairman of the Logistics Development Council, Port Development Board, Maritime Industry Council and Aviation Development Advisory Committee. Mr. Ip retired from the Hong Kong Special Administrative Region Government in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Special Administrative Region Government in 2001, and is an unofficial Justice of the Peace. Mr. Ip is also an independent nonexecutive director of Yangtze China Investment Limited, a company listed in the United Kingdom, since February 2008, and an independent non-executive director of China Resources Cement Holdings Limited since August 2008, Synergis Holdings Limited since September 2008, Lai Sun Development Company Limited since December 2010 , Viva China Holdings Limited since June 2010, and PICC Property and Casualty Company Limited since January 2011, all are companies listed on the Stock Exchange of Hong Kong Limited.

## SENIOR MANAGEMENT

Mr. Leung Yuk Lun Eric, aged 44, has over 22 years experience in auditing, accounting and finance fields. He joined the Group in December 2008 and is the chief financial officer and company secretary of the Group. Mr. Leung graduated from the City University of Hong Kong with a Professional Diploma in Accounting and a Bachelor of Arts. He also obtained a Master of Science in Information and Technology Management from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants.

## COUR CARRÉ

Shop 2106, Level 2,
Harbour City,
Tsimshatsui, Kowloon

Shop 052, G/F Cityplaza 2
18 Taikoo Shing Road
Taikoo Shing, H.K.

Shop G35–G37, G/F
Fashion World, Site 2
Whampoa Garden, Hunghom, Kowloon

Unit LG1–28, Festival Walk
80 Tat Chee Avenue,
Kowloon Tong, Kowloon

Shop 103, 1/F., Style House
The Park Lane,
310 Gloucester Road
Causeway Bay, H.K.

Shop No. UC-2, Upper Concourse Level,
APM, Millennium City 5,
418 Kwun Tong Road, Kowloon

Shop 111 on Level One, Man Yee Arcade,
Man Yee Bldg., 68 Des Voeux Road Central, H.K.

Shop No. 3, Level 3, Langham Place,
8 Argyle Street, Mongkok, Kowloon

Shop UG15,
Upper Ground Floor, Citywalk,
No. 1 Yeung Uk Road, Tsuen Wan, N.T.

Shop No. B209, Basement 2 K11
No.18 Hanoi Rd., Tsim Sha Tsui, Kowloon

Shop Nos. 38, 39A&B
Upper Ground Floor, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui, Kowloon

## GAY GIANO

Shop No.108 & 109, Level 1 K11
No. 18 Hanoi Rd., Tsim Sha Tsui, Kowloon

# Summary of Financial Information

A summary of the results, assets and liabilities of the Group for the last five financial periods is as follows:

| Results | **For the year ended 31 December 2010** *HK$'000* | For the year ended 31 December 2009 *HK$'000* | For the nine months ended 31 December 2008 *HK$'000* | For the year ended 31 March 2008 *HK$'000* | For the year ended 31 March 2007 *HK$'000* |
|---|---|---|---|---|---|
| Revenue | **249,078** | 97,452 | 80,732 | 131,081 | 131,447 |
| Loss before income tax | **(13,832)** | (24,432) | (33,273) | (21,644) | (1,986) |
| Income tax expense | **(1,257)** | — | — | — | (572) |
| Loss for the period/year | **(15,089)** | (24,432) | (33,273) | (21,644) | (2,558) |

| Assets and liabilities | **At 31 December 2010** *HK$'000* | At 31 December 2009 *HK$'000* | At 31 December 2008 *HK$'000* | At 31 March 2008 *HK$'000* | At 31 March 2007 *HK$'000* |
|---|---|---|---|---|---|
| Total assets | **2,664,008** | 78,084 | 76,762 | 90,565 | 63,629 |
| Total liabilities | **(915,505)** | (41,228) | (16,792) | (20,988) | (13,451) |
| | **1,748,503** | 36,856 | 59,970 | 69,577 | 50,178 |

# Key Financial Statistics

| | | Brand | Unit/Place | **For the year ended 31 December 2010** | For the year ended 31 December 2009 | For the nine months ended 31 December 2008 | For the year ended 31 March 2008 | For the year ended 31 March 2007 |
|---|---|---|---|---|---|---|---|---|
| Turnover | Retail Fashioning | Gay Giano | HK$'000 | **49,330** | 30,259 | 13,712 | 32,586 | 36,043 |
| | | Cour Carre | HK$'000 | **74,855** | 66,443 | 66,444 | 97,630 | 93,050 |
| | | Due G | HK$'000 | **148** | 750 | 576 | 865 | 2,354 |
| | Solar Energy | Goldpoly | HK$'000 | **124,745** | — | — | — | — |
| | | | HK$'000 | **249,078** | 97,452 | 80,732 | 131,081 | 131,447 |
| Loss before interest and tax | | | HK$'000 | **(4,375)** | (24,257) | (33,069) | (21,235) | (1,708) |
| Loss before income tax expense | | | HK$'000 | **(13,832)** | (24,432) | (33,273) | (21,644) | (1,986) |
| Loss for the year/period | | | HK$'000 | **(15,089)** | (24,432) | (33,273) | (21,644) | (2,558) |
| Total equity | | | HK$'000 | **1,748,503** | 36,856 | 59,970 | 69,577 | 50,178 |
| Total assets | | | HK$'000 | **2,664,008** | 78,084 | 76,762 | 90,565 | 63,629 |
| Working capital | | | HK$'000 | **(15,917)** | 20,321 | 16,883 | 55,082 | 35,020 |
| Total borrowings | | *(note 1)* | HK$'000 | **100,057** | 23,061 | 2,294 | 8,859 | 5,650 |
| Loss per share | | | | | | | | |
| — Basic | | | HK cents | **(4.07)** | (9.82) | (14.25) | (10.28) | (1.28) |
| — Diluted | | | HK cents | **(0.80)** | N/A | N/A | N/A | N/A |
| Number of shops | | | | **13** | 15 | 15 | 15 | 16 |
| Total controlled retail floor area | | | Square feet | **22,640** | 22,526 | 24,947 | 23,550 | 24,408 |
| Production capacity of solar cells | | | mega watt per annum | **200** | — | — | — | — |
| Capital expenditure | | | HK$'000 | **17,744** | 1,897 | 564 | 4,516 | 2,471 |
| Number of employees | | | Hong Kong, SAR | **180** | 179 | 169 | 170 | 171 |
| | | | PRC | **770** | 218 | 225 | 254 | 288 |
| Gross profit margin | | *(note 2)* | | **43.87%** | 63.50% | 56.49% | 61.28% | 65.05% |
| Operating loss margin | | *(note 3)* | | **(1.7)%** | (24.96)% | (40.08)% | (16.20)% | (1.30)% |
| Net loss margin | | *(note 4)* | | **(6.06)%** | (25.07)% | (41.21)% | (16.51)% | (1.95)% |
| Return on equity | | *(note 5)* | | **(0.86)%** | (66.29)% | (55.48)% | (31.11)% | (5.10)% |
| Current ratio | | *(note 6)* | | **0.95** | 1.52 | 2.22 | 4.18 | 3.97 |
| Stock turnover days | | *(note 7)* | | **144** | 90 | 79 | 61 | 71 |
| Creditors' turnover days | | *(note 8)* | | **32** | 53 | 12 | 14 | 22 |
| Debt equity ratio | | *(note 9)* | | **5.72%** | 62.57% | 3.83% | 12.73% | 11.26% |

*Notes:*

*1 Bank borrowings + shareholders' loan + other loans*
*2 Gross profit/Sales x 100%*
*3 Operating loss/Sales x 100%*
*4 Loss after tax/Sales x 100%*
*5 Loss after tax/Equity x 100%*
*6 Current assets/current liabilities*
*7 Stock/Sales x 365 days**
*8 Trade creditors/Purchases x 365 days**
*9 Total borrowings/equity x 100%*

** 275 days for 9 months ended 31 December 2008*

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2010.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders on 14 January 2011, the name of the Company was changed from "Time Infrastructure Holdings Limited" to "Goldpoly New Energy Holdings Limited", and "金保利新能源有限公司" has been adopted as the Chinese name of the company for identification purposes.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of retail fashioning and solar energy. Details of each of the principal activities and other particulars of the Company's subsidiaries are set out in note 18 to the financial statements.

## SUBSIDIARIES

During the year, the Group through various acquisitions, acquired 100% equity interest in Jolly Wood Limited and City Mark Holdings Limited, which jointly own the entire issued capital of Goldpoly International Limited, which operates as a solar silicon cell producer in the PRC. Details of the above transaction were set out in a circular issued by the company to the shareholders dated 25 September 2010.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 32 to 38.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010. (Year ended 31 December 2009: Nil).

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 16 to this annual report. This summary does not form part of the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2010, the Company had no reserve (31 December 2009: nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of HK$342,008,000 (31 December 2009: HK$70,453,000) may be distributed in the form of fully paid bonus shares.

## RESERVES

Details of the movements in reserves of the Company during the year are set out in note 32 to the financial statements.

## LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

At 31 December 2010, the Group's investment properties are valued at a total of approximately HK$13.4 million (2009: HK$7.1 million). At 31 December 2010, the Group pledged one investment property located in Hong Kong with a net book value of HK$7,500,000 (31 December 2009: HK$7,100,000).

Details of the above and other movements in land use rights, property, plant and equipment and investment property of the Group are set out in notes 14, 15 and 16 to the financial respectively.

## INTANGIBLE ASSETS

Details of the Group's intangible assets are set out in note 17 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for less than 8% and 26% (for the year ended 31 December 2009: less than 1% and 1% respectively) of the Group's total revenue for the year under review.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for less than 62% and 74% (for the year ended 31 December 2009: less than 20% and 35%) respectively, of the Group's total purchases for the year under review.

None of the directors of the Company, any of their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

### Executive directors

Mr. Wong Pak Lam, Louis *(Chairman) (resigned on 16 February 2011)*
Mr. Lam Ho Fai
Ms. Lin Xiayang
Mr. Yiu Ka So *(appointed on 25 October 2010)*
Mr. Gu Zhi Hao *(resigned on 26 November 2010)*
Mr. Wong Kwong Lung, Terence *(resigned on 17 November 2010)*

### Non-executive director

Academician Yao Jiannian *(appointed on 25 October 2010)*

### Independent non-executive directors

Mr. Hui Bing Kuen *(appointed on 30 December 2010)*
Mr. Ching Kwok Ho, Samuel
Mr. Ip Shu Kwan, Stephen *(appointed on 25 October 2010)*
Mr. Chan Ka Ling, Edmond *(resigned on 30 December 2010)*
Mr. Lo Wa Kei, Roy *(resigned on 26 November 2010)*

Mr. Lam Ho Fai , Ms. Lin Xia Yang, and Mr. Yiu Ka So are the Executive Directors, Academician Yao Jiannian is the non-executive director and Mr. Hui Bing Kuen, Mr. Ching Kwok Ho, Samuel and Mr. Ip Shu Kwan, Stephen are the Independent Non-executive Directors of the Company. In accordance with the Bye-Laws of the Company, Mr. Ching Kwok Ho ("Mr. Ching") will be retired from office by rotation and be eligible for re-election at the AGM. Mr. Yiu Ka So ("Mr. Yiu"), Academician Yao Jiannian ("Academician Yao"), Mr. Hui Bing Kuen ("Mr Hui") and Mr. Ip Shu Kwan, Stephen ("Mr. Ip") will retire pursuant to the Bye-Laws of the Company. Mr. Yiu and Academician Yao will offer themselves for re-election respectively as executive director and non-executive director, and Mr. Hui and Mr. Ip will offer themselves as independent non executive directors of the company at the AGM.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 14 of the annual report.

## DIRECTORS' INTERESTS IN CONTRACTS

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND NOTES

At 31 December 2010, the interests of the directors, the chief executive and their associates in the shares, underlying shares and notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

**(a) Ordinary shares of HK$0.10 each of the Company**

| Name of director | Capacity | Number of Shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Wong Pak Lam, Louis | Interest in controlled corporation | 105,005,000 *(Note i)* | 14.34% |

**(b) Share options**

| Name of director | Number of share options held | Exercisable period | Exercise price per shares *HK$* |
|---|---|---|---|
| Mr. Wong Pak Lam, Louis | 221,346 | 21.11.2007 to 20.11.2017 | 2.3076 |
| Mr. Lam Ho Fai | 225,191 | 24.11.2009 to 23.11.2019 | 0.6624 |
| Ms. Lin Xia Yang | 2,225,191 | 24.11.2009 to 23.11.2019 | 0.6624 |
| | 2,671,728 | | |

Other than holdings disclosed above, none of the directors or the chief executive nor their associates had any interests or short positions in any shares, underlying shares or notes of the Company or any of its associated corporations.

*Note i: Mr. Wong Pak Lam, Louis holds 100% of the shares in issue of Ti Yu Investments Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Wong Pak Lam, Louis is taken to be interested in the shares of the Company held by Ti Yu Investments Limited.*

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 31(g) to the financial statements.

The following table discloses movements in the Company's share options during the year:

| Name of Director | Date of Grant | Option Period | Exercise Price per share *(note 1)* | Outstanding at 1.1.2010 *(note 1)* | Adjustment after the open offer | Exercise during the year | Lapsed during the year | Outstanding at 31.12.2010 |
|---|---|---|---|---|---|---|---|---|
| Lam Ho Fai | 24.11.2009 | 24.11.2009-23.11.2019 | 0.6624 *(note 1)* | 2,200,000 | 25,191 | (2,000,000) | — | 225,191 |
| Lin Xia Yang | 24.11.2009 | 24.11.2009-23.11.2019 | 0.6624 *(note 1)* | 2,200,000 | 25,191 | — | — | 2,225,191 |
| Wong Kwong Lung, Terence | 21.11.2007 | 21.11.2007-20.11.2017 | 2.3076 *(note 1)* | 2,188,400 | 25,058 | — | (2,213,458) | — |
| Wong Pak Lam, Louis | 21.11.2007 | 21.11.2007-20.11.2017 | 2.3076 *(note 1)* | 218,840 | 2,506 | — | — | 221,346 |
| Total | | | | 6,807,240 | 77,946 | (2,000,000) | (2,213,458) | 2,671,728 |
| **Employee and Consultant** | | | | | | | | |
| Employee | 24.11.2009 | 24.11.2009-23.11.2019 | 0.6624 *(note 1)* | 200,000 | 2,290 | (202,290) | — | — |
| Consultant | 21.11.2007 | 21.11.2007-20.11.2017 | 2.334 | 1,094,000 | — | — | (1,094,000) | — |
| Total | | | | 1,294,000 | 2,290 | (202,290) | (1,094,000) | — |

*Note 1: The exercise prices and numbers of share options have been adjusted due to the completion of the Open Offer on 25 June 2010.*

## ARRANGEMENTS TO PURCHASE SHARES OR NOTES

Other than as disclosed under the heading "Share Options" above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or notes of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND NOTES

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that (other than the interests disclosed above in respect of certain directors or chief executive), the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

### Long position in ordinary shares of HK$0.1 each of the Company

| **Name of Shareholder** | **Number of ordinary Shares held** | **Number of underlying Shares held** | **Percentage of the issued share capital of the Company** |
|---|---|---|---|
| Hung Chao Hong | 9,526,000 | — | 1.30% |
| Hung Zhonghai | 1,800,000 | — | 0.25% |
| Jet Mile Limited | 92,936,803 | 1,579,925,651 | 228.41% |
| Mr. Hung Chao Hong & Mr. Hong Zhonghai total *(note i)* | 104,262,803 | 1,579,925,651 | 229.95% |
| Ti Yu Investments Limited *(Note ii)* | 105,005,000 | — | 14.34 % |

*Notes:*

i. *Jet Mile Limited is owned as to 66.7% by Mr. Hung Chao Hong and as to 33.3% by Mr. Hong Zhonghai.*

ii. *Mr. Wong Pak Lam, Louis holds 100% of the shares in issue of Ti Yu Investments Limited and therefore has a controlling interest in it. By virtue of the SFO, Mr. Wong Pak Lam, Louis is taken to be interested in the shares of the Company held by Ti Yu Investments Limited.*

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2010.

## DIRECTORS' BUSINESS IN COMPETING BUSINESS

None of the directors of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year.

## CORPORATE GOVERNANCE

Information on the Company's corporate governance practice is set out in the Report of the Corporate Governance accompanying the annual report.

## EMOLUMENT POLICY

The Group remunerates its employees, including the directors, based on their performance, experience and prevailing market rate. The Company has adopted a share option scheme as an incentive to directors, consultants and eligible employees, details of the scheme is set out in note 31(g) to the financial statements.

The determination of emolument of the directors of the Company had taken into consideration of their expertise and job specifications.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

## MANAGEMENT CONTRACTS

No contract 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 year.

## POST BALANCE SHEET EVENTS

On 7 February 2011, the Company issued 125,370,000 placing shares at a price of HK$1.45 per placing shares. The net proceeds from the placement was approximately HK$179,800,000.

## AUDITOR

PricewaterhouseCoopers Ltd (the "PricewaterhouseCoopers") were first appointed as auditor of the Company in 2010 upon the resignation of BDO Limited with effect from 12 November 2010.

A resolution will be proposed at the forthcoming annual general meeting to appoint PricewaterhouseCoopers Limited as the Company's auditor.

On behalf of the Board
**Lam Ho Fai**
*Executive Director*

Hong Kong, 30 March 2011

## CORPORATE GOVERNANCE PRACTICES

Save for deviation from Code Provision E1.2 whereby the Chairman of the Board was unable to attend the Annual General Meeting of the Company held on 24 June 2010 due to other commitments, throughout the year ended 31 December 2010, the Group has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a model code as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2010.

## BOARD OF DIRECTORS

### Composition of the Board of Directors

The Board of Directors of the Company (the "Board") currently comprises eight Directors, of whom three are Executive Directors, namely Mr. Lam Ho Fai, Ms. Lin Xia Yang, Mr. Yiu Ka So; Non-executive director is Academician Yao Jiannian and three are Independent Non-executive Directors, namely Mr. Hui Bing Kuen, Mr. Ching Kwok Ho, Samuel and Mr. Ip Shu Kwan, Stephen. Each of Directors' respective biographical details are set out in the "Biographical details of directors and senior management" of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship among members of the Board.

### Chairman and Chief Executive Officer

During the year the Chairman and the Chief Executive Officer of the Company are Mr. Wong Pak Lam, Louis and Ms. Lin Xia Yang respectively. The roles of the Chairman and Chief Executive Officer ("CEO") are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the CEO is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

On 30 December 2010, Ms. Lin Xia Yang ("Ms. Lin") has resigned from the post of CEO. Ms. Lin remain as executive Director of the Company after her resignation from the post of CEO. On 16 February 2011, Mr. Wong Pak Lam, Louis resigned from the post of Chairman and executive director of the Company. Mr. Lam Ho Fai was appointed as acting Chairman of the Company with effect from 16 February 2011.

### Functions of the Board of Directors

The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses and evaluating the performance of the Group. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. The Board delegates day-to-day operations of the Group to Executive Directors and senior management who perform their duties under the leadership of the Chairman.

## BOARD OF DIRECTORS *(continued)*

### Independent Non-executive Directors

In compliance of Rule 3.10(1) of the Listing Rules, there are three Independent Non-executive Directors. Among the three Independent Non-executive Directors, one of them have possessed professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its Independent Non-executive Directors the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Hui Bing Kuen, Mr. Ching Kwok Ho, Samuel, and Mr. Ip Shu Kwan, Stephen to be independent.

### Directors' appointment, re-election and removal

All Non-executive Directors are appointed for a specific term of 1 year subject to the retirement and reappointment provisions in the Bye-law of the Company (the "Bye-laws").

In accordance with the Bye-laws, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, every Director shall be subject to retire by rotation at least once every three years. In addition, according to the Bye-laws, any Directors appointed to fill a casual vacancy shall hold office only until the next following general meeting or until the next following annual general meeting if addition to the Board and shall then be eligible for re-election at that meeting.

### Board meetings and board practices

The Board has scheduled at least four meetings a year and meets when required. During the year, the Board held 37 meetings. 31 of the meetings are full board meetings and the rest of 6 are executive board meetings. The Company Secretary assists the Chairman in preparing the agenda of meeting. For all such meetings, at least 14 days' notice is given to all Directors while reasonable notice is generally given for other board meetings. The Company Secretary is responsible for distributing detailed documents to Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. All Board and committee minutes are recorded in appropriate details and all minutes are kept by the Company Secretary and are open for inspections by the Directors. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31 December 2010, the Company held 37 Board meetings, and the Directors' attendance records for those meetings held is set out below.

## BOARD OF DIRECTORS *(continued)*

### Directors' attendance at board meetings

| | Directors' attendance |
|---|---|
| **Executive Directors** | |
| Mr. Wong Pak Lam, Louis *(Chairman) (resigned on 16 February 2011)* | 35/37 |
| Mr. Lam Ho Fai | 37/37 |
| Ms. Lin Xia Yang | 37/37 |
| Mr. Yiu Ka So *(appointed on 25 October 2010)* | 7/7 |
| Mr. Wong Kwong Lung, Terence *(resigned on 17 November 2010)* | 36/36 |
| Mr. Gu Zhi Hao *(resigned on 26 November 2010)* | 37/37 |
| **Non-executive Director** | |
| Academician . Yao Jiannian *(appointed on 25 October 2010)* | 7/7 |
| **Independent Non-executive Directors** | |
| Mr. Hui Bing Kuen *(appointed on 30 December 2010)* | — |
| Mr. Ching Kwok Ho, Samuel | 31/37 |
| Mr. Ip Shu Kwan, Stephen *(appointed on 25 October 2010)* | 7/7 |
| Mr. Chan Ka Ling, Edmond *(resigned on 30 December 2010)* | 31/37 |
| Mr. Lo Wa Kei, Roy *(resigned on 26 November 2010)* | 31/37 |

## BOARD COMMITTEES

### Audit Committee

The Company has established an audit committee on 14 March 2000 with written terms of reference in accordance with the requirements of the CG Code. During the year, Mr. Chan Ka Ling, Edmond and Mr.Lo Wa Kei resigned as audit committee member and director of the company. Mr. Hui Bing Kuen and Mr. Ip Shu Kwan, Stephan are appointed to fill the position. Currently, the audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Hui Bing Kuen, Mr. Ching Kwok Ho, Samuel and Mr. Ip Shu Kwan, Stephen. Mr. Hui Bing Kuen is the Chairman of the audit committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group audit. The duties of the audit committee are to review and provide supervision over the financial reporting process of the Group. The audit committee meets regularly with the management and the external auditors to discuss the accounting principles and practices adopted by the Group and the financial reporting matters.

During the year, the audit committee has reviewed the annual financial statements with the auditors and reviewed the unaudited interim financial statements, with recommendations to the Board for approval. The audit committee has reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions. The audit committee have also considered the appointment, re-appointment and approved the remuneration and the terms of engagement of external auditor. Audit Committee meeting have been held to discussed with external auditor the nature and scope and the audit and reporting obligations before the audit commences.

## BOARD COMMITTEES *(continued)*

| | Member attendance |
|---|---|
| **Members of the audit committee** | |
| Mr. Hui Bing Kuen *(appointed on 30 December 2010)* | — |
| Mr. Ching Kwok Ho, Samuel | 4/4 |
| Mr. Ip Shu Kwan, Stephen *(appointed on 26 November 2010)* | 1/1 |
| Mr. Chan Ka Ling, Edmond *(resigned on 30 December 2010)* | 4/4 |
| Mr. Lo Wa Kei, Roy *(resigned on 26 November 2010)* | 3/3 |

### Remuneration Committee

The Company established a remuneration committee on 28 September 2005 with terms of reference in compliance with the provisions set out in the CG Code. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. It comprises three members, including the Company's two independent non-executive Directors, namely Mr. Hui Bing Kuen and Mr. Ip Shu Kwan, Stephen and an executive Director, Mr. Yiu Ka So. Mr. Hui Bing Kuen is the Chairman of the remuneration committee.

The remuneration committee meets at least once a year. During the year ended 31 December 2010, the remuneration committee has held 2 meeting to review the existing remuneration packages of each Director and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management and discuss the remuneration package of the newly appointed directors and senior managements. The attendance record of individual committee members is set out below:

| | Member attendance |
|---|---|
| **Members of the remuneration committee** | |
| Mr. Hui Bing Kuen *(appointed on 30 December 2010)* | –/– |
| Mr. Ip Shu Kwan, Stephen *(appointed on 26 November 2010)* | 1/1 |
| Mr. Yiu Ka So *(appointed on 26 November 2010)* | 1/1 |
| Mr. Chan Ka Ling, Edmond *(resigned on 30 December 2010)* | 2/2 |
| Mr. Lo Wa Kei, Roy *(resigned on 26 November 2010)* | 1/1 |
| Mr. Wong Kwong Lung, Terence *(resigned on 17 November 2010)* | 1/1 |

### Nomination of Directors

According to the CG Code, it is recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the board members, therefore, the Company has not established a nomination committee.

The Board is responsible for considering, selecting and recommending candidates for directorship which based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

## AUDITORS' REMUNERATION

During the year ended 31 December 2010, the fees paid/payable to PricewaterhouseCoopers Limited, the existing auditors of the Company, in respect of audit is HK$944,000 (for the year ended 31 December 2009: HK$676,000).

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

## INTERNAL CONTROL

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

羅兵咸永道會計師事務所

**PricewaterhouseCoopers**
22/F, Prince's Building
Central, Hong Kong

**TO THE SHAREHOLDERS OF GOLDPOLY NEW ENERGY HOLDINGS LIMITED**
**(formerly known as Time Infrastructure Holdings Limited)**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Goldpoly New Energy Holdings Limited (formerly known as Time Infrastructure Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 notes.

## 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 as to whether the 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss 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, 30 March 2011

# Consolidated Income Statement

For the year ended 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **249,078** | 97,452 |
| Cost of sales | 8 | **(139,811)** | (35,546) |
| Gross profit | | **109,267** | 61,906 |
| Other income | 7 | **473** | 821 |
| Other gains — net | 7 | **432** | 1,636 |
| Distribution costs | 8 | **(54,911)** | (42,465) |
| Administrative expenses | 8 | **(59,636)** | (46,222) |
| Operating loss | | **(4,375)** | (24,324) |
| Finance income | 10 | **1,641** | 2 |
| Finance costs | 10 | **(11,098)** | (110) |
| Finance costs — net | 10 | **(9,457)** | (108) |
| Loss before income tax | | **(13,832)** | (24,432) |
| Income tax expense | 11 | **(1,257)** | — |
| Loss for the year attributable to shareholders of the Company | | **(15,089)** | (24,432) |
| Loss per share for loss attributable to shareholders of the Company | | | |
| — basic (HK cents) | 13 | **(4.07)** | (9.82) |
| — diluted (HK cents) | 13 | **(0.80)** | (9.82) |

The notes on pages 39 to 92 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

| | 2010<br>*HK$'000* | 2009<br>*HK$'000* |
|---|---|---|
| **Loss for the year** | **(15,089)** | (24,432) |
| **Other comprehensive income:** | | |
| Exchange differences arising on translation of financial statements of subsidiaries | **(23)** | — |
| Total other comprehensive loss for the year, net of tax | **(23)** | — |
| Total comprehensive loss for the year attributable to shareholders of the Company | **(15,112)** | (24,432) |

The notes on pages 39 to 92 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 14 | 134,620 | — |
| Property, plant and equipment | 15 | 371,690 | 4,638 |
| Investment properties | 16 | 13,364 | 7,100 |
| Intangible assets | 17 | 1,753,554 | — |
| Rental deposits | 19 | 7,095 | 6,933 |
| Prepayments for the purchase of plant and equipment | 19 | 57,371 | — |
| | | 2,337,694 | 18,671 |
| **Current assets** | | | |
| Inventories | 20 | 98,563 | 23,924 |
| Trade receivables, deposits and prepayments | 19 | 68,762 | 4,234 |
| Tax recoverable | | — | 61 |
| Other loan receivable | 21 | — | 28,200 |
| Pledged bank deposits | 22 | 41,781 | — |
| Cash and bank balances | 22 | 117,208 | 2,994 |
| | | 326,314 | 59,413 |
| **Current liabilities** | | | |
| Trade payables, other payables and accruals | 23 | 237,835 | 16,031 |
| Amounts due to shareholders | 24 | 14,300 | 16,300 |
| Other loan | 25 | — | 4,500 |
| Bank borrowings | 26 | 85,757 | 2,212 |
| Obligation under finance lease | 27 | — | 49 |
| Tax payable | | 4,339 | — |
| | | 342,231 | 39,092 |
| **Net current (liabilities)/assets** | | (15,917) | 20,321 |
| **Total assets less current liabilities** | | 2,321,777 | 38,992 |

As at 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Convertible notes | 28 | 540,768 | — |
| Provision for long service payments | 29 | 1,913 | 2,136 |
| Deferred tax liabilities | 30 | 30,593 | — |
| | | 573,274 | 2,136 |
| **Net assets** | | 1,748,503 | 36,856 |
| **Capital and reserves attributable to shareholders of the Company** | | | |
| Share capital | 31 | 73,241 | 24,884 |
| Reserves | | 1,675,262 | 11,972 |
| **Total equity** | | 1,748,503 | 36,856 |

**Lam Ho Fai**
*Director*

**Yiu Ka So**
*Director*

The notes on pages 39 to 92 are an integral part of these consolidated financial statements.

# Statement of Financial Position

As at 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 18 | 2,266,232 | 56,644 |
| **Current assets** | | | |
| Prepayments and deposit | 19 | 108 | 41 |
| Cash and bank balances | 22 | 13,844 | 280 |
| | | 13,952 | 321 |
| **Current liabilities** | | | |
| Other payables and accruals | 23 | 1,472 | 2,367 |
| Amounts due to shareholders | 24 | 300 | 16,300 |
| Other loan | 25 | — | 4,500 |
| | | 1,772 | 23,167 |
| **Net current assets/(liabilities)** | | 12,180 | (22,846) |
| **Total assets less current liabilities** | | 2,278,412 | 33,798 |
| **Non-current liabilities** | | | |
| Convertible notes | 28 | 540,768 | 33,798 |
| **Net assets** | | 1,737,644 | 33,798 |
| **Capital and reserves attributable to shareholders of the Company** | | | |
| Share capital | 31 | 73,241 | 24,884 |
| Reserves | 32 | 1,664,403 | 8,914 |
| **Total equity** | | 1,737,644 | 33,798 |

**Lam Ho Fai**
*Director*

**Yiu Ka So**
*Director*

The notes on pages 39 to 92 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

| | Share capital HK$'000 | Share premium HK$'000 | Call options reserve HK$'000 | Share options reserve HK$'000 | Convertible note equity reserve HK$'000 | Translation reserve HK$'000 | Property revaluation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2009 | 24,884 | 70,453 | 11,337 | 1,521 | – | 215 | 1,238 | (49,678) | 59,970 |
| Total comprehensive income | | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | – | (24,432) | (24,432) |
| Transactions with owners | | | | | | | | | |
| Share based payments *(Note 31(g))* | – | – | – | 1,318 | – | – | – | – | 1,318 |
| Call options lapsed *(Note 31(h))* | – | – | (11,337) | – | – | – | – | 11,337 | – |
| Total transactions with owners | – | – | (11,337) | 1,318 | – | – | – | 11,337 | 1,318 |
| Balance at 31 December 2009 and 1 January 2010 | 24,884 | 70,453 | – | 2,839 | – | 215 | 1,238 | (62,773) | 36,856 |
| Comprehensive income | | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | – | (15,089) | (15,089) |
| Other comprehensive income | | | | | | | | | |
| Exchange differences arising on translation of financial statements of subsidiaries | – | – | – | – | – | (23) | – | – | (23) |
| Total comprehensive income | – | – | – | – | – | (23) | – | (15,089) | (15,112) |
| Transactions with owners | | | | | | | | | |
| Issue of convertible notes *(Note 28)* | – | – | – | – | 1,409,593 | – | – | – | 1,409,593 |
| Conversion of convertible notes *(Note 31 (b))* | 4,202 | 20,585 | – | – | (2,746) | – | – | – | 22,041 |
| Issue of shares under an open offer *(Note 31(c))* | 6,641 | 25,339 | – | – | – | – | – | – | 31,980 |
| Issue of shares related to business combination *(Note 31 (d))* | 9,294 | 115,242 | – | – | – | – | – | – | 124,536 |
| Issue of shares through placement *(Note 31(e))* | 28,000 | 109,150 | – | – | – | – | – | – | 137,150 |
| Issue of shares upon exercise of share options *(Note 31 (f))* | 220 | 1,239 | – | – | – | – | – | – | 1,459 |
| Share option lapsed | – | – | – | (2,050) | – | – | – | 2,050 | – |
| Total transactions with owners | 48,357 | 271,555 | – | (2,050) | 1,406,847 | – | – | 2,050 | 1,726,759 |
| **Balance at 31 December 2010** | **73,241** | **342,008** | **–** | **789** | **1,406,847** | **192** | **1,238** | **(75,812)** | **1,748,503** |

The notes on pages 39 to 92 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 33(a) | **(10,454)** | (21,203) |
| Income tax refund | | **16** | — |
| Interest paid | | **(1,305)** | (66) |
| **Net cash used in operating activities** | | **(11,743)** | (21,269) |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **(17,744)** | (1,368) |
| Acquisition of subsidiaries, net of cash acquired | 34 | **19,777** | — |
| Prepayment for the purchase of plant and equipment | | **(54,065)** | — |
| Proceeds from disposal of property, plant and equipment | 33(a) | **106** | — |
| Interest received | | **170** | 2 |
| **Net cash used in investing activities** | | **(51,756)** | (1,366) |
| **Cash flow from financing activities** | | | |
| Net proceeds from open offer | | **31,980** | — |
| Net proceeds from issuance of new shares | | **26,247** | — |
| Net proceeds from placing of new shares | | **137,150** | — |
| Advance from shareholders | | **—** | 16,300 |
| Repayment of loan from shareholder | | **(2,000)** | — |
| (Repayment of)/proceeds from other loan | | **(4,500)** | 4,425 |
| Proceeds from new bank borrowings | | **34,091** | 8,352 |
| Repayment of bank borrowings | | **(35,072)** | (8,237) |
| Repayment of finance lease obligation | | **(49)** | (148) |
| Increase in pledged bank deposits | | **(10,111)** | — |
| **Net cash generated from financing activities** | | **177,736** | 20,692 |
| **Net increase/(decrease) in cash and cash equivalents** | | **114,237** | (1,943) |
| **Cash and cash equivalents at beginning of year** | | **2,994** | 4,931 |
| **Effect of foreign exchange rate changes** | | **(23)** | 6 |
| **Cash and cash equivalents at end of year** | 22 | **117,208** | 2,994 |

The notes on pages 39 to 92 are an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION

Goldpoly New Energy Holdings Limited (formerly known as Time Infrastructure Holdings Limited) (the "Company") and its subsidiaries (hereafter collectively referred as to the "Group") are principally engaged in fashion apparel retail business and manufacturing, sale and provision of subcontracting services of solar energy related products.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2011.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

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. 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.

As at 31 December 2010, the Group had net current liabilities of HK$15,917,000. The directors considered that the Group is able to operate within the level of its current financing by utilising committed banking facilities made available to the Group and the planned fund raising activities. Accordingly, the directors consider that it is appropriate to adopt a going concern basis in preparing the Group's consolidated financial statements.

On 7 February 2011, the Company issued 125,370,000 shares at HK$1.45 each and raised approximately HK$179,800,000 for general working capital purposes.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of presentation *(Continued)*

#### (i) New standards, revised standards and amendments and interpretations to standards that are effective in 2010 and have been adopted by the Group

- HKFRS 3 (revised) "Business combinations", and consequential amendments to HKAS 27 "Consolidated and separate financial statements", HKAS 28 "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

  The Group has applied HKFRS 3 (revised) to account for its acquisition of solar energy business during the year and the details are disclosed in Note 34.

- Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. The classification of a term loan shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. The adoption of this interpretation does not have any significant impact to the consolidated financial statements of the Company.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of presentation *(Continued)*

**(ii) New standards, revised standards and amendments and interpretations to existing standards that are effective in 2010 but do not have significant impact to the Group**

| | |
|---|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements |
| HKAS 17 (Amendment) | Leases |
| HKAS 36 (Amendment) | Impairment of Assets |
| HKAS 39 (Amendment) | Eligible hedged items |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters |
| HKFRS 2 (Amendment) | Group Cash-Settled Share-Based Payment Transactions |
| HKFRS 5 (Amendment) | Non-Current Assets Held for Sales and Discontinued Operations |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives and HKAS 39, Financial Instruments: Recognition and Measurement |

**(iii) New standards, revised standards and amendment and interpretation to existing standards that are not yet effective in 2010 and have not been early adopted by the Group**

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKAS 32 (Amendment) | Classification of Rights Issues | 1 February 2010 |
| Amendment to HKFRS 1 | Limited Exemption of Comparative HKFRS 7 Disclosure for First-time Adopters | 1 July 2010 |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
| HKAS 24 (Revised) | Related Party Disclosures | 1 January 2011 |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement | 1 January 2011 |
| HKFRS 1 (Amendment) | Severe Hyperinflation and removal of fixed dates for first time adopters | 1 July 2011 |
| HKFRS 7 (Amendment) | Disclosure — Transfer of Financial Assets | 1 July 2011 |
| HKAS 12 (Amendment) | Deferred tax: Recovery of underlying assets | 1 January 2012 |
| HKFRS 9 | Financial Instruments | 1 January 2013 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of presentation *(Continued)*

#### (iv) HKICPA's third annual improvements project to HKFRS

HKICPA's third annual improvements project to HKFRS have been published in May 2010. These improvements to HKFRS have introduced certain amendments to those standards set out below. These amendments are not effective in 2010 and have not been early adopted. The Group is assessing the impact of these amendments. The Group will apply these amendments from 1 January 2011.

- HKFRS 3 (Revised) (Amendment) "Business Combinations"
- HKFRS 1 (Amendment) "First-time Adoption of Hong Kong Financials Reporting Standards"
- HKFRS 7 (Amendment) "Financial Instruments: Disclosures"
- HKAS 1 (Amendment) "Presentation of Financial Statements"
- HKAS 27 (Revised) (Amendment) "Consolidation and Separate Financial Statements"
- HKAS 34 (Amendment) "Interim Financial Reporting"
- HK (IFRIC) Int 13 (Amendment) "Customer Loyalty programmes"

### (b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting 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 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (b) Subsidiaries *(Continued)*

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 this 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 statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

## (d) Foreign currency translation

### (i) 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 (HK$), which is the Company's functional and the Group's presentation currency.

### (ii) 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 remeasured. 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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains — net".

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Foreign currency translation *(Continued)*

**(iii) 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:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expense 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 expense are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

### (e) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated 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 income statement during the financial period in which they are incurred.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (e) Property, plant and equipment *(Continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 20 years |
| Leasehold improvements | 3 years |
| Plant and machinery | 5–8 years |
| Furniture, fixtures and office equipments | 5 years |
| Motor vehicles | 4–5 years |

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 3(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

## (f) Land use rights

Land use rights are located in the PRC and they are classified as operating leases. All land use rights are carried at cost less accumulated amortisation and impairment loss. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

## (g) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group's entities, is classified as investment property.

Investment property comprises land held under operating leases and buildings. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. 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 this 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 profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

#### (ii) Unfinished sales contracts

Unfinished sales contracts relationships acquired in a business combination are recognised at fair value at the acquisition date. The unfinished sales contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 14 months.

### (i) Impairment of investments in subsidiaries and 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.

### (j) Financial assets

The Group classifies all its financial assets under loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. 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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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.

### (l) 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)*

### (m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### (n) Share capital

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

### (o) 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 (or in the normal operating cycle of the business if longer). 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.

### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

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 balance sheet date.

### (q) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (r) Current and deferred income tax

Tax is recognised in the consolidated 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.

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 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.

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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

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.

## (s) Employee benefits

**(i) Pension obligations**

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) Employee benefits *(Continued)*

**(i) Pension obligations** *(Continued)*

Employees of the Group in the People's Republic of China ("PRC") are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

**(ii) 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 balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

**(iii) Long service payment**

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years within the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. According to the Hong Kong Employment Ordinance, the directors have applied the statutory maximum retirement benefits each employee will be entitled in the calculation of long service payments.

### (t) Share-based payments

The Group operates a share option scheme 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).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Share-based payments *(Continued)*

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-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the 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.

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.

### (u) 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 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.

### (v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, 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 on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) Revenue recognition *(Continued)*

**(i) Sales of goods — solar energy related goods**

Revenue from sale of solar energy related goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

**(ii) Sales of goods — retail**

The Group operates a chain of retail outlets for selling fashion apparels. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually settled in cash or by credit card.

**(iii) Subcontracting income**

Subcontracting income is recognised when the subcontracting services are rendered.

**(iv) Rental income**

Operating lease rental income is recognised on a straight-line basis over lease period of the lease.

**(v) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

**(vi) Royalty income**

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

### (w) 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 income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (w) Leases *(Continued)*

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and 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. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

**(i) Market risk**

*(a) Foreign exchange risk*

The Group operates in Hong Kong and Mainland China and most of their transactions are denominated in Hong Kong dollar ("HK$"), Renminbi ("RMB"), United States dollar ("US$") and Euro. The Group is exposed to foreign exchange risk primarily through sales, purchases, capital expenditure and expenses transactions that are denominated in a currency other than the functional currency.

The Group is exposed to foreign exchange risk mainly to the extent of its cash, trade receivables, trade payables and bank borrowings denominated in HK$, RMB, US$ and Euro.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

# 3 FINANCIAL RISK MANAGEMENT *(Continued)*

## (a) Financial risk factors *(Continued)*

### (i) Market risk *(Continued)*

*(a) Foreign exchange risk (Continued)*

At 31 December 2010, if RMB had strengthened/weakened by 5% (2009: 5%) with all other variables held constant, loss for the year would have been approximately be HK$420,000 higher/lower (2009: HK$57,000 lower/higher) mainly as a result of foreign exchange gains/losses on translation of deposits in banks, trade receivables, trade receivables, trade payables and bank borrowings.

At 31 December 2010, if US$ had strengthened/weakened by 5% (2009: 5%) with all other variables held constant, loss for the year would have been approximately be HK$1,220,000 lower/higher (2009: nil) mainly as a result of foreign exchange gains/losses on translation of deposits in banks, trade receivables, trade receivables, trade payables and bank borrowings.

At 31 December 2010, if Euro had strengthened/weakened by 5% (2009: 5%) against HK$ with all other variables held constant, loss for the year would have been approximately be HK$1,049,000 higher/lower (2009: nil) mainly as a result of foreign exchange gains/losses on translation of deposits in banks and trade receivables.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

*(b) Price risk*

As the Group purchases solar wafer plates, a silicon-based product, for its manufacturing process, it is exposed to fluctuation in its market price. The Group does not use any derivative instruments to reduce its economic exposure to the change in price of silicon.

*(c) Cash flow and interest rate risk*

The Group's interest rate risk mainly arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk. Other than the convertible notes payables and other loans, all other borrowings were at floating interest rates.

The Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the year.

# 3 FINANCIAL RISK MANAGEMENT *(Continued)*

## (a) Financial risk factors *(Continued)*

### (i) Market risk *(Continued)*

*(c) Cash flow and interest rate risk* (Continued)

Except for the cash held at bank, the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate any significant impact resulting from changes in interest-bearing assets.

At 31 December 2010, If interest rates on borrowings had been 50 basis points (2009: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$358,000 (2009: HK$9,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

### (ii) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade receivable, amounts due from related parties and deposits with banks and financial institutions.

For sales under the solar energy segment, it is the Group's policy that all overseas customers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Most of the PRC customers are required to pay deposits or settle in full upon delivery and therefore, the Group's exposure to bad debts is mitigated.

Sales to retail customers are settled in cash or using major credit cards and therefore, no major credit risk noted.

The amounts due from related parties are neither past due nor impaired.

The Group believes that adequate provision for doubtful debts has been made in the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

# 3 FINANCIAL RISK MANAGEMENT *(Continued)*

## (a) Financial risk factors *(Continued)*

### (iii) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issuance of new shares, bank borrowings and convertible notes.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities (Note 26(c)) and cash and bank balances (Note 22) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**Group**

| | Less than 1 year | Between 1 year to 2 years | Between 2 to 5 years | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2010** | | | | |
| Trade and other payables | 225,063 | — | — | 225,063 |
| Amounts due to shareholders | 14,300 | — | — | 14,300 |
| Bank borrowings | 88,816 | — | — | 88,816 |
| Convertible notes | — | — | 850,000 | 850,000 |
| | 328,179 | — | 850,000 | 1,178,179 |
| **At 31 December 2009** | | | | |
| Trade and other payables | 8,399 | — | — | 8,399 |
| Amounts due to shareholders | 16,300 | — | — | 16,300 |
| Other loan | 4,500 | — | — | 4,500 |
| Bank borrowings | 2,278 | — | — | 2,278 |
| Obligation under finance lease | 54 | — | — | 54 |
| | 31,531 | — | — | 31,531 |

# 3 FINANCIAL RISK MANAGEMENT *(Continued)*

## (a) Financial risk factors *(Continued)*

### (iii) Liquidity risk *(Continued)*

**Company**

| | Less than 1 year HK$'000 | Between 1 year to 2 years HK$'000 | Between 2 to 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 31 December 2010** | | | | |
| Trade and other payables | 130 | — | — | 130 |
| Amounts due to shareholders | 300 | — | — | 300 |
| | 430 | — | — | 430 |
| **At 31 December 2009** | | | | |
| Trade and other payables | 39 | — | — | 39 |
| Amounts due to shareholders | 16,300 | — | — | 16,300 |
| Other loan | 4,500 | — | — | 4,500 |
| | 20,839 | — | — | 20,839 |

## (b) 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 to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt or to obtain bank borrowings.

## (c) Fair value estimation

All financial assets held by the Group are loans and receivables.

The carrying amounts of the Group's financial assets including cash and bank balances, trade receivables, deposits and amounts due from related parties, and financial liabilities including trade payables, other payables, amounts due to shareholders, other loan and bank borrowings, approximate their fair values due to their short maturities. The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 discussed below.

### (i) Valuation of convertible notes

On 25 October 2010, the Company issued a convertible note as part of the consideration for the acquisition of solar energy business (Notes 28(c) and 34). This convertible note contains both a liability and an equity component. Its fair value was determined using the binomial option pricing model. The liability component of the note was valued based on the present value of the future cash flows of a note with the same characteristics but without any equity component. The portion included in shareholders' equity is equal to the difference between the debt component and the fair value of the combined instrument.

Significant assumptions used in determining its fair value on the issuance date include the Company's share price and its price volatility, discount rate, market risk factors, etc. Changes to these assumptions may impact the valuation of the debt and equity component of the note, which will also impact goodwill, at their initial recognition.

### (ii) Purchase accounting

Accounting for acquisitions require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the acquisition of the solar energy business, the Group has undertaken a process to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

### (iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 2(i).

The recoverable amount of an asset or a cash-generating unit has been determined based on its fair value less cost to sell. These calculations require the use of estimates.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

### (iii) Impairment of goodwill *(Continued)*

The fair value less cost to sell calculations primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in the revenues and operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

Based on management's assessment, goodwill is not impaired when either the discount rate or growth rate used differed by 10% from management estimates.

### (iv) Impairment of property, plant and equipment

The Group conducts impairment reviews of property, plant and equipment when events of changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

### (v) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimation at each balance sheet date. As at 31 December 2010, the directors of the Company have identified certain slow-moving inventories and has made a provision of HK$703,000. Where the actual cash flows are less than expected, a write down of inventories to estimated net realisable value may arise.

### (vi) Provision for long service payment

A provision is made for the estimated liability for long service payments and the calculation of which involves assumptions and assessment on the employees' final salary, years of services, employee turnover rate, the change of labour market condition and other relevant economic and strategic policies. Adjustment of provision is dependent on the aggregate effect of relevant factors which involve considerable degrees of estimation. The management will also consider taking reference to independent valuer's report in assessing whether adjustment on provision is required. Where the actual cash flows are less than expected, a material provision for long service payments may rise.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

### (vii) Fair value of investment properties

The Group's investment properties are stated at fair value based on the valuation carried out by independent qualified professional valuers. In determining the fair value, the valuers have based on market value basis which take into account, inter-alia, certain estimates, including open market rents, appropriate capitalisation rates, reversionary income potential, redevelopment potential and comparable market transactions. Management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

### (viii) Deferred tax assets

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

## 5 REVENUE

The Group is principally engaged in the fashion apparel retail business and manufacturing, sale and provision of subcontracting services of solar energy related products. Revenue consists of turnover recognised under the following business activities:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of retail fashion | **124,333** | 97,452 |
| Sales of solar energy related products | **117,227** | — |
| Subcontracting services income | **7,518** | — |
| | **249,078** | 97,452 |

## 6 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

There are two operating segments, namely retail fashioning and solar energy. Other operation includes corporate functions managed by the Group management.

The Company is domiciled in Hong Kong. Revenue derived from Hong Kong and other countries is HK$124,333,000 (2009: HK$97,452,000) and HK$124,745,000 (2009: Nil) respectively.

Approximately 98% of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China while the remaining 2% are located in Hong Kong.

## 6 SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2010, there were three customers in the "solar energy" segment who individually contributed over 10% of the total revenue. The total revenue contributed by these customers amounted to HK$40,619,000.

| | For the year ended 31 December 2010 | | | |
|---|---|---|---|---|
| | Retail fashioning *HK$'000* | Solar energy *HK$'000* | Corporate function *HK$'000* | Total *HK$'000* |
| Revenue | 124,333 | 124,745 | — | 249,078 |
| Gross profit | 80,158 | 29,109 | — | 109,267 |
| Operating (loss)/profit | (11,126) | 21,373 | (14,622) | (4,375) |
| Finance income/(costs) — net | 39 | 422 | (9,918) | (9,457) |
| Income tax expense | (45) | (1,212) | — | (1,257) |
| (Loss)/profit attributable to shareholders | (11,132) | 20,583 | (24,540) | (15,089) |
| Other information: | | | | |
| Depreciation and amortisation | (2,627) | (6,092) | — | (8,719) |
| Capital expenditure | (3,259) | (14,485) | — | (17,744) |

| | For the year ended 31 December 2009 | | | |
|---|---|---|---|---|
| | Retail fashioning *HK$'000* | Solar energy *HK$'000* | Corporate function *HK$'000* | Total *HK$'000* |
| Revenue | 97,452 | — | — | 97,452 |
| Gross profit | 61,906 | — | — | 61,906 |
| Operating loss | (20,205) | — | (4,119) | (24,324) |
| Finance costs — net | (64) | — | (44) | (108) |
| Loss attributable to shareholders | (20,269) | — | (4,163) | (24,432) |
| Other information: | | | | |
| Depreciation and amortisation | (2,360) | — | — | (2,360) |
| Capital expenditure | (1,897) | — | — | (1,897) |

## 6 SEGMENT INFORMATION *(Continued)*

| | As at 31 December 2010 | | | |
|---|---|---|---|---|
| | **Retail fashioning** *HK$'000* | **Solar energy** *HK$'000* | **Corporate function** *HK$'000* | **Total** *HK$'000* |
| Total assets | **59,854** | **2,590,202** | **13,952** | **2,664,008** |
| Total liabilities | **(15,884)** | **(357,081)** | **(542,540)** | **(915,505)** |

| | As at 31 December 2009 | | | |
|---|---|---|---|---|
| | Retail fashioning *HK$'000* | Solar energy *HK$'000* | Corporate function *HK$'000* | Total *HK$'000* |
| Total assets | 49,563 | — | 28,521 | 78,084 |
| Total liabilities | (18,061) | — | (23,167) | (41,228) |

## 7 OTHER INCOME AND OTHER GAINS, NET

| | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|
| Other income | | |
| Rental income | **121** | 228 |
| Royalty fee income | **119** | 475 |
| Others | **233** | 118 |
| | **473** | 821 |
| Other gains, net | | |
| Fair value gain on investment property | **400** | 1,800 |
| Exchange gains/(losses) | **32** | (164) |
| | **432** | 1,636 |

## 8 EXPENSES BY NATURE

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Cost of inventories | 117,058 | 35,320 |
| Provision/(write back of provision) for inventories obsolescence | 703 | (4,412) |
| Amortisation of land use rights *(Note 14)* | 494 | — |
| Amortisation of intangible assets *(Note 17)* | 1,461 | — |
| Depreciation of property, plant and equipment *(Note 15)* | 6,764 | 2,360 |
| Staff costs (including Directors' emoluments) *(Note 9(a))* | 52,947 | 44,636 |
| Auditor's remuneration | 944 | 676 |
| (Gain)/loss on disposal of property, plant and equipment | (29) | 116 |
| Operating leases rentals in respect of land and buildings | | |
| — Minimum lease payments under operating leases | 31,021 | 29,996 |
| — Contingent rental payments | 958 | 444 |
| Legal and professional fees | 12,711 | 760 |
| Other expenses | 29,326 | 14,337 |
| Total cost of sales, distribution costs and administrative expenses | 254,358 | 124,233 |

## 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

### (a) Employee benefit expenses

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Salaries, wages and bonuses | 48,659 | 40,593 |
| Contributions to retirement contribution plan | 2,829 | 2,664 |
| Reversal of long service payments | (223) | (783) |
| Equity-settled share-based payment expenses | — | 1,318 |
| Welfare and other expenses | 1,682 | 844 |
| | 52,947 | 44,636 |

# 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

## (b) Directors' emoluments

The emoluments paid or payable to each of the twelve (2009: eight) directors were as follows:

| | Fees HK$'000 | Salaries, allowance and benefits in kind HK$'000 | Retirement benefit scheme contributions HK$'000 | Equity-settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2010** | | | | | |
| *Executive director:* | | | | | |
| Lin Xiayang | — | 1,040 | — | — | 1,040 |
| Wong Pak Lam, Louis (vii) | — | 1,208 | 11 | — | 1,219 |
| Wong Kwong Lung, Terence (i) | — | 2,080 | 11 | — | 2,091 |
| Lam Ho Fai | — | 1,040 | 12 | — | 1,052 |
| Gu Zhi Hao (ii) | — | 660 | — | — | 660 |
| Yiu Ka So (iii) | 47 | 120 | — | — | 167 |
| | 47 | 6,148 | 34 | — | 6,229 |
| *Non-executive director:* | | | | | |
| Yao Jiannian (iii) | 37 | — | — | — | 37 |
| *Independent non-executive director:* | | | | | |
| Chan Ka Ling, Edmond (iv) | 150 | — | — | — | 150 |
| Ching Kwok Ho, Samuel | 120 | — | — | — | 120 |
| Lo Wa Kei, Roy (v) | 120 | — | — | — | 120 |
| Ip Shu Kwan, Stephen (iii) | 37 | — | — | — | 37 |
| Hui Bing Kuen (vi) | — | — | — | — | — |
| | 427 | — | — | — | 427 |
| Total | 511 | 6,148 | 34 | — | 6,693 |

# 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

## (b) Directors' emoluments *(Continued)*

| | Fees | Salaries, allowance and benefits in kind | Retirement benefit scheme contributions | Equity-settled share-based payment expenses | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Year ended 31 December 2009 | | | | | |
| *Executive director:* | | | | | |
| Lin Xiayang | — | 960 | — | 630 | 1,590 |
| Wong Pak Lam, Louis | — | 1,400 | 12 | — | 1,412 |
| Wong Kwong Lung, Terence | — | 1,560 | 12 | — | 1,572 |
| Lam Ho Fai | — | 1,040 | 12 | 630 | 1,682 |
| Gu Zhi Hao (ii) | — | 639 | — | — | 639 |
| | — | 5,599 | 36 | 1,260 | 6,895 |
| *Independent non-executive director:* | | | | | |
| Chan Ka Ling, Edmond (iv) | 150 | — | — | — | 150 |
| Ching Kwok Ho, Samuel | 120 | — | — | — | 120 |
| Lo Wa Kei, Roy (v) | 120 | — | — | — | 120 |
| | 390 | — | — | — | 390 |
| | 390 | 5,599 | 36 | 1,260 | 7,285 |

Note:

(i) Resigned on 17 November 2010

(ii) Appointed on 11 February 2009 and resigned on 26 November 2010

(iii) Appointed on 25 October 2010

(iv) Resigned on 30 December 2010

(v) Resigned on 26 November 2010

(vi) Appointed on 30 December 2010

(vii) Resigned on 16 February 2011

## 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

### (c) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2009: four) are directors of the Company, whose emoluments are included in the disclosure set out in note 9(b) above. The emolument of the remaining one (2009: one) highest paid individual is as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **892** | 900 |
| Retirement benefit scheme contributions | **—** | 12 |
| | **892** | 912 |

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year (2009: Nil).

## 10 FINANCE COSTS, NET

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Finance income: | | |
| Interest income on bank balances and deposits | **170** | 2 |
| Exchange gains on bank borrowings | **1,471** | — |
| | **1,641** | 2 |
| Finance costs: | | |
| Interest expense on bank borrowings — wholly repayable within five years | **(1,175)** | (52) |
| Interest on finance lease | **(5)** | (14) |
| Interest on other loan | **(125)** | (44) |
| Imputed interest expense on convertible notes | **(9,793)** | — |
| | **(11,098)** | (110) |
| Finance cost, net | **(9,457)** | (108) |

## 11 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessment profit derived from Hong Kong for the year (2009: nil).

The Group's operations in Mainland China are subject to PRC corporate income tax law of the People's Republic of China ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. One of the subsidiaries of the Group, namely Goldpoly (Quanzhou) Science & Technology Industry Co., Ltd. was exempted from the PRC corporate income tax in year 2008 and 2009 and followed by a 50% reduction in the PRC corporate income tax from year 2010 to 2012.

The amount of tax charged to the consolidated income statement represents:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Corporate income tax in Mainland China | **1,494** | — |
| Deferred income tax | **(237)** | — |
| | **1,257** | — |

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before income tax | **(13,832)** | (24,432) |
| Calculated at a tax rate of 16.5% | **(2,282)** | (4,031) |
| Effect of difference tax rates of subsidiaries operating in other jurisdictions | **565** | 2 |
| PRC tax concession | **(2,725)** | — |
| Tax effect of expenses not deductible for tax purposes | **3,866** | 426 |
| Tax effect of non-taxable items | **(142)** | (373) |
| Tax effect of deductible temporary differences not recognised | **37** | 99 |
| Tax effect on unused tax losses not recognised | **2,912** | 4,384 |
| Utilisation of previously unrecognised tax losses | **(974)** | (507) |
| Income tax charge | **1,257** | — |

## 12 LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Loss attributable to shareholders of the Company includes a loss of HK$22,913,000 (2009: HK$1,984,000) which has been dealt with in the financial statements of the Company.

## 13 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2010 | 2009 |
|---|---|---|
| Loss attributable to shareholders of the Company (HK$'000) | 15,089 | 24,432 |
| Weighted average number of ordinary shares in issue (thousand shares) | 370,427 | 248,840 |
| Basic loss per share (HK cents) | 4.07 | 9.82 |

### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible notes and share options. The convertible notes are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | 2010 | 2009 |
|---|---|---|
| Loss attributable to shareholders of the Company *(HK$'000)* | 15,089 | 24,432 |
| Imputed interest expense on convertible notes, net of tax *(HK$'000)* | (9,793) | — |
| Loss used to determine diluted loss per share *(HK$'000)* | 5,296 | 24,432 |
| Weighted average number of ordinary shares in issue (thousand shares) | 370,427 | 248,840 |
| Adjustments for: | | |
| — Assumed conversion of convertible notes (thousand shares) | 292,823 | — |
| — Share options (thousand shares) | 1,640 | — |
| | 664,890 | 248,840 |
| Diluted loss per share (HK cents) | 0.80 | 9.82 |

## 14 LAND USE RIGHTS

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net book value at 1 January | **—** | — |
| Acquisition of subsidiaries *(Note 34)* | **135,114** | — |
| Amortisation | **(494)** | — |
| Net book value at 31 December | **134,620** | — |

The parcels of land associated with these land use rights are located in Jinjiang Economic Development Zone, Jinjiang City, Fujian Province, the PRC under a lease term between 10 and 50 years.

At 31 December 2010, land use rights of HK$134,620,000 were pledged as security for the Group's bank borrowings (Note 26).

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Leasehold improve-ments | Plant and machinery | Furniture and fixtures | Motor vehicles | Construction in-progress | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2008** | | | | | | | |
| Cost | — | 9,118 | 3,864 | 8,641 | 4,287 | — | 25,910 |
| Accumulated depreciation | — | (7,594) | (3,847) | (6,954) | (2,298) | — | (20,693) |
| Net book amount | — | 1,524 | 17 | 1,687 | 1,989 | — | 5,217 |
| **Year ended 31 December 2009** | | | | | | | |
| Opening net book amount | — | 1,524 | 17 | 1,687 | 1,989 | — | 5,217 |
| Additions | — | 1,493 | 80 | 324 | — | — | 1,897 |
| Disposals | — | (28) | — | (88) | — | — | (116) |
| Depreciation | — | (1,014) | (19) | (648) | (679) | — | (2,360) |
| Closing net book amount | — | 1,975 | 78 | 1,275 | 1,310 | — | 4,638 |
| **At 31 December 2009** | | | | | | | |
| Cost | — | 9,891 | 3,944 | 7,582 | 4,287 | — | 25,704 |
| Accumulated depreciation | — | (7,916) | (3,866) | (6,307) | (2,977) | — | (21,066) |
| Net book amount | — | 1,975 | 78 | 1,275 | 1,310 | — | 4,638 |

## 15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| | Buildings HK$'000 | Leasehold improve-ments HK$'000 | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Construction in-progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2010** | | | | | | | |
| Opening net book amount | — | 1,975 | 78 | 1,275 | 1,310 | — | 4,638 |
| Acquisition of subsidiaries *(Note 34)* | 22,626 | — | 170,666 | 2,419 | 1,072 | 159,366 | 356,149 |
| Additions | — | 1,481 | 1,475 | 1,953 | 215 | 12,620 | 17,744 |
| Transfer | — | — | 122,205 | 255 | — | (122,460) | — |
| Disposals | — | — | (65) | (12) | — | — | (77) |
| Depreciation | (212) | (1,282) | (3,824) | (806) | (640) | — | (6,764) |
| Closing net book amount | 22,414 | 2,174 | 290,535 | 5,084 | 1,957 | 49,526 | 371,690 |
| **At 31 December 2010** | | | | | | | |
| Cost | 22,626 | 11,372 | 298,225 | 12,197 | 5,574 | 49,526 | 399,520 |
| Accumulated depreciation | (212) | (9,198) | (7,690) | (7,113) | (3,617) | — | (27,830) |
| Net book amount | 22,414 | 2,174 | 290,535 | 5,084 | 1,957 | 49,526 | 371,690 |

Notes:

(a) As at 31 December 2010, the Group has not obtained building ownership certificates for buildings located in the Mainland China with carrying value of HK$22,414,000 (2009: nil).

(b) Depreciation expense of HK$4,246,000 (2009: HK$432,000) has been charged in cost of sales, HK$1,478,000 (2009: HK$1,368,000) in distribution costs and HK$1,040,000 (2009: HK$560,000) in administrative expenses.

(c) A motor vehicle was held under finance leases. Details of the asset is as follows:

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| *Net book amount* | — | 292 |
| *Depreciation for the year* | — | 129 |

## 16 INVESTMENT PROPERTIES

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying value at 1 January | **7,100** | 5,300 |
| Acquisition of subsidiaries *(Note 34)* | **5,864** | — |
| Increase in fair value | **400** | 1,800 |
| Carrying value at 31 December | **13,364** | 7,100 |

Note:

(a) The investment properties were revalued at 31 December 2010 by the following independent and professionally qualified valuers. Valuations are based on current prices in an active market.

| *Properties located in* | *Name of valuer* |
|---|---|
| *— Hong Kong* | *RHL Appraisal Limited* |
| *— Mainland China* | *Jones Lang LaSalle Sallmanns Limited* |

(b) The Group's interest in investment properties, held on leases of between 10 to 50 years, at their carrying values are analysed as follows:

| | ***2010*** | *2009* |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *- Hong Kong* | ***7,500*** | *7,100* |
| *- Mainland China* | ***5,864*** | *—* |
| | ***13,364*** | *7,100* |

(c) The following amounts have been recognised in the consolidated income statement:

| | ***2010*** | *2009* |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Rental income* | ***121*** | *228* |
| *Direct operating expense arising from investment properties* | ***(85)*** | *(33)* |

(d) At 31 December 2010, investment properties of HK$7,500,000 (2009: HK$7,100,000) were pledged as security for the Group's bank borrowings (Note 26).

## 17 INTANGIBLE ASSETS

| | Goodwill<br>*HK$'000* | Unfinished sales contracts<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| At 1 January 2009 and 31 December 2009 | | | |
| Cost | — | — | — |
| Accumulated amortisation | — | — | — |
| Net book amount | — | — | — |
| **Year ended 31 December 2010** | | | |
| Opening net book amount | — | — | — |
| Acquisition of subsidiaries *(Note 34)* | 1,744,788 | 10,227 | 1,755,015 |
| Amortisation charge | — | (1,461) | (1,461) |
| Closing net book amount | 1,744,788 | 8,766 | 1,753,554 |
| **At 31 December 2010** | | | |
| Cost | 1,744,788 | 10,227 | 1,755,015 |
| Accumulated amortisation | — | (1,461) | (1,461) |
| Net book amount | 1,744,788 | 8,766 | 1,753,554 |

Amortisation of HK$1,461,000 (2009: nil) is included in administrative expenses.

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to operating segment. The goodwill is attributable to the solar energy segment, which is a CGU.

The recoverable amount of a CGU is determined based on its fair value less cost to sell. The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows beyond the five-year period assuming no growth. Management determined the financial budgets and gross margin based on past performance and its expectations for market development and made reference to industry reports. The discount rate used is 14%, which is a pre-tax discount rate and reflects specific risk relating to the Group.

No impairment of goodwill has been made to the consolidated income statement during the year.

## 18 INTERESTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **2,194,788** | 32,251 |
| Amounts due from subsidiaries *(Note (b))* | **154,305** | 107,254 |
| | **2,349,093** | 139,505 |
| Less: Impairment losses | **(82,861)** | (82,861) |
| | **2,266,232** | 56,644 |

Note:

(a) Particulars of the subsidiaries as at 31 December 2010 are as follows:

| ***Name of company*** | ***Place of incorporation/ registration and operation*** | ***Particulars of issued share capital/ registered capital*** | ***Proportion of issued share capital/ registered capital held by the Company Directly*** | ***Indirectly*** | ***Principal activities*** |
|---|---|---|---|---|---|
| *Gay Giano Holdings Limited* | *British Virgin Islands* | *US$1,000* | *100%* | *—* | *Investment holding* |
| *Sky Cypress Limited* | *British Virgin Islands* | *US$1* | *100%* | *—* | *Investment holding* |
| *Fortune Arena Limited* | *British Virgin Islands* | *US$1* | *100%* | *—* | *Investment holding* |
| *Cour Carré Company Limited* | *Hong Kong* | *HK$1,000* | *—* | *100%* | *Retails of fashion apparel and complementary accessories* |
| *Due G Company Limited* | *Hong Kong* | *HK$10,000* | *—* | *100%* | *Retails of fashion apparel and complementary accessories* |
| *Gay Giano Company Limited* | *Hong Kong* | *HK$1,000,000* | *—* | *100%* | *Retails of fashion apparel and complementary accessories* |
| *Gay Giano International Limited* | *Hong Kong* | *HK$1,000* | *—* | *100%* | *Investment holding and provision of administrative services* |
| *Gay Giano Technology Limited* | *British Virgin Islands* | *US$1* | *—* | *100%* | *Provision of information technology services* |
| *Gay Giano Shanghai Limited* | *Hong Kong* | *HK$1* | *—* | *100%* | *Inactive* |
| *Gay Giano Hong Kong Limited* | *Hong Kong* | *HK$10,000* | *—* | *100%* | *Investment holding and wholesaling of fashion apparel and relevant raw materials* |
| *Maxrola Limited* | *Hong Kong* | *HK$2* | *—* | *100%* | *Property investment holding* |

# 18 INTERESTS IN SUBSIDIARIES *(Continued)*

Note: (continued)

(a) Particulars of the subsidiaries as at 31 December 2010 are as follows (Continued):

| Name of company | Place of incorporation/ registration and operation | Particulars of issued share capital/ registered capital | Proportion of issued share capital/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| Shenzhen Longwei Fashion Mfg. Co., Ltd[1] | People's Republic of China ("PRC") | HK$12,000,000 | — | 100% | Manufacture and distribution of fashion apparel |
| Yield Long Limited | British Virgin Islands | US$1 | 100% | — | Investment holding |
| Gay Giano China Development Limited | British Virgin Islands | US$100 | — | 100% | Investment holding |
| Goldpoly New Energy Limited | Hong Kong | HK$1 | — | 100% | Inactive |
| Time Infrastructure Limited | British Virgin Islands | US$100 | — | 100% | Investment holding |
| Time (China) Expressway Company Limited | Hong Kong | HK$2 | — | 100% | Inactive |
| Cour Carré Hong Kong Limited | Hong Kong | HK$10,000 | — | 100% | Inactive |
| Gay Giano Asia Limited | British Virgin Islands | US$1 | — | 100% | Investment holding |
| Cour Carré (Asia) Limited | British Virgin Islands | US$1 | — | 100% | Investment holding |
| Sarchio Limited | Hong Kong | HK$10,000 | — | 100% | Investment holding |
| Cour Carré World Limited | British Virgin Islands | US$1 | — | 100% | Inactive |
| Gay Giano World-wide Limited | British Virgin Islands | US$1 | — | 100% | Inactive |
| Belarus Limited | Hong Kong | HK$3,000 | — | 100% | Investment holding and wholesaling of fashion apparel and relevant raw materials |
| Cour Carré Fashion Company Limited, Shantou | PRC | RMB3,056,560 | — | 100% | Manufacture and distribution of fashion apparel |
| Time Infrastructure Hong Kong Limited | Hong Kong | HK$1 | — | 100% | Inactive |
| Jolly Wood Limited | British Virgin Islands | US$1 | — | 100% | Investment holding |
| City Mark Holdings Limited | British Virgin Islands | US$1 | — | 100% | Investment holding |

## 18 INTERESTS IN SUBSIDIARIES *(Continued)*

Note: (continued)

(a) Particulars of the subsidiaries as at 31 December 2010 are as follows (Continued):

| ***Name of company*** | ***Place of incorporation/ registration and operation*** | ***Particulars of issued share capital/ registered capital*** | ***Proportion of issued share capital/ registered capital held by the Company*** | | ***Principal activities*** |
|---|---|---|---|---|---|
| | | | **Directly** | **Indirectly** | |
| *Goldpoly International Limited* | *British Virgin Islands* | *US$1,000* | — | *100%* | *Investment holding* |
| *Goldpoly New Energy Technology Company Limited* | *Hong Kong* | *HK$200* | — | *100%* | *Investment holding* |
| *Goldpoly (Hong Kong) Machine & Instrument Company Limited* | *Hong Kong* | *HK$100* | — | *100%* | *Investment holding* |
| *Goldpoly (Quanzhou) Science & Technology Industry Company Limited* | *PRC* | *US$ 41,266,890* | — | *100%* | *Manufacturing of electronic components, solar silicon cell and related products* |
| *Goldpoly (Quanzhou) Packing Science & Technology Company Limited* | *PRC* | *US$ 7,500,000* | — | *100%* | *Inactive* |
| *Goldpoly (Quanzhou) Machine Meter Company Limited* | *PRC* | *US$ 6,200,000* | — | *100%* | *Inactive* |

[1] a wholly-owned foreign enterprise

The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

(b) The amounts due from subsidiaries are unsecured, interest free and in substance a part of the Company's interest in subsidiaries in the form of quasi-equity loans.

## 19 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade receivables | **4,411** | 826 | **—** | — |
| Prepayment for purchase of plant and equipment | **57,371** | — | **—** | — |
| Rental deposits | **8,593** | 8,509 | **—** | — |
| Value-added tax recoverable | **16,246** | — | **—** | — |
| Prepayment for raw materials | **33,875** | — | **—** | — |
| Other deposits and prepayments | **12,732** | 1,832 | **108** | 41 |
| | **133,228** | 11,167 | **108** | 41 |
| Less: non-current portion | **(64,466)** | (6,933) | **—** | — |
| Current portion | **68,762** | 4,234 | **108** | 41 |

All non-current receivables are due within five years from the end of the reporting period.

The Group generally requires customers to pay deposits and settle in full upon delivery of goods. Credit period of one to two months is granted to some of its customers. The Group has set a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company.

The ageing analysis of trade debtors is as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **828** | 826 |
| 1–30 days | **—** | — |
| 31–60 days | **3,583** | — |
| | **4,411** | 826 |

As at 31 December 2010, trade receivables of HK$3,583,000 aged between 31 to 60 days (2009: Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

No provision for impairment of receivables has been made to the consolidated income statement during the year (2009: nil).

## 19 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The trade receivables are denominated in following currencies:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$ | **828** | 826 |
| RMB | **3,583** | — |
| | **4,411** | 826 |

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

## 20 INVENTORIES

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **27,463** | 2,363 |
| Work in progress | **14,905** | 568 |
| Finished goods | **56,195** | 20,993 |
| | **98,563** | 23,924 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to HK$117,058,000 (2009: HK$35,320,000).

## 21 OTHER LOAN RECEIVABLE

Other loan receivable represented payment in September 2008 for an option to acquire two toll road entities located in the Mainland China. As a result of the Group's decision not to exercise the option, the amount paid became recoverable. The loan receivable was unsecured, interest bearing at 5% per annum and was repayable on demand. The balance was denominated in Hong Kong dollar. In July 2010, the balance has been fully settled and the Group waived the interest receivable thereon.

## 22 CASH AND BANK BALANCES, PLEDGED BANK DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | HK$'000 |
| Cash at bank and on hand | **117,208** | 2,994 | **13,844** | 280 |
| Pledged bank deposits | **41,781** | — | **—** | — |
| | **158,989** | 2,994 | **13,844** | 280 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2010, the weighted average effective interest rate on pledged bank deposits was approximately 1% per annum (2009: Nil). These deposits had an average maturity period of 60 days (2009: Nil).

For the purpose of statement of cash flows, cash and cash equivalents includes cash at bank and on hand of HK$117,208,000 (2009: HK$2,994,000).

Cash at bank and on hand, pledged bank deposits are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | HK$'000 |
| HK$ | **25,925** | 2,673 | **13,844** | 280 |
| RMB | **104,685** | 321 | **—** | — |
| US$ | **28,174** | — | **—** | — |
| Euro | **205** | — | **—** | — |
| | **158,989** | 2,994 | **13,844** | 280 |

Pledged bank deposits have been pledged for trade finance facilities made available to the Group by the banks (Note 26).

As at 31 December 2010, the Group's cash and bank balances of HK$132,180,000 (2009: HK$301,000) are deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

## 23 TRADE PAYABLE, OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | HK$'000 |
| Trade and bill payables | **97,670** | 5,186 | **—** | — |
| Receipt in advance | **60,127** | — | **—** | — |
| Other payables and accruals | **80,038** | 10,845 | **1,472** | 2,367 |
| Balance at 31 December | **237,835** | 16,031 | **1,472** | 2,367 |

The carrying amounts of payables approximate their fair values. The average credit period from the Group's trade creditors is of 30 to 60 days (2009: 60 days). The ageing analysis of trade payable is as follows:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **78,979** | 1,609 |
| 1–30 days | **6,429** | 1,636 |
| 31–60 days | **1,705** | 1,941 |
| 61–90 days | **10,557** | — |
| | **97,670** | 5,186 |

The trade payables are denominated in following currencies:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$ | **1,033** | 5,186 |
| RMB | **83,935** | — |
| US$ | **3,635** | — |
| Euro | **9,067** | — |
| | **97,670** | 5,186 |

Included in the other payables and accruals are amounts due to companies, which are beneficially owned by a shareholder of the Company, amounted to HK$58,864,000 as at 31 December 2010 (2009: nil).

## 24 AMOUNTS DUE TO SHAREHOLDERS

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | HK$'000 |
| Amounts due to shareholders | **14,300** | 16,300 | **300** | 16,300 |

The amounts are unsecured, interest-free and are repayable on demand. The amounts are denominated in Hong Kong dollar.

On 18 February 2011, the amount due to a shareholder of HK$14,000,000 has been fully settled.

## 25 OTHER LOAN

Other loan was a loan from an entity of which its beneficial shareholder is a shareholder of the Company. The loan was unsecured, interest bearing at 5% per annum, repayable on demand and dominated in Hong Kong dollar. The loan has been fully settled in July 2010.

## 26 BANK BORROWINGS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trust receipt loans | **2,594** | 2,212 |
| Short-term bank loans | **83,163** | — |
| | **85,757** | 2,212 |

## 26 BANK BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2010, bank borrowings are secured by the following:

(i) land use rights with net book amount of HK$134,620,000 (2009: Nil) (Note 14);
(ii) investment property situated in Hong Kong with carrying value of HK$7,500,000 (2009: HK$7,100,000) (Note 16); and
(iii) pledged bank deposits of HK$41,781,000 (2009: Nil) (Note 22).

The effective interest rates per annum of bank borrowings at the end of the reporting period were as follows:

| | **2010** | 2009 |
|---|---|---|
| *Trust receipt loans* | ***2.26%*** | *2.35%* |
| *Short-term bank loans* | ***3.66%*** | *N/A* |

(b) An analysis of the bank borrowings by currency is as follows:

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| *HK$* | ***1,190*** | *826* |
| *RMB* | ***72,305*** | — |
| *Euro* | ***12,124*** | *1,283* |
| *USD* | ***138*** | — |
| *Japanese Yen* | — | *103* |
| | ***85,757*** | *2,212* |

(c) All bank borrowings are wholly repayable within five years.

(d) As at 31 December 2010, the Group had aggregate banking facilities of approximately HK$349,148,000 for trade financing, loans and import bills. Unused facilities as at the same date amounted to approximately HK$225,438,000.

## 27 OBLIGATION UNDER FINANCE LEASE

As at 31 December 2010, the Group had obligation under finance lease repayable as follows:

| | Minimum lease payments | | Present value of minimum lease payment | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | HK$'000 | ***HK$'000*** | HK$'000 |
| Within one year | — | 54 | — | 49 |
| Less: Future finance charges | — | (5) | — | — |
| Present value of lease obligation | — | 49 | — | 49 |

The Group leased a motor vehicle under finance lease. The lease term is two years. The lease is on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance lease is secured by the lessors' title to the leased assets. The obligation under finance lease is denominated in Hong Kong dollar.

## 28 CONVERTIBLE NOTES

| | **Convertible note issued on 22 April 2010** | **Convertible note issued on 9 June 2010** | **Convertible note issued on 20 October 2010** | **Convertible note issued on 25 October 2010** | **Total** |
|---|---|---|---|---|---|
| | *(Note (b))* | *(Note (b))* | *(Note (b))* | *(Note (c))* | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Fair value of convertible note at issuance | 10,000 | 7,000 | 8,000 | 1,938,002 | 1,963,002 |
| Equity component | (1,396) | (883) | (467) | (1,406,847) | (1,409,593) |
| Transaction cost | (343) | — | — | — | (343) |
| Liability component on initial recognition | 8,261 | 6,117 | 7,533 | 531,155 | 553,066 |
| Interest expense | 22 | 79 | 29 | 9,613 | 9,743 |
| Conversion | (8,283) | (6,196) | (7,562) | — | (22,041) |
| Liability component at 31 December 2010 | — | — | — | 540,768 | 540,768 |
| Effective interest | 15.26% | 13.03% | 9.19% | 9.86% | |

## 28 CONVERTIBLE NOTES *(Continued)*

Notes:

(a) The fair value of the liability component at the date of the issue of the convertible notes was calculated using a market interest rate for an equivalent non-convertible notes. The residual amount, representing the value of the equity conversion component, is included in the convertible notes equity reserve. All convertible notes are denominated in Hong Kong dollar.

(b) On 22 April 2010, 9 June 2010 and 20 October 2010, the Company issued convertible notes which bear interest at 3% per annum and due on 7 November 2011 in the principal amount of HK$10,000,000, HK$7,000,000 and HK$8,000,000, respectively, and are convertible into fully paid shares, with par value of HK$0.1 each of the Company. The convertible notes are convertible into shares of the Company at a conversion price of HK$0.595 per share at any time after date of issuance of the note up to 7 November 2011. The notes are redeemable at any time at 105% of the principal amount, subject to the terms governing the convertible notes. Unless previously redeemed, converted or purchased and cancelled, the notes will be redeemed on the maturity date on 7 November 2011 at the principal amount together with interest accrued thereon.

All convertible notes, which have an aggregated principal amount of HK$25,000,000, have been fully exercised during the year (Note 31(b)).

(c) On 25 October 2010, the Company issued convertible note in the principal amount of HK$850,000,000 (of which its fair value at the issuance date is approximately HK$1,938,002,000) as part of the consideration for the acquisition of solar energy business (Note 34). The convertible note is interest free and is convertible into shares of the Company at a conversion price of HK$0.538 per share at any time up to the maturity date on 24 October 2015, except for during a lock-up period from the date of issuance to 31 December 2011. Upon mutual agreement between the note holder and the Company, the Company may redeem the outstanding principal amount of the convertible note or any part thereof at a price equal to 100% of such relevant outstanding principal amount of the convertible note at any time prior to such maturity. Unless previously redeemed, converted or purchased and cancelled, the notes will be redeemed on the maturity date on 24 October 2015 at the principal amount.

(d) The fair values of the convertible notes classified under liabilities are approximate to its carrying amounts.

## 29 PROVISION FOR LONG SERVICE PAYMENTS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **2,136** | 2,919 |
| Reversal of provision | **(223)** | (783) |
| At 31 December | **1,913** | 2,136 |

The amount payable is determined by BMI Appraisals Limited, an independent actuary.

## 30 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions. The net movement in the deferred tax assets and liabilities is as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **—** | — |
| Acquisition of subsidiaries *(Note 34)* | **30,830** | — |
| Credited to income statement | **(237)** | — |
| At 31 December | **30,593** | — |

The movement in deferred tax liabilities during the year is as follows:

| | **Accelerated tax depreciation** | **Fair value gains** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2009, 31 December 2009 and 1 January 2010 | 91 | — | 91 |
| Acquisition of subsidiaries *(Note 34)* | — | 30,830 | 30,830 |
| Credited to income statement | — | (237) | (237) |
| At 31 December 2010 | 91 | 30,593 | 30,684 |

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deferred tax liability to be recovered after more than 12 months | **29,263** | — |
| Deferred tax liability to be recovered within 12 months | **1,421** | 91 |
| | **30,684** | 91 |

## 30 DEFERRED TAXATION *(Continued)*

The movement in the deferred tax assets in relation to tax losses during the year is as follows:

| | *HK$'000* |
|---|---|
| At 1 January 2009, 31 December 2009 and 1 January 2010 | 91 |
| Credited to income statement | — |
| At 31 December 2010 | 91 |

Deferred tax asset is expected to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised deferred tax assets of HK$15,293,000 (2009: HK$13,355,000) in respect of tax losses of HK$92,685,000 (2009: HK$80,940,000).

## 31 SHARE CAPITAL

| | **Company** | | | |
|---|---|---|---|---|
| | **Number of shares** | | **Share capital** | |
| | **2010** | 2009 | **2010** | 2009 |
| | | | ***HK$'000*** | *HK$'000* |
| **Ordinary shares of HK$0.1 each** | | | | |
| Authorised: | | | | |
| At 1 January | **1,000,000,000** | 1,000,000,000 | **100,000** | 100,000 |
| Increase in authorised share capital *(Note (a))* | **4,000,000,000** | — | **400,000** | — |
| 31 December | **5,000,000,000** | 1,000,000,000 | **500,000** | 100,000 |
| Issued and fully paid: | | | | |
| At 1 January | **248,840,000** | 248,840,000 | **24,884** | 24,884 |
| Issue of shares on exercise of convertible notes *(Note (b))* | **42,016,804** | — | **4,202** | — |
| Issue of shares under an open offer *(Note (c))* | **66,411,680** | — | **6,641** | — |
| Issue of shares related to a business combination *(Note (d))* | **92,936,803** | — | **9,294** | — |
| Issue of shares through placement *(Note (e))* | **280,000,000** | — | **28,000** | — |
| Issue of shares upon exercise of share options *(Note (f))* | **2,202,290** | — | **220** | — |
| At 31 December | **732,407,577** | 248,840,000 | **73,241** | 24,884 |

## 31 SHARE CAPITAL *(Continued)*

Note:

(a) Pursuant to a shareholder's resolution passed on 13 October 2010, the authorised share capital was increased from HK$100,000,000 to HK$500,000,000 by the creation of an additional 4,000,000,000 ordinary shares of HK$0.1 each.

(b) On 22 April 2010, 9 June 2010 and 20 October 2010, the Company issued convertible notes in a total principal amount of HK$25,000,000 (Note 28). During the year, the conversion rights attaching to the convertible notes have been fully exercised at an conversion price of HK$ 0.595 per share and an aggregate number of 42,016,804 shares have been issued.

(c) On 25 June 2010, the Company issued and allotted 66,411,680 shares of HK$0.1 each at a subscription price of HK$0.5 per share in connection with an open offer. The net proceeds of the open offer were approximately HK$31,987,000.

(d) On 25 October 2010, the Company issued and allotted 92,936,803 shares of HK$0.1 each as partial settlement of the consideration for the acquisition of solar energy business (Note 34).

(e) On 25 October 2010, of the Company issued 280,000,000 shares through placement with a placing price of HK$0.5 each. The net proceeds from the placement was approximately HK$137,200,000.

(f) During the year, 2,202,290 (2009: nil) shares were issued upon exercise of share options. Total proceeds were HK$1,459,000. The weighted average share price at the time of exercise was HK$1.381 per share. The related transaction costs have been deducted from the proceeds received.

(g) Share option
On 10 September 2002, at the annual general meeting, the Company adopted a share option scheme (the "Option Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies which the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. By reason of voluntary resignation or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company, otherwise than on redundancy, or because his employing company ceases to be a member of the Group, all options to the extent not already exercised shall lapse and expiry of the date shall be determined by the directors' discretion.

The total number of shares which may be issued upon exercised of all options to be granted under the Option Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalisation issue of the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in twelve-month period must not exceed 1% of the issued share capital of the Company.

Option granted under the Option Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the shares under the Option Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the highest of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

## 31 SHARE CAPITAL *(Continued)*

(g) Share option (Continued)

Details of the share options granted under the Option Scheme to directors of the Company and certain employees and consultants of the Group under the Option Scheme during the year and movement in such holding during the year are as follows:

| | Date of grant | Exercisable period | Exercise price per share HK$ | Outstanding at 1 January 2009 | Granted during the year | Outstanding at 31 December 2009 and 1 January 2010 | Adjustment after the open offer | Exercised during the year | Lapsed during the year | Outstanding at 31 December 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | 21.11.2007 | 21.11.2007 to 20.11.2017 | 2.3076 | 2,407,240 | — | 2,407,240 | 27,564 | — | (2,213,458) | 221,346 |
| | 24.11.2009 | 24.11.2009 to 23.11.2019 | 0.6624 | — | 4,400,000 | 4,400,000 | 50,382 | (2,000,000) | — | 2,450,382 |
| Employees | 24.11.2009 | 24.11.2009 to 23.11.2019 | 0.6624 | — | 200,000 | 200,000 | 2,290 | (202,290) | — | — |
| Consultants | 21.11.2007 | 21.11.2007 to 20.11.2017 | 2.3076 | 1,094,000 | — | 1,094,000 | — | — | (1,094,000) | — |
| | | | | 3,501,240 | 4,600,000 | 8,101,240 | 80,236 | (2,202,290) | (3,307,458) | 2,671,728 |

Following the completion of the open offer of the Company's shares on 24 June 2010, the share exercise price of the share options granted on 21 November 2007 and 24 November 2009 have been adjusted from HK$2.334 to HK$2.3076 per share and from HK$0.67 to HK$0.6624 per share respectively.

The fair values of the share options granted on 21 November 2007 and 24 November 2009 were calculated using Trinomial Option Pricing Model and Black-Scholes Model respectively. The significant inputs into the models were as follows:

| | 24 November 2009 | 21 November 2007 |
|---|---|---|
| Closing share price at the date of grant | HK$0.670 | HK$2.250 |
| Exercise price | HK$0.670 | HK$2.334 |
| Expected volatility (i) | 55.37% | 81.22% |
| Option life | 10 years | 10 years |
| Risk-free rate | 1.33% | 3.51 % |
| Expected dividend yield | 0% | 0% |
| Fair value per share option | HK$0.2865 | HK$0.4345 |

(i) For share option granted on 21 November 2007, due to the unsuccessful takeover bid on the mining companies in October 2007, the extraordinary volatile period of time was excluded when determining the expected volatility above. Volatility of the underlying Company's share price was estimated by the average annualised standard deviations of the continuously compounded rates of return on the underlying asset's share price quoted by Bloomberg.

For share option granted on 24 November 2009, volatility of the underlying Company's share price was estimated by the historical volatilities of the Company over the expected option period as input for the Black-Scholes Model as extracted from Bloomberg.

(h) Call options

On 25 September 2007, the Company issue to independent placees 40,026,000 call options at an option issue price of HK$0.1 for each option. The option period is 18 months commencing from the date of granting of the options. Upon exercise of each option the placees will be able to subscribe for one share of par value HK$0.10 each in the Company at an initial subscription price of HK$2.80. A sum representing 10% of the subscription price has been received by the Company from the placees upon signing of the options agreements as deposit and partial payment of the subscription price for the subscription shares which is non-refundable. The proceeds of issue of call options, including the non-refundable deposits received, of HK$11,607,000 was credited to the call option reserve. Transaction expenses of HK$270,000 were incurred for the issue of call options.

All call options were expired during year ended 31 December 2009 and no options were exercised. The entire call option reserves of HK$11,337,000 as at the date of expiry was transferred to accumulated losses.

## 32 RESERVES OF THE COMPANY

| | Share premium HK$'000 | Call options reserve HK$'000 | Share options reserve HK$'000 | Convertible note equity reserve HK$'000 | Contributed surplus (Note) HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2009 | 70,453 | 11,337 | 1,521 | — | 32,051 | (84,609) | 30,753 |
| Total comprehensive income | | | | | | | |
| Loss for the year | — | — | — | — | — | (23,157) | (23,157) |
| Transactions with owners | | | | | | | |
| Share based payments *(Note 31(g))* | — | — | 1,318 | — | — | — | 1,318 |
| Call options lapsed *(Note 31(h))* | — | (11,337) | — | — | — | 11,337 | — |
| Total transactions with owners | — | (11,337) | 1,318 | — | — | 11,337 | 1,318 |
| Balance at 31 December 2009 and 1 January 2010 | 70,453 | — | 2,839 | — | 32,051 | (96,429) | 8,914 |
| Total comprehensive income | | | | | | | |
| Loss for the year | — | — | — | — | — | (22,913) | (22,913) |
| Transactions with owners | | | | | | | |
| Issue of convertible notes *(Note 28)* | — | — | — | 1,409,593 | — | — | 1,409,593 |
| Conversion of convertible notes *(Note 31(b))* | 20,585 | — | — | (2,746) | — | — | 17,839 |
| Issue of shares under an open offer *(Note 31(c))* | 25,339 | — | — | — | — | — | 25,339 |
| Issue of shares related to business combination *(Note 31(d))* | 115,242 | — | — | — | — | — | 115,242 |
| Issue of shares through placement *(Note 31(e))* | 109,150 | — | — | — | — | — | 109,150 |
| Issue of shares upon exercise of share options *(Note 31(f))* | 1,239 | — | — | — | — | — | 1,239 |
| Share option lapsed | — | — | (2,050) | — | — | 2,050 | — |
| Total transactions with owners | 271,555 | — | (2,050) | 1,406,847 | — | 2,050 | 1,678,402 |
| Balance at 31 December 2010 | 342,008 | — | 789 | 1,406,847 | 32,051 | (117,292) | 1,664,403 |

Note:

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium account.

## 33 CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash used in operations

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Operating activities: | | |
| Loss before income tax expense | **(13,832)** | (24,432) |
| Adjustments for: | | |
| Amortisation of land use rights | **494** | — |
| Amortisation of intangible assets | **1,461** | — |
| Deprecation of property, plant and equipment | **6,764** | 2,360 |
| (Gain)/loss on disposal of property, plant and equipment | **(29)** | 116 |
| Fair value gain on investment property | **(400)** | (1,800) |
| Provision for/(reversal of) obsolescence of inventories | **703** | (4,412) |
| Reversal of long service payments | **(223)** | (783) |
| Equity settled share-based payment expenses | **—** | 1,318 |
| Interest income | **(170)** | (2) |
| Interest expense | **11,098** | 110 |
| Operating profit/(loss) before working capital changes | **5,866** | (27,525) |
| Changes in working capital (excluding the effects of acquisition) | | |
| — Inventories | **(42,765)** | 3,787 |
| — Trade receivables, deposits and prepayments | **(7)** | (1,388) |
| — Other loan receivable | **28,200** | — |
| — Trade payables, other payables and accruals | **(1,748)** | 3,923 |
| Cash used in operations | **(10,454)** | (21,203) |

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net book amount *(Note 15)* | **77** | 116 |
| Gain/(loss) on disposal of property, plant and equipment | **29** | (116) |
| Proceeds from disposal of property, plant and equipment | **106** | — |

### (b) Non-cash transactions

The principal non-cash transactions are the issue of shares and convertible notes as part of the consideration for the acquisition of Solar Energy business as discussed in note 34.

## 34 BUSINESS COMBINATIONS

In order to diversify the Group's business and capture the rapidly growing renewable energy market, on 25 October 2010, the Group acquired the entire equity interests of Jolly Wood Limited and City Mark Holdings Limited, which are investment holding companies and jointly hold 100% equity interest in Goldpoly International Limited ("Goldpoly"). The principal activities of Goldpoly are manufacturing, sale and provision of subcontracting services of solar energy related products (the "Solar Energy business").

Set out below is the calculation of goodwill. The estimated fair value of consideration is approximately HK$2,163 million which is satisfied by cash, issuance of shares of the Company and convertible notes.

| | HK$'000 |
|---|---|
| Consideration: | |
| Cash | 100,000 |
| Issuance of 92,936,803 shares | 124,535 |
| Convertible notes | 1,938,002 |
| Total consideration | 2,162,537 |
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Property, plant and equipment | 356,149 |
| Investment property | 5,864 |
| Land use rights | 135,114 |
| Intangible asset — unfinished sales contracts | 10,227 |
| Other assets | 103,034 |
| Cash and bank balances | 119,777 |
| Pledged bank deposits | 31,670 |
| Other liabilities | (228,730) |
| Bank borrowings | (84,526) |
| Deferred tax liabilities | (30,830) |
| Total identifiable net assets | 417,749 |
| Goodwill | 1,744,788 |

Based on the acquisition agreements, the consideration is subject to adjustment if the average annual profit generated from the solar energy business for the years ended 31 December 2010 and 2011 is less than HK$80 million, in which case the consideration would be reduced based on a formula set out in the agreements and the seller would pay the Group for the reduced amount. Based on management's assessment, there would probably be no adjustment to the consideration and therefore, no contingent consideration receivable has been recognised when determining the total consideration for the acquisition.

## 34 BUSINESS COMBINATIONS *(Continued)*

The fair value of shares and convertible notes issued in connection with the acquisition is determined as at the date of completion on 25 October 2010.

The above goodwill is attributable to Goldpoly's strong position in the renewable energy industry and its profitability, acquired workforce (technicians and skilled workers), which cannot be separately recognised as intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue included in the consolidated income statement since 25 October 2010 (date of completion) to 31 December 2010 contributed by the Solar Energy business was HK$124,744,000 and it contributed a profit of HK$21,861,000 in the same period.

Had the Solar Energy business consolidated from 1 January 2010, the consolidated income statement would show revenue of HK$590,382,000 and a profit of HK$71,576,000, excluding disposal loss incurred through group restructuring as a condition precedent to the acquisition.

The acquisition-related costs of HK$12,526,000 have been included in the administrative expenses in the consolidated income statement for the year ended 31 December 2010.

## 35 COMMITMENTS

### (a) Capital commitments for property, plant and equipment and leasehold land and land use rights:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted but not provided for | | |
| Property, plant and equipment | **233,168** | — |
| Land use rights | **10,211** | — |
| | **243,379** | — |

### (b) Commitments under operating leases

At 31 December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases for leasehold land and property, plant and equipment as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **26,069** | 22,516 |
| After one year but within five years | **17,814** | 20,132 |
| | **43,883** | 42,648 |

## 35 COMMITMENTS *(Continued)*

### (c) Future operating lease receivables

At 31 December 2010, the Group had future aggregate lease receivables under non-cancellable operating leases for investment property as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **373** | 180 |

## 36 RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions at 31 December 2010 are as follows:

### (a) Key management compensation

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other short-term employee benefits | **7,585** | 8,197 |

## 37 COMPARATIVE FIGURES

Certain comparative figures have been reclassified within consolidated income statement to conform with the current year's presentation.

## 38 SUBSEQUENT EVENT

On 7 February 2011, the Company issued 125,370,000 shares at a price of HK$1.45 each in a share placement. The net proceeds from the placement are approximately HK$179,800,000.